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Sub-Committee on Trade  
of Least-Developed Countries  
Ninth Meeting  
11 February 1988

RECENT DEVELOPMENTS RELATING TO TRADE INTERESTS  
OF LEAST-DEVELOPED COUNTRIES

Note by the Secretariat

1. This note reviews recent developments relating to the trade interests of least-developed countries. Section I contains a short outline of recent measures taken in favour of least-developed countries. An annex to this note up-dates information on various commercial policy measures taken in recent years in favour of least-developed countries. Section II contains a short summary of recent GATT technical assistance activities involving least-developed countries.

2. Further information on GATT activities relevant to trade interests of developing countries, including the least-developed countries, is available in the various documents<sup>1</sup> and notifications relating to the implementation of Part IV of the General Agreement and of the provisions of the Enabling Clause.

SECTION I

Recent measures in favour of the least-developed countries

3. Following the designation of Kiribati, Mauritania, Tuvalu and Vanuatu by the United Nations General Assembly in 1986 and of Burma in 1987 as least-developed countries a number of preference donor countries effected changes in their lists of least-developed countries eligible for special treatment in their GSP schemes. Austria has added Kiribati, Mauritania and Tuvalu to its list with effect from 1 April 1987, and Japan has similarly added Mauritania and Vanuatu to its list. With effect from 15 July 1987 Norway has added Kiribati, Mauritania, Tuvalu and Vanuatu to its list<sup>2</sup> of least-developed countries. The five countries mentioned above are included in the list of countries eligible for the GSP scheme of the United States. Czechoslovakia added Equatorial Guinea and Djibouti to its list with effect from 13 April 1987.

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<sup>1</sup>Recent notifications under Part IV and the Enabling Clause: Canada L/4027/Add.24; New Zealand L/4366/Add.19; Austria L/4108/Add.16-28; Norway L/4242/Add.27; Czechoslovakia L/3703/Add.6; Sweden L/4472/Add.5; Hungary L/5141/Add.5; Switzerland L/4020/Add.14; Japan L/4531/Add.14,15; United States L/5153/Add.8,9.

<sup>2</sup>Norway has notified on 27 November 1987 that following the designation of Burma as a least-developed country by the United Nations General Assembly on 10 October 1987, it will add this country to its list of least-developed countries enjoying special treatment under its GSP scheme.

4. In its 1987 GSP scheme the EEC has extended the product coverage in the agricultural sector providing special treatment for the least-developed countries to include frozen strawberries (ex 08.10), grape juices (ex 20.07) and pineapple juices (ex 20.07). Japan has notified its intention to add yarn of jute (57.06) to its list of products eligible for duty- and ceiling-free treatment in favour of the least-developed countries with effect from 1 April 1989. As a result of changes introduced into its GSP scheme effective 1 February 1987 all imports into Sweden originating in the least-developed countries enjoy duty-free treatment, provided that notification procedures under the Swedish scheme have been fulfilled. This measure applies to all the forty countries included in the UN list of least-developed countries at the time of the Swedish notification.

## SECTION II

### Technical assistance

5. Over the past two years, least-developed countries have benefited from the technical assistance activities of the GATT ranging from national and regional seminars, country studies to commercial policy courses. A national seminar was organized for Bangladesh in 1986 and 1987; a regional seminar organized for the ECOWAS in October 1986 was attended by member countries including Sierra Leone, Mali, Burkina Faso, Benin, Guinea, Guinea Bissau, Cape Verde, Mauritania, and Togo, all least-developed countries. Similarly, a regional seminar on the Uruguay Round organized in April 1987 was attended by Tanzania. The GATT also participated in a seminar organized by UNCTAD in September 1986 on the external trade of french-speaking least-developed countries, which was attended by all such countries as well as by Guinea-Bissau, Sao Tome and Principe, and Equatorial Guinea. The Technical Co-operation Division of the GATT also organized in the course of June-July 1987 a briefing workshop for a Commonwealth regional consultative group on trade which was attended by a number of countries including Bangladesh, Kiribati, Maldives, and Samoa.

6. In the course of 1986 and 1987, country studies and trade policy data were prepared for a number of countries and regional groupings embracing least-developed countries; those involved were Haiti, ACP countries, ECOWAS and PTA countries in 1986; Tanzania, Rwanda and Mauritania in 1987. It must also be added that participants from least-developed countries both contracting and non-contracting parties regularly attend the commercial policy courses run by the GATT.

ANNEX 1Special commercial policy measures in favour  
least-developed countries

7. The information below concerns measures taken in past years and already reported in earlier documentation prepared for the meetings of the Sub-Committee on Trade of Least-Developed Countries.

A. Tariff and non-tariff measures

8. In the last ten years, a number of developed countries have taken special commercial policy measures in favour of the least-developed countries. Most of these actions have taken the form of preferential tariff treatment, often in the framework of GSP schemes or of m.f.n. concessions, while others have been in the area of non-tariff barriers. As of now, thirteen countries and a major regional group of countries have provided specific differential measures in favour of least-developed countries; they are: Austria, Bulgaria, Canada, Czechoslovakia, the EEC, Finland, Hungary, Japan, New Zealand, Norway, Poland, Sweden, Switzerland and the United States, all of which are contracting parties with the exception of Bulgaria. This note attempts to take stock of the present situation with regard to preferential measures in favour of least-developed countries and does not cover more wide-ranging measures affecting all developing countries.

Austria

9. Austria introduced its special tariff treatment for least-developed countries on 1 January 1982 under the Customs Preference Act 1982. Industrial products (CCCN Chapters 25-99) originating in least-developed countries enjoy, under the Act, duty-free treatment across the board except for textiles which are chargeable at 50 per cent of the applicable m.f.n. rates.

10. Imports from least-developed countries of agricultural products (CCCN Chapters 1-24) included in the Austrian GSP scheme enjoy duty-free treatment in most cases. In many other cases a substantially lower preferential rate is applied. In a few other cases however, least-developed countries are subject to ordinary GSP rates e.g., 06.01B ex 2 - flower tubers; 08.03 - figs; ex 08.05 - walnuts, edible chestnuts; ex 09.10D - other spices; 11.04 ex B - flour of bananas; 18.05 - cocoa powder unsweetened, etc.

11. The Austrian government put into force as of 1 January 1985 the following improvements in its GSP scheme in favour of the least-developed countries:

- ex 09.04 - pepper of the genus piper, ground or otherwise crushed  
- 4 per cent (previously 9 per cent)

- ex 09.09.B1 - seeds of anise, fennel, coriander, cumin, caraway and juniper, ground or otherwise crushed - 2 per cent (previously 4 per cent)
- ex 09.10B - saffron, ground or otherwise crushed - 0 per cent (previously 4 per cent)
- ex 09.10C - ginger, ground or otherwise crushed - 4 per cent (previously 9 per cent)

12. Effective 1 January 1986 Vanuatu was added to the Austrian list of least-developed countries. With effect from 1 April 1987, Austria added Kiribati, Mauritania and Tuvalu to its list of least-developed countries, bringing the number of such countries enjoying special treatment under its GSP to forty.

13. With effect from 1 September 1984 duty-free treatment has been granted to imports of textile handicrafts originating in least-developed countries, which have so far enjoyed only a 50 per cent duty reduction. Under the Austrian handicraft<sup>1</sup> scheme the textile schedule covers twenty-six tariff headings. For the non-textile articles, duty-free treatment is provided for imports from all beneficiary countries.

#### Canada

14. In December 1982 legislation was passed by the Canadian Parliament to provide duty-free entry for all goods eligible for General Preferential Tariff when imported from least-developed countries. On 13 January 1983, an Order in Council was passed designating thirty-one countries as least-developed. This list was increased to thirty-six by the addition of five other countries in 1984.<sup>1</sup> An amendment to the General Preferential Tariff Rules of Origin Regulations on 13 January 1983 increased the foreign material content limit on eligible exports from least-developed countries to 60 per cent and allowed for cumulative origin among least-developed countries.

15. In June 1984 parliament approved legislation extending the Canadian General Preferential Tariff for a further ten years to 30 June 1994 and in August an Order in Council amended the rules of origin regulations of the Canadian GSP to allow for the implementation of global cumulative origin among beneficiary countries to meet the content requirements of the Canadian system of tariff preferences on imports from developing countries.

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<sup>1</sup>Handicraft products are defined in Austrian law as products the major part of which is handmade; however, the use of machine-made raw materials for the production of handicraft goods is not generally excluded. When using machines or apparatus in the production, only products for which manpower is used as source of power can be classified as handicraft products. The use of other sources of energy, especially hydropower or electric energy, would preclude such classification. It should also be recalled that preferential tariff rates for handicrafts are applied only to imports from the developing countries which have concluded bilateral agreements with Austria to this effect. Least-developed countries which have concluded such an agreement are Afghanistan, Bangladesh, Malawi, Nepal and Rwanda.

Czechoslovakia

16. Under the GSP scheme of Czechoslovakia, all imports from least-developed countries are fully exempted from customs duties. By a Decree which entered into force in May 1984 the number of beneficiaries which was then twenty-seven was increased to thirty-two. This was further increased to thirty-four<sup>2</sup> by a Decree which took effect from 13 April 1987.

EEC

17. Since 1981 the EEC has instituted special measures in their GSP scheme in favour of the least-developed countries. All industrial goods covered by the scheme including textiles are admitted duty-free without ceiling or quota. Similarly all agricultural product imports covered by the scheme are given duty-free treatment, with imports of tobacco and pineapple being subject to quota. In the GSP scheme for 1983 an addition of 370 products to the list of agricultural products for which least-developed countries could have duty-free access brought the list to over 700. Thus, least-developed countries receive, for practically all dutiable agricultural products not further protected by a levy or similar device, terms of access broadly equivalent to those of the ACP countries under the Lomé Agreement. The special GSP treatment applies, at present, to all forty least-developed countries on the UN list.

18. GSP duty-free treatment for imports of jute and jute products, which had previously been accorded to imports originating in India, Bangladesh and Thailand has been extended to Nepal and other least-developed countries. Similarly, duty-free treatment for coir products imported from India and Sri Lanka has been extended to imports from least-developed countries.

19. In the EEC<sup>3</sup> 1987 GSP scheme for agricultural products the coverage, with regard to the least-developed countries, was extended to include three more products, namely: frozen strawberries (ex08.10); grape juices (ex20.07); and, pineapple juices (ex20.07).

Finland

20. The GSP scheme of Finland includes, since 1 January 1980, special treatment in favour of least-developed countries. Under this treatment certain products which are otherwise not granted GSP treatment are covered

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<sup>1</sup>The countries concerned were Djibouti, Equatorial Guinea, Sao Tome and Principe, Sierra Leone and Togo.

<sup>2</sup>Countries on the UN list not enjoying special treatment from Czechoslovakia are Kiribati, Malawi, Mauritania, Somali, Tuvalu, Vanuatu.

<sup>3</sup>Effective 1987, the EEC has established a new compensatory payment facility in favour of least-developed countries not signatory to the Lomé Convention III. Similar to the STABEX the new COMPEX compensates for shortfalls in export of selected agricultural commodities to the EEC.

by GSP concessions when imported from least-developed countries. The products concerned as in 1987 are the following:

- ex 07.05 - other leguminous vegetables, than peas and beans, of a kind suitable for human consumption.
- ex 08.04 - grapes - fresh
- ex 09.01 - Coffee - unroasted
- ex 20.06 - prepared or preserved fruit mixtures and Brazilian nuts and cashew nuts - roasted
- ex 21.02 - coffee extracts
- 41.03 - sheep and lambskin leather
- 41.04 - goat and kidskin leather
- 42.02 - shopping bags made of jute
- ex 58.02 - carpets with a surface of jute and or other textile bast fibres and/or manila hems, or of sisal and or other fibres of the agave family
- 61.05 - handkerchiefs
- 62.02 - hanging flower pot made with macramé-technique
- 97.02 - dolls
- ex 97.05 - carnival and entertainment articles

21. It may be recalled that under the Finnish GSP scheme goods eligible for GSP treatment enjoy total exemption from import duties and import levies as well as import quotas, ceilings or other quantitative restrictions. The special treatment in favour of the least-developed countries applies to all forty countries on the current UN list (1987).

22. Under its GSP scheme Hungary extends a general quota and duty-free treatment to all products imported directly from least-developed countries. This measure which first came into effect on 1 January 1978 and affected twenty-six countries has been extended by subsequent legislations to cover most least-developed countries.

23. Since 1980 imports into Japan of exports from least-developed countries have enjoyed special tariff treatment within the framework of the Japanese GSP scheme. This special treatment currently applies to thirty-four least-developed countries. By virtue of this, duty-free and ceiling-free tariff treatment has been given to these countries with respect to all products covered by the Japanese GSP scheme with only three exceptions. As at the end of 1984 the three exceptions were as follows:

		<u>GSP</u>	<u>LDC treatment (1984)</u>
15.15-2	beeswax	7.5% (under ceiling)	7.5% (under ceiling)
57.06	jute yarn	4% (under ceiling)	4% (under ceiling)
57.10	jute fabrics	8% (under ceiling)	0% (under ceiling)

24. With effect from 1 April 1985 ceiling limitations on duty-free treatment for least-developed countries with regard to woven fabrics of jute or of other textile bast fibres (CCCN 57.10) imported into Japan were eliminated. With regard to yarn of jute (57.06) mentioned above, Japan has indicated its intention of adding it to the list of products eligible for special treatment in favour of the least-developed countries, with effect from 1 April 1989. This implies that it will enjoy a duty- and ceiling-free access to the Japanese market.

25. The government of New Zealand announced on 24 December 1984 certain changes which were to be made to its GSP scheme effective from 1 July 1985. These changes were made in the context of a wide-ranging programme of industry restructuring and liberalization of the country's import policy by the replacement of import licensing with a system based on tariffs.

26. The changes include the provision of duty-free access for all products for all least-developed countries (as defined by the United Nations). According to the communication -

"...there is provision for limited exceptions to be made to this measure as part of the transitional adjustment process for the liberalization of New Zealand's import regime. Any exclusions<sup>1</sup> will be very few in number and the final aim of this change is to make all tariff items duty-free for LLDCs. The New Zealand Government considers that this measure is a positive and necessary response to the invitation to all Contracting Parties at the 1982 Ministerial Meeting to: 'further improve GSP or m.f.n. treatment for products of particular export interest to least-developed countries, with the objective of providing fullest possible duty-free access to such products'."

27. It may also be recalled that the New Zealand GSP scheme has a provision for cumulative rules of origin and contains no specific safeguard mechanism.

28. Since 1978 all exports of least-developed countries into Norway enjoy duty-free access under the Norwegian GSP scheme regardless of whether they are covered by the positive or negative list applicable to other beneficiaries. No quantitative ceilings are attached to this duty-free treatment. The Norwegian GSP scheme also includes the principle of cumulative treatment regarding rules of origin. Imports are, however, not exempt from any general quantitative restrictions or import charges imposed by the Norwegian authorities. With effect from 15 July 1987, all the forty countries on the UN list of least-developed countries are covered by the special preferential scheme of Norway.

29. The revised GSP scheme of Poland which entered into force on 1 January 1981 for a period of five years accorded duty-free treatment to all exports from the least-developed countries. This measure has been extended for another five years.

30. As a result of changes introduced into the Swedish GSP scheme with effect from 1 February 1987, all imports originating in all the forty least-developed countries are accorded duty-free treatment provided that the notification procedure under the Swedish scheme has been fulfilled.

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<sup>1</sup>The exceptions from this action covered baler twine (ex59.04) and certain items falling within Schedule 3 of SPARTECA, including passion fruit products (ex08.10); coconut cream (ex21.07), lime juice (ex20.07), articles of apparel (ex chapter 61), and footwear (ex chapter 64).

31. Since July 1982 exports from the least-developed countries into Switzerland enjoy special tariff treatment within the framework of the GSP. Duty-free treatment is accorded to exports of industrial products for which other developing countries are granted only limited preferences namely: textiles and clothing (chapters 50-63 of the CCCN); footwear with outer soles of leather and composition leather, footwear (other than footwear falling within heading 64.01) with outer soles of rubber or artificial plastic material (CCCN 64.02); umbrellas (CCCN ex 66.01); unwrought aluminium (CCCN 76.01); and primary cells and batteries (CCCN 85.03). This means that now all the industrial products of chapters 25-99 are free of customs duties, with the sole exception of goods subject to fiscal duties: mineral fuels CCCN headings 27.07, 27.09-11, ex 29.01, ex 29.04 and 37.07; films CCCN headings ex 38.14, ex 38.18, and ex 38.19; motor vehicles, engines and other components CCCN 87.02, 87.04 - 87.06 and ex 84.06.

32. In the agricultural sector duty-free treatment is accorded to forty-eight agricultural products of which twenty-four had not been part of the Swiss scheme of preferences. Among these agricultural products are groundnuts, cocoa powder and pineapples. The Swiss special treatment applies to all forty least-developed countries on the list of the UN in 1987.

33. The United States at the end of the Tokyo Round of Multilateral Trade Negotiations accorded least-developed countries an advanced implementation of its tariff concessions. The Government of the United States has passed a Trade and Tariff Act (1984) under which least-developed countries are exempted from the competitive need rule in its GSP scheme. The law extends the US GSP scheme until 4 July 1993 with some modifications. It may be recalled that duty- and quota-free treatment is granted on all products covered by the United States GSP scheme.

#### B. Import Promotion Measures

34. One of the guidelines on how to pursue actions toward facilitating trade of least-developed countries, adopted by CONTRACTING PARTIES and annexed to the Ministerial Declaration of 1982 speaks of the need to strengthen trade promotion activities by, among other things, the establishment of import promotion offices in importing countries. Certain measures in this direction have been taken by some importing countries.

35. Canada informed (COM.TD/LLDC/7) that a Canadian Trade Facilitation Office had been set up under the auspices of the Canadian International Development Agency, with the function, inter alia, of identifying specific companies in Canada who would be interested in buying from producers in the least-developed countries.

36. Hungary notified (COM.TD/LLDC/9) that the Hungarian Chamber of Commerce had set up a special section to deal with the promotion of imports from the least-developed countries and that special rates have been introduced subsidizing 70 per cent of the cost of least-developed countries participation in trade fairs and exhibitions in Hungary.

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<sup>1</sup>The beneficiaries under the US GSP scheme include 36 countries which are on the UN list of 40 least-developed countries (1987).



37. In Norway, the Office for the Promotion of Imports from Developing Countries (NORIMPOD) has the function of promoting imports from developing countries including the least-developed (COM.TD(LLDC/6). In the Netherlands, the Ministry of Foreign Affairs has under it a Centre for the Promotion of Imports from developing countries.

#### C. Rules of Origin

38. Some developed countries have taken certain measures with regard to the rules of origin element of their GSP schemes, in response to requests for more differential action, in this area, in favour of the least-developed countries. Canada employs the value-added criterion in determining the origin for the purposes of its GSP scheme and the minimum value addition required, i.e. 40 per cent of the ex-factory value for least-developed countries, as compared with 60 per cent for other GSP beneficiaries.<sup>1</sup> Canada also allows cumulative origin globally among all GSP beneficiaries.

39. In the case of the EEC a system of derogation is used by which the EEC examines<sup>2</sup> on a case-by-case basis, requests by least-developed countries for country waivers from the rules of origin of the Community GSP system. The overall orientation of the work in the UNCTAD Working Group on Rules of Origin tends towards greater simplification and harmonization. At the Tenth Session of the Working Group, preference-giving countries expressed their willingness to give sympathetic consideration to "particular difficulties encountered by preference-receiving least-developed countries".

#### D. Other commercial policy measures in favour of the least-developed countries - MTN codes

40. Some of the codes and agreements on non-tariff measures negotiated in the Tokyo Round of multilateral trade negotiations, such as the Agreement on Government Procurement, the Agreement on Technical Barriers to Trade and the Agreement on Import Licensing Procedures, contain provisions on special and differential treatment for developing countries in general as well as specific objectives and commitments relevant to the interests of least-developed countries.

41. In the Agreement on Government Procurement provisions in paragraph 1 and 2 of Article III on special and differential treatment for developing countries, enjoins parties to take into account in the implementation and administration of the Agreement the development, financial and trade needs

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<sup>1</sup>The principle of cumulative origin applied globally among all GSP beneficiaries is also incorporated in the schemes of Australia, New Zealand, Norway and the United States. The EFTA preference-giving countries said at the 10th session of the UNCTAD Working Group on rules of origin that they would consider requests for regional cumulative arrangements.

<sup>2</sup>In January 1984, it was announced that an accelerated procedure was being introduced for this exercise.

of developing countries, in particular the least-developed countries. Parties are also enjoined, in the preparation and application of laws, regulations and procedures affecting government procurement, to facilitate increased imports from developing countries, bearing in mind the special problems of the least-developed countries and of those countries at low stages of economic development. Paragraphs 11 and 12 of this Article concern special treatment for least-developed countries. Paragraph 11 provides that such treatment shall be granted to least-developed country Parties and the suppliers in those countries with respect to products originating in those countries. The benefits of the Agreement may also be granted to suppliers in least-developed countries which are not Parties with respect to products originating in them. Paragraph 12 provides that developed country Parties shall, upon request, provide certain forms of technical assistance which they may deem appropriate to least-developed countries.

42. The United States indicated in 1981 that it was making available the code benefits to least-developed countries which are not Parties to the Agreement. Canada also announced in the course of 1981 its intention to extend unilaterally the benefits of the Agreement to a number of least-developed countries. Similarly, the EEC decided in January 1983 to extend the benefits of the Agreement to least-developed countries. Most other developed countries do so on a de facto basis. Over the years, a number of developed countries have declared their readiness to consider requests for technical assistance from developing countries, and especially from the least-developed countries designed to enlarge possibilities for deriving concrete advantages from the operation of the Agreement.

E. The MFA and the least-developed countries

43. The Arrangement Regarding International Trade in Textiles generally known as the Multifibre Arrangement which was extended for a further period from 1 August 1986 to 31 July 1991 contains a provision in its new Protocol indicating that more favourable treatment shall be given to exports from least-developed countries, small suppliers and new entrants. The Article in question provides, inter alia, that:

"Restraints shall not normally be imposed on exports from small suppliers, new entrants and least-developed countries."

44. If circumstances oblige the importing country to introduce restraints on exports from the least-developed countries, the treatment accorded to these countries should be significantly more favourable than that accorded to the other groups referred to in the paragraph, preferably in all its elements but, at least, on overall terms.

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<sup>1</sup>This favourable treatment is applicable only to least-developed countries which are parties to the MFA. presently these are Bangladesh, Haiti, and the Maldives.