

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Trade and Development
Fifty-Second Session
5 June 1984

DRAFT PROCEEDINGS OF THE FIFTY-SECOND SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Fifty-Second session on 5 June 1984 under the Chairmanship of H.E. Ambassador Chew Tai Soo (Singapore).

2. The Committee adopted the provisional agenda outlined in airgram GATT/AIR/2002 and document COM.TD/W/404.

Item (i) Review of the progress of consultations and appropriate negotiations on tropical products

3. The Chairman recalled that the second round of consultations, in pursuance of the Ministerial Decision in regard to consultations and appropriate negotiations aimed at further liberalization of trade in tropical products, took place in May this year. A secretariat note reproducing the Chairman's observations in regard to these consultations and briefly summing up the reactions of delegations to the Chairman's remarks was before the Committee (COM.TD/W/405). A more detailed secretariat note on the proceedings of these consultations was being made available to the participating delegations in document Spec(84)27. In summing up the proceedings of this round of consultations, he had expressed the view that under present circumstances the process of informal

consultations had been carried as far as possible. Delegations at the consultations appeared generally to share this view. It now remained for the Committee to consider how work in this area might be carried forward. In particular, the Committee would need to consider the questions of "appropriate negotiations" aimed at further liberalization of trade in tropical products, as called for in the Ministerial Decision. The Committee will also need to consider the nature and content of the report to be submitted to the CONTRACTING PARTIES at their next session for their "review of the progress achieved in eliminating or reducing existing obstacles to trade in tropical products".

4. Representatives of a number of developed countries observed that the consultations on tropical products had been extremely useful in that they had helped to clarify the existing situation and to identify the specific interests and concerns of the developing exporting countries in this sector in relation to various developed country markets. The consultations had also brought out a clearer picture of the very considerable trade liberalization that had been achieved in this sector over recent years, mainly in the framework of the GSP, but also through the advanced staging of MTN tariff concessions and, in the case of the European Economic Community, through the Lome Convention and the Community's bilateral co-operation agreements with a number of developing countries. In this context, some of the representatives quoted statistics to show that a large part of exports of tropical products from developing countries already entered their markets on an unrestricted duty-free basis, or otherwise under favourable conditions. Many of these representatives observed that their authorities had made every effort to respond positively to the specific requests addressed to them. Some of them were still in the process of examining the requests and would be indicating their responses

after this process had been completed. All requests in any case remained on the table and would continue to be duly considered in the context of the annual review procedures of the respective GSP schemes of the developed importing countries.

5. The representatives of two developed countries however cautioned that the remaining problems in this sector represented the hard core, and related to products which were considered very sensitive in the markets of the developed countries. They therefore considered that it might be unrealistic to expect that much further progress could be achieved in the existing context, i.e. on a unilateral basis, in the framework of the GSP.

6. The representative of a developed country observed that the consultations had so far focussed entirely on conditions of access to developed country markets, and no attention had been paid to trade barriers limiting access of these products to developing country markets. In her view, an examination of intra-LDC trade in tropical products and the identification of existing barriers in these markets was necessary to complete the picture of existing obstacles to trade in tropical products. In this regard, she recalled that the secretariat's Paragraph 5 study had noted the increasing importance of intra-LDC trade.

7. Representatives of a number of developing countries emphasised the importance and high priority attached by developing countries to trade liberalization in tropical products and recalled that there was a long history of efforts, and commitments, to liberalize trade in this sector going back to the 1960s. In their view this was clearly in acknowledgement of the fact that since tropical products mainly and substantially originated in developing countries, including some of the least developed

countries, and did not directly compete with the domestic products of the developed countries, liberalization would be easier to achieve in this area. Tropical products had also been recognized as a special and priority sector in the Tokyo Declaration and during the Tokyo Round Multilateral Trade Negotiations. Further work on tropical products had been included in the post-MTN work programme of the GATT as part of the unfinished business from the negotiations. The Ministerial Declaration reiterated and reinforced an existing outstanding commitment. They were deeply disappointed and concerned that the three rounds of consultations held so far (the first under the Post-MTN Work Programme and the last two under the Ministerial Work Programme) had produced extremely modest and limited results, even though the Ministerial decision aimed at further liberalization of trade and elimination or reduction of existing obstacles to trade in tropical products.

8. Representatives of some developing countries further observed that they shared the assessment by the Chairman that the process of consultations had been completed and that it was necessary now to move to the stage of appropriate negotiations. However, negotiations in this particular sector could only take place on the basis of non-reciprocity.

9. The representative of a developed country observed that historically her country had agreed to reductions in its bound MFN tariff rates only in the context of negotiations involving exchange of concessions from both sides. For the present, her government did not have legislative authority to negotiate reductions in its MFN tariffs. If and when such authority was received, it was highly unlikely to be used to implement MFN tariff reductions except in exchange for trade liberalizing measures on the part of interested trading partners. She felt that developing countries that

had made requests for concessions could facilitate progress towards the negotiating process by indicating their willingness and readiness to enter into a round of exchange of concessions.

10. The representative of another developed country observed that the Ministers had given two mandates to the Committee: one on further liberalization of trade in tropical products, and the other, the Paragraph 5 decision, on expansion of trade between the developed and developing countries. A link existed between these two mandates. Clearly negotiations on tropical products would be facilitated and would achieve better results if they could be based on the solution that would eventually have to be found to the Paragraph 5 mandate. Such an approach would, of course, take much more time but the results concerning tropical products would be more significant than if negotiations on tropical products were to be undertaken separately and independently. In this latter case, the results would in all likelihood be of lesser weight and significance. The choice between these two possibilities was for the developing countries to make. His country was ready to accept either of the two approaches.

11. The representative of yet another developed country observed that they were sympathetic to the view that negotiations on tropical products should take place within the context of the Ministerial Work Programme. They were, however, not clear as to the exact meaning or implication of the expression "appropriate negotiations". They felt that clarification of questions such as the legal context of the negotiations, their time-frame, format and contents, was necessary.

12. Representatives of some other developed countries observed that for them GSP had been and remained the principal (autonomous, unilateral and

non-reciprocal) vehicle for further progress in the tropical products sector and they had not, for the time being, received or entertained any suggestions for a negotiated exchange of MFN concessions in this sector on the basis of reciprocity.

13. Representatives of a number of developing countries expressed concern in regard to suggestions such as the "folding of the negotiations on tropical products into the larger context of a next round of multilateral trade negotiations", or of linking further progress in this sector to possible future work on the Paragraph 5 mandate. They felt that these suggestions involved a serious risk of bringing to a halt progress in the implementation of the entire Ministerial Work Programme, and not only the work on tropical products. One of these representatives reiterated the view that further trade liberalization of tropical products formed part of the unfinished work which must be completed, and that unless the Work Programme was fully implemented, any new initiative such as a new round of trade negotiations in GATT, would be lacking in credibility and devoid of relevance, particularly for developing countries.

14. Representatives of some developing countries and the representative of a developed country recalled that an understanding had been reached at the last round of consultations that a summary of the requests for trade liberalization submitted by developing exporting countries in the course of the consultations on tropical products and the liberalization measures taken by the developed importing countries in this context would be made available to the Committee to facilitate its evaluation of the progress achieved so far in the implementation of the Ministerial Decision on further liberalization of trade in tropical products. These representatives felt that a more substantial debate on the implementation

of the Ministerial Decision with regard to tropical products and on the possibilities of making further progress through the process of "appropriate negotiations" would have to be deferred until the availability of such a summary statement. One of these representatives felt that it would be useful if the proposed summary statement could give a clear and complete picture of the progress achieved since after the Tokyo Round. The representative of the secretariat confirmed that such a record would soon be made available.

15. In summing up the discussions on this item the Chairman observed that the importance of further liberalization of trade in tropical products and of completing the mandate of the Ministerial Work Programme to this end was recognized by all members of the Committee. It was also recognized that further work would need to be done on the report that was to be submitted in this regard to the CONTRACTING PARTIES at their fortieth session in November. Delegations should in the meanwhile give further thought to the question of the best approach to completing the process envisaged in the Ministerial Decision.

Item (ii) Prospects for increasing trade between developed and developing countries

16. The Chairman recalled that at the Thirty-Eighth Session of the CONTRACTING PARTIES Ministers instructed the Committee on Trade and Development to carry out an examination of the prospects for increasing trade between developed and developing countries and the possibilities in GATT for facilitating this objective. The Committee had an initial exchange of views on this subject at its March 1983 session and it was agreed that the secretariat would prepare appropriate background material

for further consideration of this matter by the Committee. At its November 1983 session the Committee had before it, in document COM.TD/W/393, an outline of the background material which the secretariat proposed to present to the Committee. The Committee now had before it for consideration background material prepared by the secretariat and contained in document Spec(84)21 and Add.1.

17. In introducing the secretariat paper, the Deputy Director-General recalled that Ministers had instructed the Committee to examine both the prospects for increasing trade between developed and developing countries and also the possibilities in GATT for facilitating this objective. He pointed out that prospects for increasing trade depended both on trade policies and on other factors which fell outside the domain of trade policy. Possibilities in GATT for facilitating an increase in trade were related to the instruments, techniques and modalities available in the GATT framework. Any decisions on action which might be taken depended not only on prevailing economic conditions, but also on the political will of contracting parties and on various underlying attitudes and perceptions. The Deputy Director-General also pointed out that the secretariat note Spec(84)21 and Add.1 had been issued in preliminary form for consideration by the Committee and would be revised in the light of comments by delegations concerning technical or factual errors or omissions, especially in regard to the data provided.

18. In commenting on the secretariat document as a whole, many delegations said that it provided food for thought and a useful basis for discussion. However, time was needed to examine the document more closely and to receive comments back from capitals. For this reason, any remarks made now were to be considered of a preliminary nature, and delegations requested

that this matter remain on the agenda for future consideration by the Committee. The representative of a group of countries observed that whilst priorities may differ, with delegations stressing different aspects of the document and agreeing with certain parts of it, it was important to consider the document as a whole in a constructive spirit. He urged delegations to start balanced examination of the substantive issues raised in the paper without preconceptions or bias.

19. A number of delegations observed that the addendum to the secretariat document contained detailed information on trade flows between developed and developing countries. Amongst other things, the data showed that developing countries accounted for a growing share of world trade, although some of this increase, expressed in current price terms, was the result of higher oil prices. It was also clear that trade among developing countries had been growing more rapidly than world trade as a whole. Moreover, developing countries had become increasingly important as markets for the exports of developed countries. On the other hand, the share of developing country exports accounted for by developed countries had not shown an upward trend during the period under review, even though the latter still provided by far the most important markets for developing countries. Several delegations noted that a tendency for trade growth to exceed overall economic growth was clearly illustrative of growing interdependence among trading nations. It was in the context of this interdependence that contracting parties were concerned about growing protectionist tendencies in many countries and the implications of this for future economic growth.

20. A number of delegations observed that there were signs of recovery in certain countries. As pointed out in the secretariat note, however, it was

not clear that protectionism was abating as economies recovered. The representative of a developed country expressed the view that the apparent lack of a relationship between increased prospects for growth and a reduction in protectionist pressures should give grounds for concern to all contracting parties.

21. The representative of a developing country stated that in his view, the secretariat document should have laid more stress on the importance of structural adjustment, since an ability and willingness to allow domestic economies to adjust to new competitive realities was fundamental to future trade prospects. In this connection, passing references to rigidities and inflexibilities in developed country economies could have been developed further. For many countries, the extent to which adjustment occurred depended not only on tariff levels, but on how far countries relied on subsidies and a range of other non-tariff measures. The representatives of certain developed countries expressed the view that while structural adjustment was important, it was misleading to suggest that adjustments had not been taking place in the domestic economies of developed countries. The time scale within which such adjustments occurred was necessarily different between countries, and it was important to focus on the direction of such changes. The representative of one developed country stated that in his view it was necessary to take account of political realities when it came to discussing the possibilities for structural adjustment. It was also necessary to recognize the evolutionary nature of economic change when considering the notion of political will, which had been referred to in the secretariat note.

22. Many delegations noted that it was appropriate for the secretariat document to have considered the implications of wider macro-economic developments on trade during the period under consideration. It was important to recognize the influence of overall economic conditions, including the role of interest rates, conditions in the capital market, exchange rates, and so on, in determining past developments in international trade and prospects for further action aimed at trade liberalization. The representative of one developed country felt, however, that the secretariat note could have examined in more detail the effects of domestic fiscal and monetary policies on trade prospects.

23. A number of delegations expressed satisfaction with the treatment given to the relation between trade and finance in the secretariat document. It was clear that the economies of many countries had been severely affected by the recent recession and in the case of a number of developing countries, this was reflected, amongst other things, in the high level of external debt which they faced. There was general agreement amongst most delegations that, notwithstanding wider macro-economic questions, the solution to the problem of external indebtedness had, in the final analysis, to be found in the trading system itself.

24. In commenting upon the conclusions contained in the final paragraphs of Section III of the secretariat document, which considered possibilities in GATT for facilitating an increase in trade between developed and developing countries, the representative of a developed country stated that in her view there was a certain inconsistency between earlier observations made in the document regarding the benefits accruing from past trade liberalization efforts, and conclusions about the kind of action which could be taken at the present time to increase trade between developed and

developing countries. In the view of her authorities the document should have been more forthright in calling for liberalization measures to be taken both by developed and developing countries. In addition, this representative expressed the view that the conclusions put forward in the document did not adequately reflect the responsibility of developing countries to assume to a greater degree obligations under the GATT system as their economic situations progressed. While a certain degree of flexibility was needed for developing countries, it was essential that developing and developed contracting parties alike participate in efforts towards greater trade liberalization. The representatives of a number of other developed countries also expressed the view that within a global liberalization process, developing countries could contribute to improve prospects for trade.

25. The representative of a developing country stated that in his view it was inappropriate for the secretariat document to have referred to the possibility of the assumption by developing countries of new commitments. In his view, the document should have concentrated more on the principles of special and differential treatment and should have highlighted the non-fulfilment of commitments already undertaken by the developed countries. In this connection the delegations of many developing countries referred to the statement made by Uruguay on behalf of developing countries at the last Council meeting, contained in document L/5647, which specified concrete actions which developed countries could take immediately in order to increase the exports of developing countries. The representative of a developing country said that in his view the secretariat had exceeded its mandate by envisaging a negotiating scenario when discussing possibilities in GATT for future action aimed at further trade liberalization. He stated that the developing countries had already made their position clear on this

matter in document L/5647. Any reference to negotiations was misplaced while the commitments made in the 1982 Ministerial Declaration concerning the arrest of protectionism had yet to be fulfilled. A number of other delegations shared the view that substantive progress was required in relation to the current GATT work programme in order to create a basis for a new round of negotiations.

26. These delegations emphasized that the balance-of-payments difficulties faced by developing countries, high levels of external indebtedness, and the growing trade deficit of developing countries with their developed country partners, all pointed to a lack of developing country purchasing power. It was not protectionism on the part of developing countries which prevented them from importing more, but rather the restrictions placed by developed countries on their exports, which limited their import capacity. Any prospects for increasing trade between developed and developing countries depended crucially, therefore, on the willingness of developed countries to take trade liberalization actions. In this respect, many representatives of developing countries and a number of developed country representatives referred to the standstill and rollback commitments contained in the 1982 Ministerial Declaration, and expressed the view that little or no progress had been made in this regard. With respect to trade liberalization actions taken by developed countries, the representative of Japan pointed out that his authorities had adopted a series of trade liberalization measures of interest to developing countries, including the increase of the ceiling under the Generalized System of Preferences scheme by 55 per cent. The representative of Norway informed the Committee that his authorities had decided to discontinue their Article XIX action on a number of textile products and to join the Multifibre Arrangement with effect from 1 July 1984.

27. Many delegations referred to the importance for developing countries of special and differential treatment, as provided for in the GATT, and also referred to the need for flexibility in the context of a greater assumption by developing countries of GATT obligations. The representative of a developed country, however, expressed the view that it was important to ensure that flexibility and special and differential treatment benefitted those countries which were most in need of such provisions. Another representative of a developed country stated that in her view the importance of special and differential treatment would be diminished if various sectoral and grey-area measures were less prevalent in the trading system. Moreover, it was not always clear that preferential treatment, for example, under the GSP effectively helped developing countries to allocate resources in the most efficient manner. This representative also expressed the view that the primary responsibility for initiating moves towards greater trade liberalization rested with the major developed country trading nations.

28. The representative of a developed country observed that a new round of negotiations would require broad support from contracting parties, would have to be carefully planned and should cover all major trade questions. Any negotiations should be balanced, taking into account interests of all partners in the international trading system.

29. Several delegations, while recognizing that there were alternatives to the adoption of a programme for negotiations, expressed the view that it was important in terms of the Ministerial Decision for the Committee to make concrete proposals for the consideration of the CONTRACTING PARTIES. The representative of one developing country

suggested that any consideration of appropriate action should be based on a review of the Tokyo Round results and an identification of where problems concerning tariff and non-tariff measures still remained.

30. In summing up the discussion under this item, the Chairman observed that the Committee had undertaken a useful first reading and discussion of the secretariat document. He reminded members of the Committee that the document had been prepared only as background for an examination of the prospects for increasing trade between developed and developing countries. He noted that comments which had been made at this meeting were of a preliminary nature and that all delegations had requested that this item be kept on the agenda for a future meeting of the Committee. In view of the requirement for the Committee to report back to the CONTRACTING PARTIES on their deliberations, he urged delegations to formulate specific ideas and suggestions on how to proceed further in this matter, which could then be discussed at a future meeting of the Committee.

Item (iii) Ivory Coast proposals on trade in tropical agricultural products

31. Recalling the discussions on these proposals at its earlier sessions and taking note the informal consultations on this subject among delegations, the Committee decided that particular attention be given to problems in trade in tropical agricultural products in the context of the Committee's annual discussion on recent developments in international trade as these affect the developing countries. This would be in addition to any attention that these problems might receive in the context of the Committee's other activities, such as work on tropical products, and Part IV consultations.

Item (iv) Work of the Sub-Committee on Trade of Least-Developed Countries

32. The Sub-Committee on Trade of Least-Developed Countries held its fifth meeting on 15 November 1983, during which consultations took place between Bangladesh and its trading partners. A note on this meeting by the Chairman was before the Committee in document COM.TD/LLDC/5. The Committee also had before it a secretariat note on the proceedings of the fifth meeting in document COM.TD/LLDC/6. The Committee took note of the work of the Sub-Committee. The Committee also noted that a tentative understanding had been reached that consultations would be held with Tanzania and with the Central African Republic and their respective trading partners in October this year.

33. Recalling the mandate given to the Sub-Committee on Trade of the Least-Developed Countries by the Ministers to monitor the implementation of those aspects of the Ministerial Declaration which concern least-developed countries and hold consultations between interested least-developed countries and their respective trading partners on issues related to their development and trade interests, including an examination of barriers to their trade and any other relevant commercial policy matters, and referring to the consultations held between Bangladesh and its trading partners, the representative of Bangladesh observed that his country had addressed specific requests for further trade liberalization to its trading partners to ensure unhindered access to markets for its exports. While his country was deeply appreciative of the positive responses that were received, a number of tariff and non-tariff barriers still remained in effect. In this connection, he reiterated the understanding that had been reached in the Sub-Committee that there would be a follow-up of the proceedings of the consultations in order to ensure the usefulness and effectiveness of the consultation procedure.

34. The representative of Norway observed that the Nordic countries attached particular importance to the expansion of the trade of the least-developed countries. In this context, they felt that the consultations procedure had been useful in clarifying the situation and identifying the specific interests and concerns of the consulting country. The Nordic countries hoped that all specific requests from the consulting least-developed countries would receive sympathetic consideration in view of the special situation of these countries. They also felt that the International Trade Centre had a useful and valuable role to play in this regard. The Nordic countries would continue to make contributions to strengthen the ITC. They invited other countries to join in these efforts.

Item (v) Review of the operation of the Enabling Clause in accordance with its paragraph 9

35. The Chairman recalled that in the light of the Ministerial Decision to review the operation of the Enabling Clause as provided for in its paragraph 9, the Committee agreed at its March 1983 session that this review would be initiated in the context of the regular annual review of the operation of the Enabling Clause in 1983, and then completed in 1984. At its November 1983 session, the Committee initiated its review on the basis of comments and information submitted by governments, contained in document COM.TD/W/390 and Addenda. A number of delegations had also made comments and observations relevant in this context in the course of the Committee's review of the implementation of the provisions of the Enabling Clause in the past. The Committee now needed to consider whether substantive discussion of this item could be completed at the present session, or whether it would need to continue the review process at its November session.

36. The representative of a developing country observed that the review would be facilitated if the secretariat could prepare and make available an analytical summary in regard to actions and measures that had been taken under the various provisions of the Enabling Clause since its inception, in particular with regard to GSP.

37. In responding to this suggestion, the Deputy Director General observed that all notifications in regard to actions or measures taken by contracting parties under the provisions of the Enabling Clause had been circulated. Since the Ministerial Decision aimed at a review of the manner in which effect had been given to the various provisions of the Enabling Clause it would be open to delegations to assess the actions taken and notified in the light of their own experience under the Enabling Clause and their understanding of its provisions.

38. It was agreed that the question of the desirability and feasibility of the preparation of a note by the secretariat in this regard would be discussed further informally between interested delegations and the secretariat.

39. The representative of Norway, speaking on behalf of the Nordic countries, observed that the Enabling Clause was one of the main pillars of the GATT system, and of special importance to the developing countries. Its importance lay, inter alia, in that it set out the conditions for derogations from the MFN principle, both as regards tariffs as well as non-tariff measures. Recent discussions in GATT had drawn attention to some obscurities, such as procedures to be followed for taking joint action on the basis of footnote 2. It was essential that the provisions of the Enabling Clause should be interpreted in as clear, precise and uniform a way as possible. Referring to the provisions of Paragraph 7 of the

Enabling Clause, he observed that considerable differences of opinion appeared to exist in regard to their implementation. In view of the current tendencies for unilateral actions on the basis of these provisions, there was clearly the need for further studies and discussions in order to bring about a truly multilateral process to deal with this question. The Nordic countries fully appreciated the very difficult problems facing the developing countries, including the acute financial difficulties of several developing countries, and felt that reciprocal commitments by developing countries should primarily focus on their gradual integration in the GATT system, with full regard to their stage of development and their development and financial needs. It was necessary to reflect further in the Committee on this matter, in the context of its regular review of the implementation of the provisions of the Enabling Clause.

40. The Committee took note of the statements made and agreed to revert to the matter at its next meeting.

Item (vi) Other business

41. The Committee elected H.E. Ambassador M. Huslid (Norway) as Chairman of the Sub-Committee on Trade of Least-Developed Countries, and H.E. Ambassador F. Mebazaa (Tunisia) as Chairman of the Sub-Committee on Protective Measures for the current year.

42. The Committee noted that a report from the contracting parties members of ALADI in regard to the provisions of this regional arrangement would be submitted to the Committee under the relevant provisions of the Enabling Clause in the near future.