

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## DRAFT REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT TO THE CONTRACTING PARTIES

### Introduction

1. Since the Forty-First Session of the CONTRACTING PARTIES in November 1985, the Committee on Trade and Development has held two meetings, comprising its Fifty-Ninth and Sixtieth Sessions. In the absence of H.E. Ambassador Osvaldo Lopez-Noguerol (Argentina), Chairman of the Committee, the Fifty-Ninth Session of the Committee was chaired by Mr. M.G. Mathur, Deputy Director-General, and the Sixtieth Session by H.E. Ambassador Leopold H. Tettamanti (Argentina).
2. The Fifty-Ninth Session of the Committee was held on 27 May 1986. At this Session, the Committee undertook a review of developments in international trade. For this purpose, the Committee had before it, in document GATT/1382, the first assessment by the GATT secretariat of developments in international trade in 1985 and current prospects. The Committee also carried out a review of recent developments in regard to the implementation of the provisions of Part IV and the operation of the Enabling Clause. The Committee had an exchange of views in regard to the possible modalities for future work addressed to further liberalization of trade in tropical products. The Committee also had a further exchange of views on the subject of prospects for increasing trade between developed and developing countries and the possibilities in GATT for facilitating this objective. Document COM.TD/124 contains the note on the proceedings of the Fifty-Ninth Session of the Committee.
3. For its Sixtieth Session, held on 11 and 14 November 1986, the Committee had the following items on its agenda: review of developments in international trade; review of the implementation of the provisions of Part IV and the operation of the Enabling Clause; future work of the

Committee on Trade and Development, including the role of the Sub-Committee on Trade of the Least-Developed Countries and of the Sub-Committee on Protective Measures, in the light of the Ministerial Decision taken at Punta del Este to launch the Uruguay Round of multilateral trade negotiations; technical assistance to developing countries in the context of the new round of trade negotiations; expansion of trade among developing countries - Annual Report of the Committee of Participating Countries on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. Under "any other matters", the delegation of Argentina made a statement in regard to the Harmonized System negotiations under Article XXVIII. A report on the discussions at this Session on these subjects is contained in the following paragraphs.

Item (i): Review of developments in international trade

4. The Committee had before it the document "Prospects for International Trade" (GATT/1392), the first chapter of the GATT Annual Report, International Trade 1985/86, embodying its main conclusions. The Committee was also asked to take into account the secretariat note on "Recent Developments Relating to Trade Interests of Least-Developed Countries" (COM.TD/W/446), as a meeting of the Sub-Committee on the Trade of Least-Developed Countries had not been scheduled. In his opening remarks the Chairman observed that according to the report, the volume of world merchandise trade was estimated to have grown in 1985 by 3 per cent, in contrast to the 9.5 per cent growth recorded in 1984. The value of world merchandise trade, in US dollars, during the same period, increased by only 1 per cent. The slower rate of growth of merchandise trade in value terms was due both to the continuing decline in dollar prices of many primary commodities in 1985, as well as to the further strengthening of the dollar against other major currencies during the period. Estimates for the first half of 1986 indicated continued growth in the volume of trade by 3 per cent, and a growth in value terms in US dollar by 8 per cent, the latter reflecting not only the continued growth in volume terms but also the impact of the depreciation of the US dollar since March 1985 on unit values. The report further noted that the total share of the developing countries in the value of both world exports and imports had fallen continuously since the early 1980's, and that this decline accelerated

sharply in 1985. Much of the poor export performance of the developing countries was explained by the continuing decline in world trade in fuels since 1982, in particular the large fall in petroleum prices since November 1985, and the sharp decline since the early 1980's in the prices of many non-fuel primary commodities, which, for a large number of developing countries, particularly those in Africa, remained the principal source of foreign exchange earnings. According to the index compiled by the United Nations Statistical Office, in 1985 the average dollar export prices of primary commodities other than crude petroleum fell by 9.5 per cent, and the index stood 26 per cent below its 1980 peak. The dollar value of developing countries' imports, as well as their share in world imports have also fallen steadily since 1982, and the decline was particularly sharp in 1985, reflecting import contraction by fuel exporters, other primary commodity exporters, and other countries that have had persistent balance-of-payments difficulties, in many cases owing to heavy debt servicing burdens. The report also underscored continuing concern over the erosion of the GATT system through the drift away from the principle of non-discrimination, the increasing reliance on quantitative restrictions and other non-tariff measures, the growing use of market-sharing arrangements and the spread of subsidization, with policies in the areas of agriculture, textiles and clothing in the developed countries providing examples for exceptions from GATT rules and disciplines that are spreading to other sectors.

5. A number of representatives expressed concern over the unfavourable trends in the trade of developing countries as brought out by the report. It was noted that in 1985 exports and imports of developing countries had declined and that their share in world trade had been falling since 1980. In fact their share had shown little change since 1973. These representatives stressed that the rising tide of protectionism, in particular the proliferation of voluntary export restraints, market-sharing arrangements and other forms of managed trade together with the spread of subsidization, lay behind the weak trade performance of developing countries, such trade distortions being particularly prevalent in the sectors of greatest importance to developing countries. They felt that there was an urgent need to reverse the policies which had led to the present situation.

6. Several representatives referred to the debt problem faced by developing countries, a problem which had been aggravated by restrictive monetary policies and high interest rates in developed countries. Adjustments imposed by the debt problem led to the contraction of imports and a slowdown in investment in the productive sectors of developing countries. It was furthermore pointed out that net long-term capital inflows had declined - that for the low-income African countries this had fallen from US dollars 2.8 billion in 1980 to US dollars 800 million in 1985 - and that there had been a massive transfer of resources from developing to developed countries. One representative suggested that conditions surrounding financial flows to developing countries might require reassessment.

7. Some representatives emphasized the adverse effects on trade of fluctuations in interest and exchange rates; recognized the need for realistic exchange rates and welcomed the initiative towards greater international coordination of monetary and financial policies.

8. Several other representatives recognized the difficulties confronting many developing countries and observed that these were mainly attributable to the fall in oil and commodity prices, while certain promising features in the trade performance of developing countries were also apparent. There had been a steady improvement in the exports of manufactures from developing countries, a sector which should in any case be considered of greater relevance to the development process. While serious problems still confronted the global economy, further improvements in the trade situation of developing countries could be foreseen with the strengthening of the domestic economies of several developed countries. It was evident that amongst the developing countries many had made great progress and were making an important contribution to international trade. Several were now ranked amongst the world's leading exporters as well as importers, and could be viewed as formidable trading partners.

9. Several representatives referred to the especially steep decline in exports of those developing countries whose economies were based on agricultural products. It was stated that the subsidization of the agricultural sector had a negative impact both for the trade of developing

countries and for the domestic economies of the countries applying trade distorting measures. Other representatives expressed concern over increasingly restrictive trends in the areas of textiles and clothing, as reflected in the new Multifibre Agreement.

10. One representative emphasized that the least-developed countries continued to face very serious problems. In this context he mentioned that after some modest improvement in 1982-1984 the trade deficits of least-developed countries had started to rise again in 1985/86. The drop in several commodity prices during the last two years and the increase in the developed countries' export unit values of manufactures during recent years had contributed to this result and hence to increase needs for external finance.

11. Many representatives expressed the hope that the success of the Uruguay Round would halt and reverse protectionist trends. Representatives stressed the need for expeditious action with respect to the commitment on standstill and rollback of protective measures as well as the urgency of establishing a surveillance mechanism. Several representatives underlined the importance of full implementation of the principles of Part IV and the Enabling Clause as embodied in the Ministerial Declaration. It was also emphasized that an end should be put to measures applied outside the GATT framework. One delegation expressed the view that the undertaking of negotiations in new areas would be a positive force in the growth of world trade.

Item (ii): Review of the implementation of Part IV and the operation of the Enabling Clause

12. The Chairman recalled that the last review of the implementation of the provisions of Part IV and the operation of the Enabling Clause was undertaken by the Committee at its Fifty-Ninth Session in May 1986 on the basis of a number of notifications made by Governments (Australia, Austria, EEC, Finland, Hungary, Japan, New Zealand, Switzerland, United States). Since then only one new notification had been received by the secretariat. It concerned the revised regulations relating to eligibility under the GSP scheme of the United States which took effect on 11 February 1986 (L/5153/Add.7).

13. Representatives of a number of developing countries expressed concern over the criteria introduced by the United States pursuant to the US Trade and Tariff Act of 1984 for all GSP determinations. It was recalled that this matter had already been brought up before the Committee at its Fifty-Eighth Session in November 1985. At that time representatives of a number of developing countries "felt that some of the discretionary criteria to be taken into account by the President of the United States, under the United States legislation, were not trade-related, and quite alien to the spirit and purpose of the generalized system of preferences in favour of developing countries, as well as to the letter and spirit of the General Agreement". It was pointed out that the revised regulations pertaining to the US GSP scheme nevertheless took effect on 11 February 1986, without apparent regard to the concerns expressed in the Committee. The revised regulations had been notified to the GATT in document L/5153/Add.7 of 23 June 1986.

14. Several developing country representatives expressed concern in particular over the last section of the US notification which contained the factors to be considered in determining whether a beneficiary country should be subjected to the lower competitive need limits with respect to a particular article. These factors included the extent to which the beneficiary country had taken action to reduce trade distorting investment practices and policies, to reduce or eliminate barriers to trade in services and whether or not it had taken steps to afford workers internationally recognized workers rights. These representatives felt that action by the US authorities to apply conditions to the granting of specific GSP benefits based on the extent to which reciprocal action was taken by beneficiaries was inconsistent with the concept of non-reciprocity on which the international understandings on GSP were based, notably the relevant UNCTAD resolutions, the 1971 GATT waiver, as well as the Enabling Clause. In addition, the fact that reciprocal benefits were being sought in fields other than those related to trade in goods made the US regulations even more unacceptable and was inconsistent with the letter and spirit of the Punta del Este Ministerial Declaration. These representatives hoped that the concerns expressed by them could be taken into account in the context of the general review of the US GSP scheme presently conducted by the US administration. Some of these

representatives expressed the view that while the US GSP scheme contained certain positive features, the new criteria introduced for determining eligible beneficiaries tended to erode the benefits accruing to developing countries under that scheme.

15. The representative of the United States said that she had taken careful note of the comments made in regard to the US GSP scheme and would report them in detail to her authorities. The representative recalled that the US extended its GSP scheme under the Trade and Tariff Act of 1984 the details of which had been duly notified to the CONTRACTING PARTIES. Thus, it was the most transparent system in operation. Moreover, this issue was discussed in the Part IV consultations with the United States. The representative observed that in preparing its legislation and revising its regulations, the United States had, unlike any other developed countries, consulted with beneficiary governments both individually and through a series of public hearings. Her authorities continued to hold the view that the US system was unilateral, non-reciprocal and non-discriminatory. Should delegations have more concerns with the US GSP scheme there were a number of ways in which they could consult on this programme. The US scheme continued to be the largest with duty-free imports totalling over US\$13 billion, from over 140 beneficiary developing countries. The general product review required by the statute was going on and the administration was doing its best to expand the base of benefits under the programme. Under the current annual product review some fifty-nine requests were made for additions of new products to the list of eligible articles. This was done through a very open participatory process in which developing countries and their exporters took part.

16. The representative of New Zealand recalled previous information provided to the Committee on the review of his country's GSP policy. He informed the Committee that formal notification concerning measures taken as a result of completion of this review had been transmitted to the secretariat. Among the decisions taken was the adoption as from 1 July 1986 of a standard means for calculating the developing country (LDC) duty rate for items where the normal duty rate was reduced or where a developing country rate was created for the first time. In these instances, the LDC tariff rate would be calculated at 80 per cent of the normal rate. Where the 80 per cent calculation resulted in a figure higher than the existing

tariff rate, the latter would continue to apply. In many cases, the application of the 80 per cent calculation had resulted in wider margins of preference than existed prior to 1 July 1986. In all cases to date where the LDC rate has changed it had resulted in a reduction in the rate. The list of beneficiaries of the New Zealand GSP scheme now stood at 146 countries and territories (of which thirty-six countries were listed as beneficiaries of special tariff treatment as least-developed countries). The list included also Forum Island countries which enjoyed duty-free treatment under non-reciprocal trade arrangements. Hong Kong, Spain and Portugal ceased to be covered by New Zealand's GSP scheme on 1 July 1986 while Poland became a new beneficiary.

17. One representative referred to the Part IV provisions dealing with trade in primary products. He expressed the view that the measures introduced by the main importing countries during the period under review in the GATT annual report were in contradiction with the provisions of Article XXXVI, paragraphs 4 and 5, Article XXXVII paragraph 1(c) and Article XXXVIII, paragraph 2(a). He believed that in parallel with the Uruguay Round the Committee should examine and monitor developments in trade in primary products in the light of the relevant provisions of Part IV with the view to ensuring their full implementation.

18. Some representatives said that the deterioration in the export performance of developing countries in recent years pointed to the need for fuller implementation of Part IV. Since the Uruguay Round could not be expected to solve all problems facing developing countries the Committee might examine and adopt in the near future action-oriented programmes designed to provide solutions to specific trade problems of developing countries thereby ensuring fuller implementation of Part IV provisions.

19. The representative of a group of developed countries while welcoming the negotiations initiated among developing countries with the view to establishing a Global System of Trade Preferences asked whether and when the countries involved in these negotiations would provide information to the Committee on developments in these negotiations in accordance with the relevant obligation specified in paragraph 4 of the Enabling Clause.

20. The representative of Japan said that it was envisaged that new measures for improving the Japanese GSP scheme would be adopted for the 1987 Fiscal year under the 1985 Action Programme for Improved Access. These measures related to a number of products including agricultural items. The importance of providing equal opportunities of access to beneficiaries of the scheme was also to be reflected under these measures. The representative observed that his country imported 9 per cent of the exports of non-oil developing countries. This figure placed Japan as the second most important market for these countries after the United States. He hoped that the successful outcome of the Uruguay Round would increase Japan's contribution to the expansion of developing countries' exports.

21. One representative referred to the economic integration agreement concluded between Argentina and Brazil and enquired when information on this and any other pertinent bilateral agreement would be made available to the CONTRACTING PARTIES in accordance with relevant GATT provisions. She also noted that ALADI countries had agreed to implement further tariff preferences and that their report had not yet been submitted to the secretariat.

22. The representative of Argentina stated that the ALADI report was completed and would soon be made available to the CONTRACTING PARTIES. He observed that the agreement between Argentina and Brazil complied fully with ALADI provisions which were in conformity with paragraph 2 of the Enabling Clause and hence with the General Agreement. The agreement between the two countries would be the subject of a protocol under ALADI which would be sent together with the report of ALADI to the CONTRACTING PARTIES.

Item (iii): Future work of the Committee on Trade and Development, including the role of the Sub-Committee on the Trade of Least-Developed Countries and of the Sub-Committee on Protective Measures, in the light of the Ministerial Decision taken at Punta del Este to launch the Uruguay Round of Multilateral Trade Negotiations.

23. The Chairman observed that the decision taken by Ministers at Punta del Este to launch the Uruguay Round of Multilateral Trade Negotiations was bound to have a major impact on the current work programme of the GATT,

including the work of the Committee on Trade and Development and its two Sub-Committees. He recalled that the Committee played an active role in the discussion and examination of issues of interest to developing countries both at the preparatory stage for the Tokyo Round and in the course of the Tokyo Round negotiations. During the preparatory stage of the Tokyo Round, the Committee examined questions of interest to developing countries in relation to safeguards, trade in agricultural products, tropical products, tariffs, quantitative import restrictions and other non-tariff measures, non-reciprocity, etc. After the commencement of the MTN, the Committee continued to follow and take note of developments in the MTN on the basis of background notes prepared by the secretariat and to act as a forum for discussion and exchange of views on these developments. In pursuing this role, the Committee discussed questions such as non-reciprocity, differential treatment in favour of developing countries, issues arising in the negotiations on tropical products, transparency in the negotiations, procedures for adoption of decisions involving changes to GATT provisions, and the need for particular attention to be given to trade problems of the least-developed countries. It was however generally understood and agreed that in fulfilling this role, the Committee should not assume or undertake review and oversight functions which would overlap with the work and responsibilities of the Trade Negotiations Committee.

24. Referring to the work of the Sub-Committee on the Trade of Least-Developed Countries, the Chairman recalled that the Sub-Committee last met in October 1985 during which ad hoc consultations were held between the Republic of Sudan and its trading partners. There were also follow-up discussions on the previous consultations as well as discussions on proposals for further action in favour of the least-developed countries. Since then the secretariat had updated document COM.TD/LLDC/W/16 which contained information on tariffs, non-tariff measures, as well as trade flows regarding products of export interest to the least-developed countries. It had also issued a note (COM.TD/W/446) on "Recent Developments Relating to Trade Interests of Least-Developed Countries". The Chairman further recalled that amongst the General Principles that would govern the negotiations in the Uruguay Round it had been agreed that "Special attention shall be given to the particular situation and problems of the Least-Developed countries and to the need to encourage positive

measures to facilitate expansion of their trading opportunities. Expeditious implementation of the relevant provisions of the 1982 Ministerial Declaration concerning the least-developed countries shall also be given appropriate attention."

25. The Chairman further recalled that the Sub-Committee on Protective Measures had a mandate to monitor and examine protective actions by developed countries affecting imports from developing countries. The work of the Sub-Committee formed an integral part of the regular annual review of the implementation of the provisions of Part IV and the operation of the Enabling Clause by the Committee on Trade and Development. The Sub-Committee held its last (eighth) meeting in October 1985, and the Committee on Trade and Development received a report on this meeting (COM.TD/SCPM/8) at its Fifty-Eighth session in November 1985. In presenting this report, the Chairman of the Sub-Committee and proposed that the Committee may wish to carry out, at an appropriate time, an examination of the future role of the Sub-Committee. Arrangements were going to be made at the level of the TNC and the GNG for the monitoring and review of the implementation of the standstill and rollback commitments under the Ministerial Declaration of Punta del Este. There was a widespread feeling that duplication of work in this area should be avoided as far as possible. It would be for the Committee on Trade and development to decide, in the light of these considerations, on how to proceed.

26. A number of representatives observed that the Committee on Trade and Development was charged with the responsibility for monitoring, reviewing, assessing and evaluating all developments in international trade and in the GATT system from the perspective of the developing countries and that it was of the utmost importance that the Committee should play an effective and meaningful role during the Uruguay Round. On the one hand, the Committee would have to continue to discharge its regular and continuing responsibilities, such as review of developments in international trade and review of the implementation of the provisions of Part IV and the operation of the Enabling Clause. On the other, it will have to play an effective role to keep under continuing surveillance, and to assess and review the implementation of the standstill and rollback commitments assumed by the contracting parties at Punta del Este, and progress of the negotiations

in sectors of particular interest to developing countries, in the light of the agreed objectives for the negotiations and the general principles that were to govern them. Discussions in the Committee may be expected to provide useful and necessary inputs to the negotiations in areas of particular interest to developing countries.

27. Some other representatives emphasized that the Committee on Trade and Development was a standing body of GATT with clear and well-defined terms of reference. It could also play a useful role in relation to the negotiations, which might include discussions and exchange of views on the progress of the negotiations, from the perspective of the developing countries. This would be similar to the role played by the Committee during the Tokyo Round of Multilateral Trade Negotiations. The Committee obviously could not have a formal or substantive role in the negotiations, nor should it duplicate the role or responsibilities that properly belonged to the TNC or the GNG, including the machinery that may be set up for the monitoring and surveillance of the implementation of the standstill and rollback commitments in the Punta del Este Declaration.

28. Another representative remarked that the fact that some matters falling within the normal responsibilities of the Committee on Trade and Development had found place among the objectives and general principles for the Uruguay Round negotiations or the subjects to be covered in the negotiations in no sense implied any abridgement or reduction in the role of the Committee for the duration of the negotiations. The Committee should have a particular responsibility to monitor, review and assess the progress of the negotiations in these particular areas.

29. A number of representatives remarked that the Sub-Committee on Trade of Least-Developed Countries has played and will have to continue to play a useful role in relation to the trade interests of the least-developed countries in the light of its mandate. In the light of the paragraph (vii) of the general principles that would govern the negotiations, the Sub-Committee would also have a role in monitoring and assessing the progress of the negotiations in areas of particular interest to least-developed countries. It was also felt that the Sub-Committee should examine the technical assistance needs of least-developed countries. In

this respect, one delegation proposed that this matter be taken up at the next meeting of the Sub-Committee, on the basis of specific proposals to be prepared by the secretariat. One representative however felt that the follow-up of the relevant provision of the Ministerial Declaration should be at the level of the plenary of the Committee on Trade and Development and not in the Sub-Committee.

30. Some representatives observed that they attached great importance to the role and responsibilities of the Sub-Committee on Protective Measures, and that it was important that the Sub-Committee remain on call during the negotiations, so that it could be activated whenever the Committee on Trade and Development should deem it necessary.

31. Some representatives felt that it was not necessary to arrive at a definitive view on the possible role of the Committee on Trade and Development and its Sub-Committees during the Uruguay Round negotiations at the present meeting. The question could remain before the Committee and be discussed further after the machinery for the surveillance of the standstill and rollback commitments had been put in place and negotiating groups had been established.

32. In summing up the discussions, the Chairman remarked that there appeared to be a general consensus that with the start of the Uruguay Round, the role of the Committee on Trade and Development would acquire an important new dimension in keeping under review the progress of the negotiations from the point of view of developing countries. It was understood that in carrying out this work, the Committee would not duplicate or interfere with the work of the negotiating bodies under the TNC. There was also broad understanding in regard to continuing and renewed significance of the role of the Sub-Committee on the Trade of Least-Developed Countries. There also seemed to be a consensus that the Sub-Committee on Protective Measures should remain on call, to be activated as and when the Committee should deem it useful or necessary.

Item (iv): Expansion of trade among developing countries

33. The Chairman recalled that the Committee continued to serve as a forum for following developments in relation to the expansion of trade among

developing countries. In this connection, it received the annual report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. The Thirteenth Annual Report of the Committee of Participating Countries had been submitted to the Committee in document L/6066 and Addenda. The Committee took note of the report.

Item (v): Technical assistance to developing countries

34. The Chairman recalled that at the conclusion of the Ministerial Meeting of Punta del Este, Ministers agreed that "technical support by the secretariat, adequately strengthened, should be available to developing countries participating in the negotiations". The Committee had before it a note prepared by the secretariat (COM.TD/W/445) for discussion on the implementation of this understanding, as well as on the continuing technical cooperation activities of the secretariat.

35. A number of representatives observed that the technical assistance activities of the secretariat in the past had been of immense value to national administrations and delegations of developing countries in helping them to participate fully in the work of the GATT. The secretariat had in particular provided extremely useful support to delegations in regard to the voluminous work generated by the proposed switch-over to the Harmonized System. The need for technical assistance and support from the secretariat would be increased manifold now due to the extremely complex and difficult nature of work of the Uruguay Round, and the fact that some of the areas of the negotiation would be completely new. It was therefore necessary that technical cooperation activities of the secretariat be adequately strengthened, equipped and financed so as to be able to meet the enlarged demands on it.

36. A number of these representatives expressed appreciation for and endorsed the abstract of the objectives, principles and scope of the future technical cooperation activities of the GATT secretariat given in the document COM.TD/W/445. Some of these representatives stated that the Technical Cooperation Division of the secretariat should continue to be the focal point for these activities. They further observed that they would

need to seek technical assistance from the secretariat in a number of areas including: factual background notes on subjects that are included in the Declaration, statistical trade data and information on tariff and non-tariff measures affecting products of interest to them, country studies and information on negotiating techniques used in the past rounds, and arrangements for country and regional seminars.

37. A number of representatives emphasized the importance attached by them to the proposal contained in the secretariat note for the preparation of a periodic summary of developments in the different areas of negotiations and observed that such a periodic summary would be particularly useful to smaller delegations which may not be in a position to follow closely developments in all areas of the negotiations, and to developing countries, particularly the least-developed countries, which did not have missions in Geneva.

38. Some representatives emphasized the need for increasing the number of participants in the trade policy training courses organized by the secretariat for trade officials from developing countries. One of these representatives stated that a special effort should be made to accommodate officials from the least-developed countries in all of these courses, in view of the much greater need of these countries for this kind of technical assistance.

39. Some representatives observed that some international organizations other than GATT, such as UNCTAD and the World Bank, also appeared to have the intention to provide technical assistance to developing countries in connection with their effective participation in the new round. The hope may be expressed that the activities of the GATT and other relevant organizations would develop on a basis of cooperation, so as to ensure to the extent possible the complementarity of these activities and avoid duplication.

Item (vi): Other business: Introduction of the Harmonized System

40. The representative of Argentina drew attention to the difficulties that had been encountered in the ongoing Article XXVIII negotiations in

connection with the introduction of the Harmonized System and observed that most developing country delegations had found it impossible to cope with the enormous amount of work that had been generated from the transposition of schedules of concessions into the Harmonized System. Despite the very useful technical assistance provided by the secretariat in this regard, it had not been possible for delegations to study and analyse the voluminous Harmonized System documentation, identify tariff lines in which they had interest and react to changes in the levels of bound concessions within the time-limit visualized for this process. Accordingly, it was necessary that concerned delegations show understanding and flexibility in this regard so that the process could be completed smoothly. A number of other representatives stated that their delegations had had similar experience, and supported the call for understanding and flexibility on the part of the concerned delegations.

41. Another representative observed that the amount of papers generated by the exercise was not necessarily indicative of the amount of work involved. Since the changeover to the Harmonized System was basically supposed to be tariff-neutral, there could only be a limited number of exceptional cases in which bound tariff rates had been increased, and which necessitated renegotiation. The documentation prepared for the Article XXVIII negotiations would contain information on INRs, main suppliers and substantial interest rights. In some cases balance sheets had also been provided. Contracting parties had the possibility of indicating their interest to renegotiate in general terms within the prescribed time-limit, and to follow with specific details later. In all cases in which this had not been done, it was now a matter for mutual understanding, flexibility and a spirit of accommodation.

42. The Chairman expressed the hope that the necessary flexibility and understanding would be forthcoming so that legitimate concerns would be met.

43. The Committee took note of the statements.

#### Next meeting of the Committee

44. The Committee agreed that the date of its next meeting will be determined by the Chairman in consultation with delegations and the secretariat.