

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

PROCEEDINGS OF THE TWENTY-FIRST SESSION

Note Prepared by the Secretariat

1. The Committee held its twenty-first session on 17 and 18 July 1972 under the chairmanship of Mr. B.R. Patel (India).
2. The Chairman pointed out that since the last session of the Committee in February, there had been a number of important developments in international trade relations and in the work of the CONTRACTING PARTIES. These included the declarations by a number of contracting parties with respect to their intention to enter into comprehensive multilateral trade negotiations in 1973. Preparatory work on techniques and modalities for the negotiations, including those appropriate for the participation of developing countries was under discussion in the Industrial Committee and the Working Group of the Agriculture Committee. At the same time, discussions aimed at elaborating solutions on an ad referendum basis with respect to certain non-tariff barriers have continued in the Working Groups of the Industrial Committee. In all this activity, it is the intention of the CONTRACTING PARTIES to see how developing countries might best obtain effective benefits from the negotiations.
3. The Treaties relating to enlargement of the European Economic Community have been submitted for examination in the GATT. In addition, the second report of the Group of Three, which was before the Committee as document L/3710, covers on a broad canvas many points of interest to developing countries including questions related to the forthcoming trade negotiations. Furthermore, a secretariat note on proceedings of the last meeting of the Expert Group on Adjustment Assistance Measures was before the Committee in document COM.TD/86.
4. The Committee approved the provisional agenda circulated as document COM.TD/W/165.

Report of the Group of Three

5. The report (L/3710) was introduced to the Committee by the Chairman of the CONTRACTING PARTIES, Mr. G. Smoquina (Italy), on behalf of the Group of Three. He referred to the decision of the CONTRACTING PARTIES to retain the Group in order to ensure follow-up action on the recommendations made in its first report (L/3610) and to explore possibilities for resolving difficulties in their implementation. The Group was also asked to consider how implementation of Part IV might be facilitated, how the work of the Group on Residual Restrictions might be given a new orientation and how progress could be made towards resolving the trade problems of vegetable oils and oilseeds.

6. With regard to follow-up action on the earlier recommendations, he noted that while some positive action had been taken there was considerable scope for further progress. On the other matters referred to it, the Group had made certain recommendations contained in the body of the report. In addition, the Group had given close consideration to the need for measures that might be developed to ensure easy access to the markets of developed countries for new and specialty items produced by developing countries. The Group had also emphasized the importance of full and active participation by developing countries in all stages of the forthcoming trade negotiations. It was essential that appropriate secretariat assistance should be provided to developing countries, both during the preparatory work and in the negotiations themselves. Although the Group of Three had taken pains to acquaint itself with the problems of concern to the developing countries it would welcome any further opportunities of focussing, in consultation with delegations of these countries, attention on those issues which may not have been fully covered in the report.

7. The Committee welcomed the report as shedding new light and developing some new approaches to problems which had been under examination in the GATT for a long time. The Committee also noted that some progress had been recorded in relation to certain recommendations made in the first report (L/3610), although in some other important areas no positive results had been produced. The Committee supported the proposal in paragraph 74 of the report that developing countries should be given appropriate assistance by the secretariat in the preparations for and during the forthcoming trade negotiations. Equally, there was general support for the recommendation contained in paragraph 55 concerning the reorientation of the work of the Group on Residual Restrictions and the recommendation in paragraph 49 on the use by developing countries of the consultation procedures provided for in Article XXVII:2. There was also agreement that in view of the useful results so far obtained, the work of the Group of Three should be continued. In this respect, representatives of some developing countries felt that the Group could play a valuable advisory rôle during the multilateral trade negotiations.

8. Representatives of developing countries considered that the full implementation of the recommendations made in the first report and summarized in paragraph 46 of L/3710 would make a significant contribution towards resolving some of the more difficult trade problems of developing countries. In particular, reference was made to the importance attached to the implementation, at an early date, of the Generalized System of Preferences by those countries which had not already done so. Representatives of some developing countries expressed the hope that developed countries using discriminatory country classifications would take the measures necessary to eliminate such arrangements as soon as possible, more so as it had been stated by the developed countries concerned that this was a problem of modest proportions. Representatives of developing countries supported the proposal by the Group that, wherever possible, action should be taken to reduce or remove barriers to trade in tropical products in advance of the multilateral trade negotiations. These representatives also hoped that the textile study being undertaken in GATT would result in improved conditions of access for exports of products in this sector from developing countries.

9. Representatives of developing countries also supported the proposals in Part II of the report of the Group of Three (paragraphs 49 and 50) concerning the implementation of Part IV of GATT, and the setting-up of a small representative group, in the context of the multilateral trade negotiations, to examine the problems affecting trade in vegetable oils and oilseeds. This question could be considered further by the Special Group on Trade in Tropical Products.

10. With regard to Part III of the report, these representatives emphasized the importance of assistance and co-operation by developed countries in the promotion of imports from developing countries along the lines described in the report. Easy access to the markets of the industrialized countries for specialty or typical products of developing countries should also receive close attention and ways might be considered for the practical implementation of the recommendation on this subject. As an intermediate measure, pending the removal of non-tariff barriers, technical assistance should be provided by developed to developing countries in connexion with compliance with measures concerning such matters as health regulations, standards and labelling etc. (paragraph 69).

11. As the report had been circulated only recently, representatives of many developed countries confined their comments to some preliminary remarks. While some of these representatives doubted whether a useful purpose would be served by the proposal in paragraph 50 to the effect that developed contracting parties should state reasons why they had found it difficult to reduce or remove trade barriers in the context of implementation of Part IV, one representative supported the suggestion. In connexion with the setting-up of a small group to examine and report on problems affecting trade in vegetable oils and oilseeds some representatives questioned whether this group would not duplicate the work of the Agriculture Committee and the FAO Inter-Governmental Group on Oilseeds, Oils and Fats, whilst others indicated their support for such a group provided both animal and vegetable fats and oils were included.

12. With regard to the question of further assistance to developing countries in the field of promotion of their imports into the markets of the industrialized countries, the representatives of developed countries agreed that this was a matter of some importance which needed careful consideration. In connexion with easy market access for specialty or typical developing country products, representatives of some developed countries informed the Committee that they had already taken action along these lines with respect to handicraft products. It was agreed that the proposal was an interesting one, but the initiative to identify such items would need to be taken by developing countries so that facilities for access into developed country markets could be considered on a case-by-case basis. The proposal in paragraph 69 regarding practical assistance to developing countries to help them comply with certain technical rules and regulations affecting international trade was also found by the representatives of some developed countries to be a useful recommendation.

13. Some representatives of developed countries commented on specific points in the report as they related to their countries. The representative of Australia informed the Committee that his country would shortly be notifying the inclusion of some two hundred additional items in its scheme of preferences. With regard to primage duties, including some applied to certain tropical products as indicated in the Group's report, it was his Government's policy to abolish such duties. The representative of Austria stated that although it had not been possible to liberalize imports of penicillin, tyrothricin and medicaments for reasons previously stated, sympathetic consideration would be given in this connexion to any trade problems faced by developing countries. The representative of Canada, in referring to the first report of the Group (L/3610), informed the Committee that provision had in fact been made for the inclusion of cocoa and cocoa products including chocolate and chocolate products in the Canadian GSP scheme. The highest preferential rate of duty on any of these products under the GSP would be 10 per cent, representing a reduction of one third on existing rates. With regard to the implementation of the Canadian scheme of preferences, a Bill had been placed before Parliament and had recently had its first reading. It was hoped that the proposal would soon receive parliamentary approval. The representative of Denmark said that his country's liberalization list had been further extended by the inclusion, from 1 July 1972, of certain types of cabbage.

14. The representative of Japan reminded the Committee of the positive action taken by Japan in connexion with the implementation of Part IV and the recommendations of the Group of Three in its first report (L/3610). On the basis of the work of the Group on Residual Restrictions, some fifty items of interest to developing countries had been liberalized. With regard to the promotion of imports of developing country products, the representative of Norway stated that a special committee had been established to examine the most appropriate ways of encouraging contacts between developing country exporters and Norwegian importers. The representative of Sweden informed the Committee that, as indicated in document L/3727, Sweden had abolished licensing requirements affecting North, Central and South America on products identified in document CCM.TD/W/140/Rev.2 which had been under consideration at the last meeting of the Group on Residual Restrictions.

15. The representative of Switzerland said that the Swiss authorities were examining the reasons why imported palm-kernel and coconut oils were subject to a higher customs duty than other vegetable oils. With respect to the import duty on bananas, he pointed out that, despite the duty, the retail price of bananas in Switzerland was one of the lowest among consumer countries. Nevertheless, the Swiss authorities were giving close attention to the recommendation by the Group of Three concerning the import duty charged on banana imports into Switzerland. The representative of the United Kingdom stated that the question of harmonization of policy with respect to the treatment of jute products would be discussed with members of the enlarged EEC during the year.

16. The Chairman noted that the Committee had welcomed the second report of the Group of Three as a concise and most useful document. The discussion had revealed a general endorsement of the recommendations made by the Group except in relation to reporting procedures on the implementation of Part IV and the setting-up of a small group on vegetable oils on which questions there were some divergences of views. With regard to the implementation of Part IV, the Chairman noted the hope expressed by a good many delegations that more active use would be made of the notification and consultation procedures provided for in Article XXXVII:2. On the other hand, some delegations had doubted whether a useful purpose would be served by the proposal in paragraph 50 to the effect that developed contracting parties should state reasons why they had found it difficult to reduce or remove trade barriers on products of interest to developing countries. He suggested, that this latter proposal could be left over for further reflection.

17. The Chairman also noted that there was general support for the reorientation of the work of the Group on Residual Restrictions. There was, on the other hand, some difference of preliminary views on the setting up of a small group to examine the problems affecting trade in vegetable oils and oilseeds. Some delegations referred to the rôle of these products in the trade negotiations and some believed that in this context further action might be considered in other appropriate GATT bodies. The Committee might wish to draw the attention of the Agriculture Committee to this matter. In addition, as some of the products are of tropical origin, some delegations had proposed that future action might also be discussed in the Special Group on Trade in Tropical Products. The Special Group might also review the existing situation regarding barriers to trade in tropical products and offer suggestions regarding techniques and modalities which might be adopted for these products in the trade negotiations. There was the view that the promotion of imports of products of developing countries into the markets of the industrialized countries was important and that the recommendations in this connexion should be given careful and positive consideration by both developed and developing countries. Further, there was support for the recommendation by the Group of Three that developing countries be given practical assistance by the GATT secretariat in the preparations for and during the trade negotiations and also in connexion with GATT discussions on the accession treaties relating to enlargement of the European Economic Community.

18. The Chairman suggested that it might be useful for the Committee to review, at its next session, action taken to implement the recommendations of the Group of Three and the further work that the Group might be called upon to do. Some references had been made, for example, to a possible advisory function which the Group could be called upon to perform in the interests of developing countries in the context of the trade negotiations. The report of the Group would be presented to the next session of the CONTRACTING PARTIES as required in the Group's terms of reference with such corrections and factual amendments to the country notes as delegations would be notifying.

Multilateral Trade Negotiations

19. The Committee had before it documents COM.TD/W/166 summarizing recent developments in other GATT bodies and COM.TD/W/167 setting out certain points concerning the participation of developing countries in the trade negotiations. In addition, a preliminary note by the secretariat, COM.IND/W/85, prepared for discussion in the Committee on Trade in Industrial Products was available to the Committee in connexion with the possible implications for developing countries of various techniques and modalities suggested for the trade negotiations in regard to industrial products.

20. Representatives of developing countries emphasized the importance of creating conditions to ensure that developing countries will secure effective benefits from the forthcoming negotiations. A number of representatives referred to the position taken at the March meeting of the GATT Council when developing countries had pointed out that their association with the negotiations was dependent upon the details to be applied to their participation. As a consequence the preparatory work now taking place in GATT had as one of its aims the identification of techniques and modalities designed to take care of the trade interests of developing countries.

21. Some of these representatives also referred to the discussions which had taken place at UNCTAD III concerning the future trade negotiations and in this regard to Resolution 82(III). Attention was drawn to the agreement reached between developed and developing countries regarding the co-ordination, by the UNCTAD and GATT secretariats of assistance to developing countries and the participation of non-GATT developing countries in the negotiations. In this latter connexion, the invitation to participate in the preparatory work relating to the negotiations which had been addressed to non-GATT developing countries by the Director-General and reproduced in document L/3718, was welcomed.

22. The representatives of developing countries also welcomed the acceptance by the Committee of their need for assistance by the GATT secretariat both in the preparatory work and during the negotiations themselves. Some of these representatives specifically indicated the desire of their countries for such assistance. With regard to the sample tabulation of trade values, tariffs and non-tariff barriers affecting exports of developing countries, prepared by the secretariat and circulated to the Committee as Spec(72)80, some delegations indicated their wish to reserve their comments until they had had an opportunity of examining the details.

23. Reference was also made by representatives of developing countries to the part of UNCTAD Resolution 82(III) outlining the principles put forward by them and which in their view could be translated into techniques and modalities in order to take account of the interests of developing countries.

24. In connexion with techniques and modalities, the representatives of developing countries welcomed the preliminary secretariat note (COM.IND/W/85) concerning industrial products prepared for examination in the Industrial Committee, and expressed the wish that similar notes be prepared on agricultural products for consideration in the Committee on Agriculture and on tropical products for consideration in the Special Group on Trade in Tropical Products.

25. Representatives of developing countries referred to the importance in the trade negotiations of non-reciprocity, non-discrimination and general preferential treatment for developing countries. There was concern among developing countries that the benefits of the Generalized System of Preferences could be eroded as a result of tariff reductions likely to accrue on a most-favoured-nation basis from the negotiations and in their view this factor would need to be taken into account in determining compensation for the loss of any benefits that might occur. In connexion with the activities of the Working Party on Accessions to the European Communities, representatives of some developing countries expressed the hope that the additional information requested by them in the Working Party would be provided.
26. Representatives of developing countries believed that the negotiations on non-tariff barriers will also assume very great significance for developing countries and it will be important to ensure that the interpretation of GATT rules and the development of codes of conduct do not perpetuate existing practices which may be considered as barriers to trade. In connexion with the question of safeguards, some form of international control in the application of escape clauses that would not be detrimental to the interests of developing countries, might be envisaged. These representatives also expressed the hope that in any review of the post-war trade rules governing international economic relations, a new approach should be adopted towards the trade relations between developed and developing countries including special rules to deal with the trade problems of the latter.
27. The representative of a developing country referred to his delegation's views as to the type of action which might be taken by developed countries to meet some of the needs of developing countries in the negotiations. In order to help compensate for any loss of preferences under the Generalized System of Preferences, the range of products covered by the various country schemes might be widened to include other products, including items in the agricultural sector. Furthermore, on products not covered by the Generalized System of Preferences, concessions resulting from the negotiations should be implemented in advance on a preferential basis in favour of developing countries. With regard to non-tariff barriers such as quantitative restrictions, the possibilities of granting preferential treatment should be explored.
28. In connexion with other non-tariff barriers such as health and sanitary regulations, standards, packing and labelling requirements, etc., a number of representatives of developing countries emphasized the need for technical assistance to help meet existing regulations of industrialized countries, along the lines recommended in paragraph 69 of the report of the Group of Three. This could be seen as an intermediate measure pending the modification of such practices taking into account the interests of developing countries.

29. Representatives of non-GATT developing countries who participated in the discussion supported the idea that facilities should be made available to enable all developing countries to participate in the negotiations. They welcomed the invitation to participate in the preparatory work extended to them by the Director-General and also the general support in the Committee for the proposal concerning secretariat assistance to developing countries which they hoped would be available to non-GATT countries also. The representative of a non-GATT country among the least developed countries drew attention to the relevance to the trade negotiations of UNCTAD Resolution 62(III) concerning the adoption of measures in favour of the least developed among developing countries.
30. Representatives of developed countries took note of the useful suggestions put forward by the representatives of developing countries. As already stated by them when the report of the Group of Three was under consideration in the Committee, they supported the proposal concerning the provision of secretariat assistance to developing countries both in the preparatory work and during the negotiations themselves. Representatives of developed countries who spoke on the subject, also considered that the preparation of notes by the secretariat on the implications for developing countries of techniques and modalities in agriculture for consideration in the Agriculture Committee and in regard to tropical products for consideration in the Special Group on Trade in Tropical Products, could serve a useful purpose.
31. With respect to the suggestions put forward for priority action in favour of developing countries, some representatives of developed countries expressed the view that the proposal for advance implementation of tariff concessions in relation to developing countries was a useful suggestion. In connexion with other non-tariff barriers it was noted that the suggestion concerning intermediate action (paragraph 28 above) was an interesting one. With regard to the idea that developing countries should be granted preferential treatment in the removal or relaxation of quantitative restrictions, the representative of a developed country believed that the best approach was to work for the total elimination of quantitative restrictions on products of particular interest to developing countries.
32. In commenting on the discussions which had taken place on the future trade negotiations, the Director-General welcomed the constructive, positive and concrete suggestions that had been made. The preparatory work on techniques and modalities presently under way was an important starting point for the negotiations, and the conclusion of this work would assume even greater importance when the actual negotiations began. In this connexion, it was also important that each government should participate in all stages of the work programme in order to determine the influence on its own trade situation of the various techniques and modalities suggested and to see how these techniques and modalities might be adapted to its own trade needs. As already stated, the GATT secretariat was ready to help each developing country requesting assistance, whether a member of GATT or not. Non-members had already received an invitation to associate themselves with the work programme relating to the trade negotiations and should notify the secretariat in writing of their intentions. The Director-General emphasized that it was now important for all parties - both developed and developing countries - to proceed with the work currently in hand on a concrete and specific basis.

33. The Committee agreed that the ideas advanced by developing countries should be brought to the attention of the Agriculture Committee and the Committee on Trade in Industrial Products so that these points and suggestions could be given careful consideration by contracting parties in the further consideration of techniques and modalities. In this connexion, representatives of developed countries urged the developing countries to participate actively in the work on these matters in the committees.

34. In summing up the discussion, the Chairman noted that there had been a fruitful exchange of views on matters relating to the participation of developing countries in the trade negotiations. There had been widespread support for technical assistance by the secretariat to developing countries in identifying their interests, and proposals had been made concerning the preparation of further documentation by the secretariat. These included notes on the implications for developing countries of various techniques and modalities in regard to agriculture and tropical products. The invitation by the Director-General to non-GATT developing countries to participate in the preparatory work for these negotiations had been welcomed. Many developing countries had wished to know the conditions under which they would be able to negotiate and had drawn attention to the need for establishing techniques and modalities that took full account of their special problems and interests. Developed countries had emphasized the importance of adequate developing country participation in the discussions on techniques and modalities and of making known their specific suggestions and proposals in the relevant GATT committees where the preparatory work was going on. It was to be expected that these matters would be pursued further in the appropriate GATT bodies.

35. The Chairman also noted the importance which delegations from developing countries attached to the principles that had been put forward by them in UNCTAD Resolution 82(III) concerning the multilateral trade negotiations. Representatives of developing countries had emphasized that particular consideration should be given to the concepts of non-reciprocity, non-discrimination and preferential treatment for developing country products.

Adjustment Assistance Measures

36. The Committee had before it a note COM.TD/86, on proceedings of the Expert Group on Adjustment Assistance Measures which met on 30 May 1972.

37. Some representatives noted the indication in the report that there had been general recognition in the Expert Group that adjustment assistance measures can be an effective instrument in furthering the cause of trade liberalization. However, some representatives of developing countries felt that in certain cases, measures of adjustment applied by developed countries did not meet the objectives outlined in the Ministerial Resolution of May 1963 or those incorporated in Part IV of the General Agreement. Representatives of some developed countries indicated that their programmes of adjustment assistance were trade-related, whereas others stated that their governments utilized adjustment assistance for reasons of a general nature including the need to help resolve certain domestic economic and social problems.

38. With regard to the future activities of the Group, the Committee agreed that the secretariat should continue to up-date information on adjustment assistance measures adopted by governments and to seek to fill in the gaps in the information provided in 1969 and further in response to the questionnaire circulated in GATT/AIR/859. The Committee also supported the suggestion in paragraph 21 of the note that the secretariat might analyze the information provided by governments to the Expert Group in recent years. In connexion with the suggestions and ideas for future work contained in paragraph 23 of the note, there was general agreement that the proposal in sub-paragraph (a) concerning a study in greater depth of certain technical aspects of adjustment assistance should be pursued. However, the representative of a developed country was of the opinion that the part of the sub-paragraph dealing with consideration of an "early warning" system should be excluded from such a study.

39. While the representative of a developed country indicated his opposition to undertaking work on sub-paragraphs 23(d) and (e), the representative of another developed country said his country had difficulties with sub-paragraphs 23(b) to 23(e). With regard to the suggestion in sub-paragraph 23(b), members of the Committee noted that the Expert Group had earlier agreed that the rôle of adjustment assistance in facilitating trade liberalization should be brought to the attention of the Group on Residual Restrictions.

40. In addition to supporting the suggestion in sub-paragraph 23(a) representatives of certain developing countries considered that the proposal in sub-paragraph 23(e), concerning a study of the effectiveness of adjustment assistance techniques in the process of trade liberalization in different countries for particular sectors, would be useful. These representatives also suggested that the Expert Group might undertake a detailed examination of adjustment assistance as an instrument of trade liberalization and as an alternative to import restrictions and escape clause action. The rôle of adjustment assistance in the forthcoming trade negotiations could also be usefully explored.

41. The Chairman noted the agreement by the Committee that the secretariat should keep up to date and complete the information relating to availability and use of measures of adjustment assistance and see what might be done to carry out a more detailed analysis of the data made available by governments. With regard to the future work of the Expert Group, there was agreement concerning an examination of certain technical aspects of adjustment assistance. In connexion with the other points listed in paragraph 23 of document COM.TD/86 and some other ideas put forward by delegations including the relevance of adjustment assistance to the trade negotiations, the Chairman suggested that they be taken up again at the next meeting of the Expert Group to see if there were areas where agreement might be reached.

Future Work of the Committee

42. The Chairman drew attention to the review of implementation of Part IV, which is undertaken annually. The Committee agreed with the Chairman's suggestion that information to be requested from governments for the review this year, due to take place at the autumn meeting of the Committee, might cover the following points:

- (a) Consideration given by contracting parties to the report of the Group of Three (L/3710) and action taken towards the implementation of its recommendations.
- (b) Any changes in the direction of an increase in duties or other barriers since the last review of the implementation of Part IV in 1971.
- (c) Any steps towards the reduction or removal of restrictions which have not already been covered by the Group of Three report.

43. The Chairman also indicated that, having regard to the twenty-eighth session of the CONTRACTING PARTIES, scheduled for the period 1-14 November 1972, the next meeting of the Committee on Trade and Development had been provisionally fixed for 23 and 24 October.