

GENERAL AGREEMENT ON TARIFFS AND TRADE

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

Introduction

1. At its meeting on 21 April 1971 the Council took note of a report by the Committee on Trade and Development covering the Committee's activities since the twenty-sixth session of the CONTRACTING PARTIES. The report (L/3487) was based on meetings held during the sixteenth session of the Committee in March and May 1970, and its seventeenth session in December 1970 and January 1971.
2. The present report relates to the eighteenth and nineteenth sessions convened in July¹ and November 1971, respectively. At these sessions the Committee reviewed implementation of Part IV and gave particular attention to the work of the Group of Three. It also considered activities of subsidiary bodies and discussed the following matters proposed by delegations: examination of the implications of the enlargement of EEC for the trade of developing countries, the rôle of multinational corporations in international trade, Article XIX of GATT and developing countries, and the organization of the work of the Committee on Trade and Development.

Review of implementation of Part IV

3. The Committee noted the information provided to the Committee by several representatives and in the secretariat documentation regarding the implementation of Part IV of the General Agreement. The representative of the Commission of the European Communities made a statement on action and measures taken by the Community of particular interest to developing countries.² Whilst expressing appreciation for the specific measures taken by individual developed countries in this connexion, the representatives of developing countries expressed concern that little progress had been made towards resolving the more wide-ranging problems facing their trade. These representatives referred to the deterioration in the terms of trade of developing countries during 1970 which had sharply reduced the purchasing power of their exports. Further, not only had the terms of trade of most primary products vis-à-vis manufactures grown worse but freight rates had increased sharply, inflation had eroded the purchasing power of aid given to developing countries and continuing high interest rates had added to the burden of debt servicing.

¹A record of proceedings has been issued as COM.TD/82.

²Issued as L/3620.

4. The representatives of developing countries felt that the recent imposition of temporary import surcharges by two developed countries on their imports, including imports from developing countries, was contrary to Part IV of the General Agreement and would further worsen their already adverse trading situation. They pointed out that developing countries were in no way responsible for the current trade and monetary difficulties and yet they were expected to share the burden of these developments. They requested the early removal of the surcharges on their exports. It was noted that the import surcharge imposed by Denmark would not interfere with the introduction of its generalized scheme of preferences for developing countries on 1 January 1972. These representatives noted with appreciation that the Danish legislation gave the administration authority to exempt from the surcharge imports of products included in the generalized system of preferences when the scheme was introduced. It was, however, their expectation that the Danish Government would exempt all imports from developing countries whether or not covered by the Generalized System of Preferences. In this connexion the hope was expressed that the exemption from the surcharge would apply to all developing countries.

5. Representatives of developing countries appreciated the quick action taken by the CONTRACTING PARTIES in granting the necessary waiver from the most-favoured-nation rule of Article I in order to authorize the introduction of the Generalized System of Preferences for products originating in developing countries. They welcomed the implementation of the scheme by the EEC, Japan and Norway as well as the intention of others to introduce their systems of preferences by 1 January 1972. In view of the fact that a relatively large number of developing countries are in an early stage of industrialization, these representatives requested that the preference-giving countries consider favourably the inclusion of additional primary products in their raw, semi-processed, and processed forms in their lists of preferences. They noted that the United States had so far taken no action to introduce a preferential system in favour of developing countries and strongly urged that country to do so at the earliest possible date. In reply the representative of the United States stated that his Government continued to support the concept of a system of generalized preferences for developing countries and desired to implement such a programme as soon as possible. However, the timing of the submission to Congress would depend on an evaluation of the outcome of current efforts to resolve the trade and payments difficulties of his country.

6. Representatives of some developing countries drew attention to the trade negotiations among developing countries which had led to an exchange of concessions among a number of developing countries. They pointed out that the arrangements were open to accession by all developing countries consistently with the individual financial, trade and development situation of these countries and believed that they would contribute to the expansion of developing country trade as well as international trade in general. These representatives expressed the hope that the CONTRACTING PARTIES, at their twenty-seventh session, would take the decision necessary to enable the concessions to be implemented at an early date.

7. With regard to the tariff study, the representative of a developing country said that it was important to ensure that the study is elaborated in such a way as to make it a useful tool for developing countries in future negotiations. It was considered important that the work on the tariff study should be kept under close review by the Committee on Trade and Development.

Report of the Group of Three

8. At its seventeenth session in January 1971 the Committee on Trade and Development established a "Group of Three" comprising the Chairmen of the CONTRACTING PARTIES, the Council and the Committee on Trade and Development, respectively. The Group was requested to present proposals for consideration by the Committee and the CONTRACTING PARTIES for concrete action that might be taken to deal with trade problems of developing countries, having regard to the provisions of GATT, the relevant conclusions of the CONTRACTING PARTIES and past discussions in GATT committees and bodies. A preliminary report of the Group (W(71)2) was considered at the informal meeting of the CONTRACTING PARTIES in April and was also the subject of preliminary comments at the eighteenth session of the Committee. The final report of the Group was submitted to the Committee and the CONTRACTING PARTIES in L/3610.

9. When the final report of the Group was discussed at the nineteenth session of the Committee several members from developed countries were not in a position to give their substantive comments on the report. They explained that as the report had only been distributed a few days previously they had not yet obtained instructions from their governments. Their substantive comments would be given when the report was taken up during the twenty-seventh session of the CONTRACTING PARTIES.

10. Members of the Committee expressed appreciation for the work carried out by the Group. They considered the report to be a realistic and valuable document which would make an important contribution for dealing with the trade problems of developing countries in the GATT. Members from developing countries noted that certain positive steps had been taken by developed countries since the last session of the CONTRACTING PARTIES. They made a number of comments and expressed a number of concerns recalling the points summarized in paragraph 5 above under "Review of the Implementation of Part IV". In supporting generally the recommendations of the Group, members from developing countries stressed the need for urgent attention to be given to the Group's recommendations relating to the surcharge applied by the United States and Denmark, the need for the United States to implement its preferential scheme by 1 January 1972 and the necessity of finding means of improving the general atmosphere in the monetary and trade field.

11. Observations were also made with respect to the other recommendations of the Group. With regard to the recommendation in paragraph 24 on quantitative restrictions, some members felt that this recommendation had not gone far enough. In their view restrictions on products of interest to developing countries should be removed whether these products were included in the Generalized System of Preferences or not. The scope of this recommendation should also be extended to cover textiles. They also reiterated a suggestion which was made earlier that one of the positive ways of giving priority treatment to developing countries was to remove quantitative restrictions on a preferential basis in favour of developing countries pending the commencement of multilateral negotiations. They also considered that a similar approach could be taken with regard to other non-tariff barriers. Some of these members stressed that where quantitative restrictions were applied on a discriminatory basis they should be removed without delay and where they were contrary to the General Agreement they should be removed unilaterally and should not be accepted as a subject of negotiations in any future multilateral efforts.

12. With regard to the recommendation of the Group for a study of problems on textiles in paragraph 54 of the Report, one member suggested that it was necessary to treat the problems of trade in cotton textiles separately as the export restraints which developing countries had accepted under the Cotton Textiles Arrangement had provided enough time to industries in developed countries to readapt themselves to meet competition from imports. Comments were also made on the recommendation in paragraph 45 on vegetable oils and concern was expressed at the continuing lack of action in GATT to deal with the problem of tariff escalation on vegetable oils. One member pointed out that any action taken in this field or any future solutions adopted should apply likewise to vegetable oils produced by developing countries in the temperate zone. With regard to the country studies recommended by the Group in paragraph 57 of the Report it was suggested that such studies should also cover the effects of non-tariff barriers on the exports of developing countries.

13. The representative of Finland said that although his country was not among the developed countries consulted, Finland recognized its responsibility in the implementation of the recommendations in the Report. The representative of the EEC, commenting on the mention in the Group's Report of the Community's system of reference prices, and referring to the views expressed by the Group on the subject, said that another purpose of the system was to protect the Community's suppliers against competing exporters offering abnormally low prices. In her view, it was not to the advantage of the export receipts of the developing countries to resort to or accept competitive underbidding for their products. In the case of tropical products the Community had to take into account the economic situation of the developing countries associated with the EEC, which were among the least developed countries. It would be contrary to the legitimate interests of those countries to deprive them at the present time of the advantages enjoyed in the Community market by products that were essential to their economic development, when the generalized system of preferences would not give them advantages comparable with those of other developing countries.

14. The representative of the United Kingdom, on behalf of Hong Kong, made a statement to the Committee referring to certain important problems facing Hong Kong which were not reflected in the Report. The first problem related to South Africa's practice in regard to the imposition of anti-dumping duties. The second related to the South African maintenance of quantitative restrictions on a very wide range of goods of export interest to Hong Kong which was a developing country depending upon the export of a fairly wide range of manufactured goods. The third problem related to the application of discriminatory quantitative restrictions by France specifically against Hong Kong on a substantial range of products; this was not adequately reflected in the information given on pages 36-39 of the Group's Report.

15. Several members of the Committee stressed the need for provision to be made for follow-up action on the work of the Group of Three to ensure that the recommendations and conclusions of the Group would be effectively implemented. In this connexion it was suggested that consideration should be given to the question of maintaining in existence the Group of Three. It was suggested that the Group should be continued and given the task of reviewing the implementation of Part IV.

16. The Committee, in taking note of the Report of the Group of Three, expressed its appreciation for the efforts made by the Group in completing the task assigned to it at the seventeenth session. It noted the concerns expressed by members from developing countries that comparatively little positive response had so far been given by developed countries to the recommendations formulated by the Group in its preliminary report. The Committee hoped that the CONTRACTING PARTIES will give careful consideration to the Group's Report and will take the necessary steps to provide for appropriate follow-up action. The Committee also noted the desire of representatives of developing countries who spoke on this point that contracting parties would accept the Group's recommendations and implement them.

Work of subsidiary bodies

17. The Committee took note of the report of the Special Group on Trade in Tropical Products (SGTP/25). There was general satisfaction with the work of the Group and it was expected that there would be further exchanges of views on problems of trade in tropical products at future meetings of the Group in the light of the Report of the Group of Three with a view to improving market access for these products. With regard to the proposal in the Special Group that developed countries explore the possibility of taking concerted action to liberalize trade in vegetable oils on a most-favoured-nation basis, the representative of one developing country proposed that developing countries should also be associated with any such consultations. The representative of another developing country feared that the imposition of the import surcharge by a major developed country would have a negative effect on the Kennedy Round concessions on a number of processed and semi-processed tropical products. Concern was expressed over any possibility of delay in the full implementation of the Kennedy Round concessions as a result of the imposition of the surcharge. The representative of a developed country stated that while the Special Group had concentrated its efforts on the removal of tariff and non-tariff barriers maintained by developed countries, much could also be done in exporting countries to increase earnings from these products by paying more attention to such factors as quality control and grading as well as to the development of trade in these products with the countries in Eastern Europe and with other developing countries.

18. The Committee took note of the documentation prepared for the Group on Residual Restrictions. It also noted that in its further work, the Group would take into account the relevant findings and recommendations of the Group of Three. The Committee noted that a meeting of the Expert Group on Adjustment Assistance Measures had been deferred until a larger number of replies to the questionnaire had been received and issued and governments had had sufficient time to study them.

Proposal on Article XIX

19. The representative of a developing country recalled that at the eighteenth session of the Committee his delegation had expressed the view that while Article XIX of the General Agreement permitted countries to apply emergency measures on imports of particular products, it could not be considered equitable to treat on the same basis imports of products from countries in different stages of development. In the light of Part IV and especially Article XXXVII, he proposed that whenever a developed country found it necessary to invoke Article XIX, imports from developing countries should be exempted from the scope of the escape clause action. He suggested that in cases where developing countries were the main suppliers of the product in respect of which difficulties were being expressed, consultations might be carried out under Article XXII before resorting to emergency action under Article XIX. The representative of another developing country, supporting the proposal, suggested that Article XIX should be re-examined, particularly in the changed conditions existing after the introduction of Part IV.

20. The representative of a developed country recalled his delegation's earlier position that when emergency action was deemed necessary, the quantity and conditions of imports were relevant, but that their source was not. He stressed that Article XIX covered emergency rather than normal action, and that it was to be invoked only in cases of serious injury. To require discriminatory use of this Article and thus to eliminate part of its escape valve nature, might in fact encourage the use of quantitative restrictions. To weaken Article XIX in this manner would, in any event, limit the ability of contracting parties to accept commitments to liberalize their tariff structure. Representatives of some other developed countries shared these views. One of these representatives felt that serious injury requiring emergency measures would be among the "compelling reasons" mentioned in Article XXXVII and thus would place Article XIX situations outside the scope of paragraph 1(b) of that Article. Another of these representatives, rejecting the idea that Part IV would allow departure from the basic non-discriminatory tenets of the General Agreement, said that his government nevertheless would be influenced by its consideration of Part IV if action under Article XIX were contemplated with respect to products of particular interest to developing countries.

21. At the Chairman's suggestion the matter was left for further reflection and consideration by the Committee.

Enlargement of the EEC

22. Representatives of some developing countries expressed concern at the possible implications of EEC enlargement for international trade, in particular the trade of developing countries. They felt that it was appropriate that some preliminary consideration be given to these implications at the next session of the Committee and suggested that a factual background paper be prepared by the secretariat for this purpose. The representative of a developing country stated that EEC enlargement was likely to raise some very real problems for developing countries as there were instances where the tariffs in the candidate countries on products of interest to developing countries were lower than the common external tariff of the EEC. Any action to raise such duties in the candidate countries would not only negate the standstill arrangement contained in Part IV, but also certain concessions negotiated in the Kennedy Round.

23. As pointed out by them at the eighteenth session of the Committee, representatives of some developed countries stated that it would be premature to discuss the effects of EEC enlargement on international trade or to start making any analytical study, before the negotiations had been completed and every aspect of them was known. It was also not yet possible to say what the situation of individual developing countries might be in relation to the various arrangements which might be contemplated for them. These representatives said that the results of the negotiations would be communicated to GATT in due course under the appropriate procedures and that they intended to fulfil all their obligations in implementing those procedures.

24. The Chairman suggested that the developed countries concerned might give some thought to the concern expressed by some developing countries in relation to the possible effects of EEC enlargement as well as their concern that it could be too late to have meaningful discussions at the time when these arrangements were submitted to the CONTRACTING PARTIES.

Organization of work of the Committee on Trade and Development

25. At the eighteenth session of the Committee, some representatives suggested that consideration might be given to the drawing up each year of a provisional calendar of meetings for the work of the Committee and its sub-groups in the following year, including some indication of the subjects likely to be discussed. The Committee agreed to a proposal from the chair that examination of this suggestion be postponed until after the twenty-seventh session of the CONTRACTING PARTIES when the future programme of work will be discussed by the Committee.