

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Thirty-Fourth Session

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

### Introduction

1. Since the thirty-third session of the CONTRACTING PARTIES in November 1977, the Committee has held two meetings comprising its thirty-fifth and thirty-sixth sessions under the chairmanship of Mr. Mahmoud Abdel-Bari Hamza (Egypt).
2. At its thirty-fifth session held in June 1978<sup>1/</sup>, the Committee carried out a mid-term review of the implementation of Part IV on the basis of a secretariat background note which provided a summary of available information on certain commercial policy measures taken by contracting parties as well as developments in other international organizations of interest in the context of Part IV of the General Agreement. The Committee also addressed the question of strengthening and improving the notification procedures that had been followed so far by the Committee and the provision of supplementary information that would make possible a more meaningful examination of the problems associated with actions that had been taken relevant to Part IV. While a number of suggestions were made on these matters, certain delegations also expressed the view that since improvements to general GATT notification procedures might result from the MTN, the need for changes to the Committee's procedures could be best taken up in the light of the results emerging from the multilateral trade negotiations.
3. At the same session, the Committee also examined the question of protectionism in relation to the trade of developing countries on the basis of a secretariat note providing an overview of the changing pattern of developing country trade in manufactures having regard to areas where recent protectionist pressures had been most evident. In addition, the Committee reviewed developments in international trade which have a bearing on the trade and payments position of developing countries, developments in the multilateral trade negotiations, technical assistance by the secretariat to developing countries participating in the MTN and matters relating to the expansion of trade among developing countries.

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<sup>1/</sup> Proceedings of the meeting are contained in COM.TD/100. This report should be read in conjunction with that document.

4. For its thirty-sixth session, held on 8 and 9 November 1978, the Committee had on its agenda the annual review of the implementation of Part IV, developments in international trade which have a bearing on the trade and payments position of developing countries, protectionism in relation to the trade of developing countries, developments in the multi-lateral trade negotiations, technical assistance by the secretariat to developing countries participating in the MTN, expansion of trade among developing countries, and future work of the Committee. A report on the discussions on these matters is contained in the following paragraphs.

#### Review of implementation of Part IV

5. The Committee, for its annual review of the implementation of Part IV, had before it notifications of actions relevant to Part IV provided by contracting parties and reproduced in document COM.TD/W/279 and addenda. It also had available secretariat document COM.TD/W/280 containing certain additional information on commercial policy measures taken by governments and on developments in other international fora relevant to Part IV.

6. The representative of Czechoslovakia, after referring to the improvements made to his country's GSP scheme as outlined in COM.TD/W/279/Add.3, stated that during 1978 further growth of imports from developing countries had been registered by his country. The share of semi-manufactures and manufactures in these imports had also increased. His country had continued to develop economic and trade co-operation with developing countries through medium and long-term intergovernmental and inter-enterprise co-operation agreements. He stated that these agreements, which had been concluded in the field of trade, economic, scientific, technical and industrial co-operation, had contributed to the stability of mutual trade and economic relations, the stabilization of the foreign exchange earnings of developing countries and the diversification of the structure of their economies.

7. The representative of the United States stated that his delegation had made available for circulation to the Committee a more detailed summary of commercial policy actions relevant to the implementation of Part IV taken by the United States in the period under review.<sup>1</sup> The summary incorporated certain of the suggestions that delegations had made during the discussion of improved notification procedures at the June 1978 session of the Committee (COM.TD/100, paragraph 28). He added that his Government viewed this as an initial effort in this respect, and reaffirmed the importance that his authorities attached to achieving greater transparency in international trade and improved notification procedures.

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<sup>1</sup>Circulated as document COM.TD/W/279/Add.4.

8. Representatives of a number of developing countries noted with appreciation that, despite the generally poor economic outlook and the persistence of protectionist pressures, a number of developed countries had made efforts to improve the conditions of access to their markets for developing country exporters. In this connexion, reference was made to certain activities, such as market advisory services, training courses, etc. for developing countries referred to by some countries in their notifications to the Committee in document COM.TD/W/279 and addenda. The view was expressed that at a time when the open trading system was coming under severe pressure, trade promotion assistance could play an important rôle in helping developing countries take advantage of those market areas that were most promising. Developed countries which had not already established mechanisms to assist developing country exporters, particularly those from the least-developed countries, in their markets were urged to do so.

9. Representatives of a number of developing countries welcomed the inclusion, in the rules of origin of the GSP schemes of a number of donor countries, of the principle of cumulation. Some of these representatives referred to certain views expressed in the UNCTAD Working Group on Rules of Origin concerning cumulation, amendments to the lists of special origin requirements for certain products, and the need for the simplification and harmonization of origin rules, which, it was stated, would greatly facilitate the use of the different GSP schemes by new exporters. The representative of a developed country, in response to a question concerning the possibility of extending the provisions on cumulative origin applied by his country in connexion with the GSP to additional regional groupings of developing countries, stated that the origin provision mentioned had been introduced at the request of a group of developing countries and after several years' study of the feasibility of cumulation. Before extending the principle of cumulation, it was necessary to ensure that the certification procedures among beneficiary countries would work effectively, and to examine the possible impact on domestic industries.

10. The representative of a developing country referred to a measure taken by a group of developed countries on footwear, and stated that it was the understanding of his delegation that a number of other developed countries had taken restrictive measures in the footwear sector. He suggested that it might be useful for these countries to give the Committee information on the present state of the adjustment process in their countries with respect to this sector, since footwear appeared to be an area where particular structural problems were arising. The representative of another developing country welcomed the statement by the leaders of major trading nations at the Bonn Economic Summit concerning adjustment (COM.TD/W/280, paragraph 54), in particular the recognition that measures to prevent structural change perpetuated economic inefficiency, placed the burden of structural change on trading partners and inhibited the integration of developing countries in the world economy. He suggested that information on actions by developed countries designed to facilitate adjustment could usefully be included in future background documentation.

11. Some delegations of developing countries regretted that not all developed countries had found it possible to report to the Committee on actions taken by their governments relevant to Part IV. They welcomed the indication that the United States delegation was providing more detailed information and urged that all those developed countries which had accepted Part IV should submit notifications to future annual meetings of the Committee. The representative of a developing country also suggested that it would assist the assessment of the impact of restrictive measures on the trade of developing countries, if information on the tariff lines covered by particular measures and statistics of the trade affected could be provided by notifying countries.

12. A number of developing country delegations referred to developments in other fora. Disappointment was expressed at the lack of progress in the context of the integrated programme for commodities and in particular in connexion with some commodities such as jute and jute products as well as on certain aspects related to the question of economic co-operation among developing countries. The matter was being raised in the Committee in the hope and expectation that developed countries would in future demonstrate the necessary political will to move forward on these matters in the fora concerned in the light of their importance to developing countries. The representative of a developing country referred with regret to the decision of the Advisory Group on the World Cocoa Economy not to recommend the adoption of provisions on the conversion of part of the buffer stock provided for under the International Cocoa Agreement into cocoa products.

13. The representative of a developing country stressed the important rôle GATT could play in the context of a programme of action for the 1980's in relation to the particular problems of the least-developed among developing countries and developing countries generally. He noted that certain countries had already taken special measures in favour of the least-developed countries in the context of their GSP schemes, and urged other donor countries to follow that example. The representative of another developing country suggested that reports to the Committee on the implementation of Part IV should, as a matter of course, include information on measures taken in favour of the least-developed countries.

Review of developments in international trade and trade protectionism in relation to the trade of developing countries

14. For the review of developments in international trade, the Committee had before it document COM.TD/W/281, which referred primarily to developments in the trade and payments position of developing countries in the first half of 1978, updating in summary form the detailed examination of trends in the trade of developing countries in 1977 contained in "International Trade 1977/78". In relation to the agenda item on protectionism which was also relevant to recent developments in international trade, the secretariat had provided a note, COM.TD/W/285, recalling some of the main points raised in the Committee's discussion on protectionism at its

June 1978 session and referring to the recent GATT Study in International Trade No. 6, "Adjustment, Trade and Growth in Developed and Developing Countries", which contained certain information having a bearing on the Committee's earlier discussions, in particular in regard to the trade interdependence of developed and developing countries.

15. A number of delegations of developing countries drew attention to the deteriorating payments position for a large number of developing countries, both oil-importing and oil-exporting. Referring to paragraph 11 of COM.TD/W/281, they were of the view that, in the absence of suitable international measures, it would be increasingly difficult for developing countries to maintain the growth of their international trade and continue to act as a stabilizing force in the world economy. In this connexion, they particularly noted the severe impact of protectionist measures on many developing countries.

16. The representatives of some developing countries stressed the importance of facilitating and not impeding the structural adjustment desirable in developed countries in order to avoid the need for resort to protectionist measures. One of those representatives stated that in his view the central issue was how to best manage the international trading system so that predictable access to the markets of developed countries for the exports of developing countries was assured. He considered that there was need for the development of a management and rule-orientated approach within GATT for ensuring that market access for the exports of developing countries would not be impeded by inadequate structural adjustment. He referred to the Report of the Consultative Group of Eighteen to the Council (L/4715) in which one of the issues identified for priority attention in the 1980's was adjustment to competition. Noting that a declaration on adjustment measures had been accepted in the OECD Council in June 1978, he was of the view that multilateral commitments on adjustment should be agreed in the context of GATT before the completion of the MTN.

17. The delegations of some developing countries stressed the growing trade interdependence of developed and developing countries, their mutual interest in the maintenance of an open-trading system and the need to take a long-term view of the consequences when considering possible trade restrictive measures. Reference was made to the proposal for a study on the extent and level of dependence of the export sectors of the industrial countries on the markets of developing countries which had been made at the June 1978 session of the Committee (paragraph 20, COM.TD/100). In this connexion, the representative of the secretariat referred to the additional material on this matter that had been made available recently in GATT Study in International Trade No. 6 as well as in "International Trade, 1977/78".

Developments in the multilateral trade negotiations

18. The Committee had before it a secretariat note, COM.TD/W/282, which provided an overall view of developments in the multilateral trade negotiations since the Committee's June meeting. Delegations from a number of developing countries expressed their serious concern at the continuing lack of progress on matters of particular interest to developing countries both with respect to the product-related negotiations and the various codes under negotiation. Commenting on what was in their view a lack of transparency for many developing countries with regard to recent developments including the negotiations on tariffs, item-related non-tariff measures and agriculture, as well as on some of the codes, these delegations called for effective and early multilateralization of the negotiations in these areas so that all delegations were aware of the situation reached. It was urged by these delegations that the relevant Groups and Sub-Groups should meet more frequently to enable all delegations to examine the proposals that were being made, offer comments on them and ensure that account was taken of their views. A number of delegations again stated that decisions regarding the completion of the negotiations in each area had to be taken in the Groups or Sub-Groups concerned and stressed that procedures would need to be established for formal adoption of the results of the negotiations by all MTN participants.

19. In drawing attention to the importance of complying with paragraph 6 of the Tokyo Declaration, the delegation of a least-developed country indicated the concern of his authorities that little progress had been made so far in fulfilling the provisions of this paragraph. It was of the utmost importance that particular attention be given to the trade problems of the least-developed countries in the remaining stages of the MTN.

20. Delegations from a number of developing countries emphasized the importance for future international trade relations as a whole, in particular relations between developed and developing countries, of a satisfactory outcome to the multilateral trade negotiations for developing countries.

21. In taking careful note of the points raised by delegations from developing countries, delegations from a number of developed countries expressed the view that the procedures presently being applied in the MTN involving bilateral and plurilateral consultations and negotiations, meetings of Groups and Sub-Groups and the circulation of documentation ensured a large degree of transparency for participants. Some of these delegations indicated that they were always ready to discuss particular aspects of the negotiations with delegations of developing countries. In supporting these views, the spokesman for a group of developed countries drew attention to the situation where at the present time statements of contribution had been made by a limited number of developing countries including two regional groupings. If developing countries wished to participate more actively in the present phase of work they should be prepared to table their contributions

consistently with their development, financial and trade needs. This would enable them to enter into actual negotiations on their outstanding requests with the trading partners concerned. The representative of a developed country stated that his authorities had and would continue to make extensive efforts to involve developing countries fully in the MTN. To this end, his delegation had held a large number of bilateral and plurilateral consultations and negotiations with developing country delegations both in Geneva and elsewhere. There was no doubt in the view of his authorities that the participation of developing countries in the negotiations was important to ensure that their essential interests were fully taken into account. However, it was also expected that developing countries would respond in the light of their development, financial and trade needs, to the offers being made to them, thus forming a basis for real negotiation.

#### Technical assistance

22. The Committee took note of document COM.TD/W/283 containing a broad summary of the technical assistance provided by the secretariat to developing countries since the commencement of the multilateral trade negotiations. Delegations from developing countries expressed their appreciation for the assistance which had been made available to all interested developing country participants including the least developed among them. These delegations emphasized the continuing need for technical assistance after the conclusion of the MTN and proposed that the Special Assistance Unit should be made a permanent feature of the secretariat. It was also suggested that after the conclusion of the MTN, the Special Assistance Unit might, inter alia, provide assistance to developing countries in the context of a possible new round of negotiations within the framework of the Protocol Relating to Trade Negotiations Among Developing Countries.

#### Expansion of trade among developing countries

23. The Committee had before it the Report of the Committee of Participating Countries for the Five-Year Review by the CONTRACTING PARTIES of the Decision of 26 November 1971 concerning the Protocol Relating to Trade Negotiations Among Developing Countries (L/4710 and Addenda). In stating that the Report had not been considered by his authorities due to its recent circulation, a member proposed that the five-year review of the operation of the Decision in order to evaluate its effects might be postponed until the next meeting of the Committee. The spokesman for a group of developed countries in noting that annual reports concerning the Decision had generally been taken up at sessions of the CONTRACTING PARTIES after consideration by the Committee and/or the Council, suggested that this report should also be forwarded to the CONTRACTING PARTIES in the light of the Decision of November 1971.

24. The Committee took note of the Report and decided to forward it to the CONTRACTING PARTIES. It also agreed to keep this item on the agenda for the next meeting of the Committee to enable members to put forward any further comments or suggestions they might wish to make on the matter.

#### Future work of the Committee

25. At the June 1978 session of the Committee, a number of delegations had referred to the need for the Committee to give some thought to its rôle after the completion of the MTN. To provide a basis for a further exchange of views on the Committee's future work pending the completion of the MTN, the Committee had before it at its November 1978 session a secretariat note, COM.TD/W/284, that reproduced the Committee's terms of reference, described the main lines of its past activities, and summarized a number of issues that had been referred to at recent meetings in connexion with future activities. The note also indicated in its paragraph 19 a number of factors in relation to which the future rôle of the Committee might need to be considered.

26. The representative of a developed country, in referring to the secretariat note, stated that it was clear that the scope of the work that the Committee could undertake was broad, and encompassed almost all aspects of the trading system touching upon the trade interests of developing countries. His government hoped that in the post-MTN period the Committee would be a forum where developing and developed countries could effectively deal with trade concerns related to development. He stated that, while it might be worthwhile to re-establish some of the subsidiary bodies of the Committee, there might also be certain other subjects that the Committee could usefully look into. Since much of what could be done in the post-MTN period depended on the results of the MTN, full discussion of the rôle and work programme of the Committee would be necessary in the light of those results. He expressed the view that whatever programme of work was decided upon, GATT must deal constructively and realistically with the trade problems of the developing countries in the post-MTN period.

27. This delegation requested the secretariat to undertake an analysis of the results of the MTN for developing countries upon its completion, in terms both of product liberalization and of the non-tariff measure codes, including, inter alia, the question of special and differential treatment in favour of developing countries. It was suggested that it would be useful if such a study could be completed sufficiently in advance of the first meeting of the Committee after the completion of the MTN. The proposal for a secretariat analysis of the results of the MTN for developing countries was supported by other members of the Committee.



28. A number of suggestions concerning other matters that could be considered in connexion with the future work of the Committee were made. One developing country delegation stated that, since the problems of protectionism could be expected to persist for some time ahead, thought might be given to the reactivation of the Expert Group on Adjustment Assistance Measures and of the Group of Three. Another developing country delegation suggested that efforts might be made in the Committee, or even in the MTN or as an extension of the MTN, to reach agreement on ceiling levels for tariffs that could be approved by all countries. Such action could make a substantial contribution to the development of international trade in the future.

29. Some other delegations stated that, while the documentation on future work and the comments of delegations would be valuable in developing thinking in their capitals on the rôle of the Committee of Trade and Development as well as of GATT in general in the post-MTN period, they were not in a position to make substantive comments at this stage.

30. The Committee agreed that at its next session it would need to revert to the question of its future rôle and work programme.

Date of next meeting

31. The Committee agreed that the date of its next meeting would be determined by the Chairman in consultation with delegations.