

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Thirty-Fifth Session

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

### Introduction

1. Since the thirty-fourth session of the CONTRACTING PARTIES in November 1978, the Committee has held three meetings comprising its thirty-seventh, thirty-eighth and thirty-ninth sessions, under the Chairmanship of Mr. Prem Kumar (India).
2. At its thirty-seventh session in April 1979, the Committee carried out a review of the implementation of Part IV on the basis of a secretariat background note (COM.TD/W/291) which provided a summary of available information on certain commercial policy measures taken by contracting parties as well as of developments in other international fora of relevance to Part IV of the General Agreement. A number of delegations provided details of actions relevant to the implementation of Part IV taken by their governments since the previous meeting of the Committee in November 1978. The Committee also reviewed developments in the multilateral trade negotiations and had a preliminary discussion on the work of the Committee in the post-MFN period. Notes on the proceedings of this session were circulated in document COM.TD/101.
3. The thirty-eighth session of the Committee, in September 1979, was devoted to the further consideration of the future work of the Committee having as background a secretariat note (COM.TD/W/295) which brought together the main points and suggestions that had been made at earlier meetings of the Committee as well as those which had emerged from discussions on this matter outside the Committee. A note on the proceedings of this session of the Committee was circulated as document COM.TD/102 and Corr.1, which, among other things, contained a checklist of points that had been put forward in relation to the Committee's future work programme.
4. For its thirty-ninth session, held on 8 and 9 November 1979, 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, points of interest to developing countries with respect to the multilateral trade negotiations, expansion of trade among developing countries, and future work of the Committee. A list of background documentation prepared for the meeting was made available in COM.TD/W/303. A report on the discussions on the agenda items listed in COM.TD/W/299 is contained in the following paragraphs.

Review of implementation of Part IV

5. For its annual review of the implementation of Part IV, the Committee had available notifications of actions relevant to Part IV provided by contracting parties and reproduced in document COM.TD/W/298 and addenda. It also had available secretariat document COM.TD/W/301 containing certain additional information on commercial policy measures taken by governments and on developments in other international fora relevant to Part IV since the April session of the Committee.

6. Representatives of some developing countries noted with appreciation that a number of developed countries had made certain improvements in access to their markets for some developing country exports. They hoped that efforts in this direction would be continued and expanded.

7. These representatives also referred, at the same time, to certain restrictive actions affecting the trade interests of developing countries which had been recently introduced in some developed countries and expressed the view that such actions were inconsistent with the objectives and provisions of Part IV. A number of specific products such as timber, certain textile items and certain rubber products were mentioned in this respect.

8. Representatives of some developed countries, in noting that new restrictive measures had generally been contained over the recent period, drew attention to actions taken by their governments in liberalizing trade in products of interest to developing countries through their respective GSP schemes or by other tariff actions.

9. Representatives of some developing countries stated that they also attached importance to the broader implementation of "other measures" referred to in Part IV, including for example, trade promotion activities in relation to developing country exports, training courses, and measures to improve market conditions for primary products of importance to developing countries with a view to achieving stable, equitable and remunerative prices. Some of these delegations noted with appreciation the work of the International Trade Centre. One delegation suggested that the International Trade Centre should be given greater autonomy in the management of trust funds placed at its disposal by donor countries.

10. Representatives of some developing countries in referring to certain developments in other international fora and noting that an International Natural Rubber Agreement had been successfully concluded, expressed disappointment at the lack of overall progress on individual commodities, especially the weaker ones like hard fibres, in connexion with the Integrated Programme for Commodities. They stressed the need for greater efforts to be made in finding solutions to the various issues under consideration in this connexion. In referring to the International Natural Rubber Agreement, one such delegation drew attention to the special provisions adopted by the Conference for developing importing countries.

11. Representatives of some developing countries emphasized the importance they attached to improving the notification procedures with regard to actions relevant to the implementation of Part IV and suggested that specific modalities for this purpose could be worked out in the context of the consideration of the Committee's future activities in the post-MTN period having regard to the proposals made earlier in relation to this matter. It was felt that appropriate improvements would facilitate the Committee's work in examining in greater detail actions taken by governments in connexion with the implementation of Part IV. A suggestion was also made that the Committee might utilize the provisions of Article XXXVIII of the General Agreement for pursuing joint action on matters of interest to developing countries where this was considered appropriate. In this context, reference was made to the possible impact of the policies of some developed countries on prices of commodities of export interest to developing countries.

#### Review of developments in international trade

12. The Committee had before it a secretariat note, Developments in International Trade Which Have a Bearing on the Trade and Payments Position of Developing Countries (COM.TD/W/302). The first part of the note contained information on developments in the first half of 1979, updating the review of the trade situation of the developing countries appearing in International Trade 1978/79. In the second part, a brief overview of the main features of the economic and trading experience of developing countries during the 1970's was provided.

13. Delegations of some developed countries referred to the results achieved by some developing countries by way of diversifying and expanding their exports, especially of manufactures, during the 1970's. They considered that the continued development of the open trading system to the benefit of the world economy required resistance to protectionism by all countries, including developing countries, particularly those that had reached a more advanced stage of development. These delegations noted that some developing countries were indeed pursuing policies of trade liberalization which, by increasing the efficiency and productivity of their economies, were promoting both their general economic growth and the expansion of their exports. One of these delegations stated that a major requirement for improving the trade situation of developing countries was the need to bring under control the rate of inflation in many countries which, among other things, resulted in increases in import costs.

14. Representatives of a number of developing countries commented on the trading experience of their countries in the 1970's. They stated that, while the value of the exports of some developing countries had increased substantially, it was necessary to assess their export performance in terms of their share of world trade, which had been barely maintained if fuels

were excluded, as well as in terms of their development objectives and needs for resources. It was also suggested, inter alia, that an assessment of the export performance of developing countries should cover more representative groupings of developing countries so as to bring out more clearly the situations of different geographical regions, that more information should be provided on the development of imports and that more details of other factors, particularly invisibles, should be made available so that the balance-of-payments situation was also shown.

15. A number of representatives from developing countries stated that the diversification of the export structure of many developing countries that had taken place was to be welcomed since this was the only way that they could increase their share of world trade, but it was to be regretted that in many instances such diversification had been impeded by protectionist measures on the part of developed countries, which often appeared reluctant to accept the changes in relative competitiveness that had occurred.

16. These delegations also referred to the growing balance-of-payments difficulties which developing countries had faced in the 1970's. Such difficulties had in many cases obliged governments to limit imports having regard to foreign exchange availabilities. The increased costs of imports of fuels and of manufactures including capital goods, etc. was a major contributing factor to their problems and had led to declining terms of trade for many countries. Some of these delegations stated that returns from their exports had risen at a slower pace than the cost of their imports. They noted in this connexion that the balance-of-payments deficit of many developing countries was expected to widen in the coming years.

17. The representative of a developing country stated that even though his country had liberalized almost completely its trade régime and imports had consequently greatly expanded, difficulties of access impeding the expansion and diversification of exports were being experienced in some developed country markets. He referred by way of example to the procedural difficulties that, in the view of his authorities, were being placed in the way of gaining the necessary phytosanitary clearances to export fresh fruit to a developed country market. Other developing countries expressed similar preoccupations.

18. A number of delegations of developing countries stated that, despite their weak balance-of-payments situation, the markets of developing countries were of increasing importance to the developed countries, and in this respect had played a counter-cyclical rôle that had helped to maintain levels of economic activity and employment in those countries at a time of recession and slow growth.

19. There was a convergence of views among delegations who spoke concerning the interdependence of countries in the current world situation and the need for joint action to deal with economic problems including alleviation of the

difficulties of developing countries. There was also a widely-shared view that inflation must be brought under control because of its general adverse effects on the world economy, and in particular on the import costs of developing countries. Stress was placed on the need to act jointly to stimulate global economic and trade expansion on a non-inflationary basis.

20. A number of delegations from developing countries stated that priority should be given to structural adjustment which they believed would result in the strengthening of the economies of developed countries and at the same time make more room for imports from developing countries. Resistance to protectionism by developed countries needed to be supported and reinforced by efforts to increase the responsiveness of their economies to changing competitive conditions. These delegations further stated that the analysis made of the trade situation of developing countries in the secretariat note underlined the need for the Committee to pursue actively its rôle in relation to securing greater liberalization of trade obstacles faced by products of export interest to developing countries and in monitoring restrictive measures.

21. The representative of a developed country noted that structural adjustment was a complex matter involving many factors besides trade and that such adjustment was not solely a question of developed country adjustments to developing country imports but one of global adjustment to changing trade and technological patterns.

22. Delegations of a number of developing countries stressed the need for international action to alleviate the considerable financing difficulties being experienced by many developing countries including their increasing indebtedness, pending the basic solutions that could only come through increased export earnings. In this respect, attention should be paid to all aspects of the long-term transfer of resources. In this connexion, it was suggested that the Director-General should consider holding discussions with relevant international institutions about measures that needed to be taken in relation to the balance-of-payments and debt problems of developing countries in the perspective of the need to maintain and expand international trade in the 1980's.

23. A number of delegations of developing countries referred to the proposal that had been made at the last session of the Committee for the publication by the secretariat of an annual report on the trade of developing countries parallel to the existing International Trade and welcomed the present secretariat document as a step in that direction. They suggested that the secretariat, in consultation with interested delegations, might prepare an outline of such a report for consideration by the Committee. Some delegations noted that the trade of developing countries was examined in some detail in International Trade and other official publications. It was therefore suggested that the financial and staff work-load implications for GATT of producing additional studies should also be considered.

Developments in the multilateral trade negotiations

24. The Committee had before it a secretariat note, COM.TD/W/300, which provided a summary of certain developments with respect to the multilateral trade negotiations since the Committee's meeting in April 1979. While noting that in the areas of anti-dumping and customs valuation it had been possible for the participants concerned to find compromise solutions, some delegations stressed that an MTN package without a satisfactory safeguards agreement would, in their view, lack an adequate balance. These delegations expressed support for the proposal submitted to the GATT Council by the Director-General in document C/106 as constituting a basis for further work on safeguards. This work would need to proceed within an agreed time-frame, and include surveillance and examination of future safeguards measures. These delegations were also of the view that contracting parties should reaffirm that they would observe the agreed disciplines, modalities and interpretations of the provisions of the General Agreement in connexion with safeguard actions and that there would be no unilateral interpretation of various provisions, including Article XIX. In this respect, it was also mentioned by these delegations that a mechanism to monitor actions affecting the exports of developing countries would need to be set up in GATT pursuant to operative paragraph B.8 of UNCTAD Resolution 131(V).

25. Referring to the MTN agreements, delegations from a number of developing countries proposed that non-signatory contracting parties should be able to attend meetings of each of the Committees of Signatories, at least on an observer basis, with a view to ensuring transparency in the operation of the agreements and ensuring that rights of all contracting parties under the General Agreement were safeguarded. Some delegations proposed that the Committees of Signatories should be placed under the overall supervision and control of the CONTRACTING PARTIES in order to maintain the unity and integrity of the GATT system. It was further suggested in this connexion that the MTN agreements should be presented separately to the forthcoming session of the CONTRACTING PARTIES so that a fruitful examination of each arrangement leading to appropriate action could be carried out. It was suggested that it might be necessary to establish a working party to examine one or two codes in which there was an apparent conflict with the General Agreement. It was also suggested that the secretariat might report on the incorporation of the agreements into the domestic legislation of participating countries in the light of the provisions of the agreements concerned and of the General Agreement.

26. Some delegations of developing countries emphasized the need to continue work through appropriate mechanisms with regard to those areas where the MTN results had been incomplete or unsatisfactory. These might include, inter alia, tropical products, quantitative restrictions and non-tariff barriers that had not been dealt with in the negotiations.

Some delegations emphasized the importance that their authorities placed on the advance implementation of tariff reductions negotiated in the Tokyo Round in relation to products of interest to developing countries.

27. The representative of the European Communities recalled that concessions granted in the area of tropical products by the Community had been implemented as of 1 January 1977 and that advance implementation of tariff concessions relating to certain other products of interest to developing countries would be included in a schedule to be appended to the Supplementary Protocol. With regard to the question of safeguards, the Community was willing to agree to the setting up of a mechanism for negotiation with a view to reaching a generally acceptable solution in this area.

#### Expansion of trade among developing countries

28. The Committee had before it, in document L/4855 and addenda, the Sixth Annual Report to the CONTRACTING PARTIES of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. The representative of a developed country said that in the view of his government, following the adoption by the CONTRACTING PARTIES of the "Framework" agreements, the Protocol Relating to Trade Negotiations Among Developing Countries would be covered by the provisions of the Enabling Clause. In this respect, it was noted that the CONTRACTING PARTIES had still to decide on how to proceed on the "Framework" texts.

29. The Committee took note of the report of the Committee of Participating Countries which would be forwarded to the CONTRACTING PARTIES for consideration at their forthcoming session.

#### Future work of the Committee

30. Taking into account the preliminary discussions which had taken place at previous meetings on the Committee's future activities in the post-MTN period and the checklist of points in this respect contained in document COM.TD/102, the Committee proceeded to a detailed examination of those areas which might appropriately be included in its future work.

31. Representatives of developing countries who spoke were of the view that all the items listed in COM.TD/102, paragraphs 12-21, were relevant to the Committee's future work programme. However, they felt that at this stage it might not be possible to reach final, definitive and clear decisions on all aspects as some points had implications for GATT's overall work programme and others might need further consideration. There were some areas where, in their view, decisions of principle could be taken and were indeed needed, leaving it for the Committee to work out the procedural

details at a following meeting. In this respect, these delegations referred in particular to the following paragraphs in the checklist: paragraph 12, review of the implementation of Part IV; paragraph 13, monitoring of commercial policy measures; and paragraph 20, further liberalization of trade barriers faced by developing countries and adjustment policies and measures. They indicated that paragraph 15 (Enabling Clause), paragraph 16 (least-developed countries) and paragraph 18 (trade measures for economic development under Article XVIII:A and C) should also be taken up.

32. With regard to paragraph 12, developing country delegations felt that the tasks in this respect would become more important in the future as they would cover not only the provisions of the General Agreement but also the implementation of MTN results. Once this point was recognized, specific improvements and modifications in procedures could be taken up at a following meeting of the Committee. In connexion with the monitoring of commercial policy measures (paragraph 13), as UNCTAD Resolution 131(V) had been adopted by consensus, developing countries were of the view that arrangements should now be made to put into effect its operative paragraph B.8. These delegations considered that the Committee on Trade and Development was the appropriate framework for this task and that a subsidiary body such as a sub-committee should be established to deal with the matter. Paragraph 20 - trade liberalization and adjustment policies and measures - also related to priority areas of great interest to developing countries which should be taken up in the Committee insofar as they were relevant to the interests of developing countries having regard to the overall work programme of GATT. Also with respect to these matters, the specific work programme to be undertaken and how it might be organized could be established by the Committee at a following meeting. With regard to paragraphs 16 and 18 and also paragraph 15 there was a need to agree in principle on the inclusion of these in the Committee's work programme.

33. Representatives of some developed countries stated they were, in general, able to agree with the proposals put forward by developing countries having regard to the importance of strengthening the rôle of the Committee on Trade and Development in the overall framework of GATT activities. In this connexion, they supported further action in the Committee with respect to points covered by paragraphs 12, 13 and 15 of COM.TD/102 on the basis that the details could be worked out at a later meeting of the Committee and in the light of appropriate action by the CONTRACTING PARTIES on the texts emanating from the Group "Framework". With regard to paragraph 20, these delegations, while noting that the Committee had a rôle to play, referred also to the relevance of trade liberalization and adjustment to the overall work of GATT. It was therefore necessary to take into account the overall work programme in defining the work of the Committee on these aspects.



34. Representatives of some other developed countries, while also endorsing the view that the Committee should have a strengthened rôle in the post-MTN period, emphasized that this should be seen in the context of the work of the GATT as a whole. Until this work programme had been clarified, they were unable to draw clear conclusions on how the various aspects of the Committee's work would fit into the total framework. Furthermore, some of these delegations stated that there were certain matters with respect to UNCTAD Resolution 131(V), such as procedures and participation of countries not contracting parties to the GATT as well as its relationship to surveillance functions being discussed elsewhere in GATT, that were under consideration in their capitals, although they saw the early implementation of paragraph B.8 as important. With regard to adjustment, these delegations felt that until future work in this area had been clarified in the Consultative Group of Eighteen and by the CONTRACTING PARTIES as a whole, it was premature to try and agree on the rôle of the Committee.

35. In his summing-up of the discussions, the Chairman noted that there was general support for the strengthening of the rôle of the Committee in the post-MTN period. Particular emphasis had been placed by developing countries on paragraphs 12, 13 and 20 of COM.TD/102 and also on paragraphs 15, 16 and 18. On paragraph 12, it seemed from the discussion that there was general agreement that work on the review of implementation of Part IV should be reinforced generally in accordance with the suggestions in that paragraph, the details with respect to improved reporting, notification, examination procedures, etc. being worked out in due course by the Committee.

36. The Chairman also noted that, although there was general agreement on the need to implement paragraph B.8 of the UNCTAD Resolution mentioned in paragraph 13 of the checklist, questions had been raised on certain aspects including participation and the appropriate GATT body. The Committee recognized that in relation to paragraphs 15 and 16 it had a rôle which would have to be elaborated in the light of the relevant decisions of the CONTRACTING PARTIES. On the question of the Committee's further work on trade liberalization and adjustment dealt with in paragraph 20, while all delegations who spoke seemed to agree that the Committee had a rôle to play with respect to aspects covered by this paragraph, some delegations had emphasized that such a rôle, particularly in the area of adjustment measures, needed to be seen in the overall work programme of GATT and could therefore be defined only after the work programme of the CONTRACTING PARTIES as a whole was established.

37. The Chairman noted that other points covered by paragraphs 12-21 of COM.TD/W/102 would remain on the table for further consideration by the Committee. However, with regard to paragraph 21, there was general agreement that technical assistance to developing countries by the secretariat would continue to be an important element in the work of the CONTRACTING PARTIES and that the Committee would keep under review activities in this respect.

38. The Chairman noted that having regard to the various points raised by delegations, most particularly those reflected in paragraph 36 above, the Committee was of the view that the CONTRACTING PARTIES at their forthcoming session should reach a final decision on the rôle of the Committee in the context of the overall work programme of GATT so that these points could thereafter be acted upon as soon as possible.