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

Introduction

1. Since the thirty-eighth session of the CONTRACTING PARTIES in November 1982, the Committee on Trade and Development has held three meetings, comprising its forty-ninth, fiftieth and fifty-first sessions, under the chairmanship of H.E. Ambassador Kazimir Vidas (Yugoslavia).

2. The proceedings of the forty-ninth session, which took place on 8 March 1983, are contained in document COM.TD/114. At this meeting, the Committee considered its programme of work in the light of the relevant decisions taken by ministers at the thirty-eighth session of the CONTRACTING PARTIES. The Committee had before it for this purpose a secretariat note (COM.TD/W/378) which summarized the matters on which decisions were required. In regard to the decision by ministers calling for a programme of consultations with contracting parties individually or collectively, as appropriate, to examine how individual contracting parties have responded to the requirements of Part IV, the Committee established the programme and procedures for the first round of consultations, to be held in 1983. The Committee also agreed that the consultations would form a part of the regular annual review of the implementation of Part IV and the operation of the Enabling Clause. In regard to the Ministerial decision to review the operation of the Enabling Clause as provided for in its Paragraph 9, the Committee agreed that such a review would be initiated in the context of the regular annual review of the Enabling Clause in 1983, and then completed in 1984. With respect to the Ministerial decision calling for consultations and appropriate negotiations aimed at the liberalization of trade in tropical products, the Committee agreed that there would be a first round of consultations in 1983, followed by a second round of consultations and appropriate negotiations in 1984. The Committee had a preliminary discussion of the proposals made by the Ivory Coast in the Ministerial Meeting (in document W.38/3) in relation to tropical agricultural products and agreed to revert to the matter at its next meeting. In regard to paragraph 5 of the Ministerial decisions dealing with GATT Rules and Activities Relating to Developing Countries, which calls for an examination of the prospects for increasing trade between developed and developing countries and the possibilities in GATT for facilitating this objective, the Committee had an initial exchange of views on this matter and agreed to revert to it at its next meeting in the light of informal discussions and background material to be prepared by the secretariat. The Committee agreed that the aspects of the Ministerial Declaration concerning the least-developed countries would be taken up by the Sub-Committee on Trade of Least-Developed Countries. In this

connection it was also agreed that the Sub-Committee would hold consultations between interested least-developed countries and their trading partners on issues related to the development and export interests of the least-developed countries concerned.

3. At its fiftieth session, held on 25-26 October 1983, the Committee carried out consultations with Finland, Norway, Sweden, Austria and Hungary, to examine how the policies of these countries had responded to the requirements of Part IV. A secretariat note on the proceedings of the meeting will be made available to the CONTRACTING PARTIES in document COM.TD/115.

4. For its fifty-first session, held on 3 November, the Committee had on its agenda the following items: review of developments in international trade; review of the implementation of Part IV and of the operation of the Enabling Clause; the programme of work arising from the Ministerial Declaration, including consultations on the implementation of Part IV, consultations and appropriate negotiations on tropical products, review of the operation of the Enabling Clause in accordance with its paragraph 9, examination of prospects for increasing trade between developed and developing countries, and the work of the Sub-Committee on Trade of Least-Developed Countries; Sub-Committee on Protective Measures; Ivory Coast proposal on trade in tropical agricultural products; report of the Working Party on Structural Adjustment and Trade Policy; expansion of trade among developing countries; and technical assistance to developing countries. A report of the discussion on these matters is contained in the following paragraphs.

Review of developments in international trade

5. The Committee had before it, in document GATT/1340, the first chapter of the GATT annual report, International Trade 1982/1983, summing up its main conclusions. In his introductory remarks, the Chairman observed that the report underscored the continuing stranglehold of recession on the world economy, the continuing decline in the volume of international trade in 1982, for the third consecutive year, and the consequent critical payments difficulties of developing countries, many of which were already weighed down with heavy burdens of external debt. It also pointed to the fact that the first signs of recovery in some of the industrialized countries, during the first half of this year, encouraging and hopeful as they were, had yet to relate in any meaningful way to the economic situation and outlook for the developing countries, which continued to be the cause for serious concern. The report also spelled out the need, not only for a standstill against new protectionist measures, but also for a positive process of trade liberalization if there was to be a broad and lasting recovery.

6. In commenting on the report, representatives of a number of countries expressed support for its analysis of the role which trade policy could play in efforts to sustain and expand economic recovery and to find a solution to international debt problems.

7. Representatives of some developing countries observed that their ability to resolve their current economic problems fundamentally depended on international action with regard to liquidity, as well as effective measures to reduce interest rates and increase access to markets. Noting the difficult circumstances that these countries found themselves placed in by virtue of their heavy indebtedness and debt repayment requirements, they felt that, in the first instance, the developed countries should ensure increased market access to enable them to earn the required foreign exchange.

8. Representatives of developing countries recalled that some of these issues had been discussed recently in the GATT Council and in the Sub-Committee on Protective Measures. Some of these representatives referred to the restrictions encountered by their exports in particular developed country markets notwithstanding the commitments made in Part IV of the General Agreement and the 1982 Ministerial Declaration. It was stated that in such areas as agriculture, textiles, iron and steel, leather goods, etc, trade restrictions had not only been maintained but even been intensified during the past year. The growing tide of protectionism had been documented in the secretariat documentation and in the reports issued by other international organizations such as IMF, World Bank and UNCTAD.

9. Representatives of some developed countries supported the statement that trade deficits should appropriately be corrected by an accelerated growth of exports. One of these representatives said that the best solution for the debt problem was the expansion of trade opportunities. In the view of this representative, developing countries should rely more on outward export-led market-oriented policies rather than inward looking import restrictive policies to improve their payments situation and further economic development. Import restrictions could not bring about a durable improvement of the current account and were among the main causes of the misallocation of resources. The lowering of trade barriers would result in a more efficient utilization of capital and the elimination of bottlenecks impeding economic recovery. In cooperation with developed and developing countries alike, her country was willing to explore ways to promote their mutual trade.

10. The representatives of some developing countries said that the imposition on products of export interest to developing countries of quotas, voluntary export restraints, anti-dumping or countervailing duties, etc. was widespread and referred to estimates that trade restrictions of one kind or another affected approximately 30 to 40 per cent of the exports of oil importing developing countries. These limitations to export access had to be viewed in the context of autonomous import liberalization measures undertaken by developing countries because of their need for capital equipment and raw material imports. One of these representatives noted that about 70 per cent of the exports of the debtor countries went to developed countries, and observed that in his opinion the exports of food and agricultural raw materials to the United States, Japan and Western Europe had declined between 1979 and 1982 due to an increase in import restrictions. This representative suggested that the secretariat might at some future time complete the information in Table 4 of GATT/1340 by

identifying by product group the exports of countries which were subject to import restrictions in industrialized countries. His country's attempt to diversify exports in the iron and steel sector had met with the application of anti-dumping duties by the European Communities and the United States had also recently indicated the intention of placing restrictions against these exports. Similar developments had occurred in the leather products sector. In the textiles sector import restrictions limited any possible trade growth. The suggestion that developing countries might rely on export-led recovery and growth was nothing more than a theoretical proposition unless the conditions of market access for their exports were liberalized. In his view, developing countries were being left with no other realistic option but to restrict imports.

11. The representative of a group of developed countries recalled that these matters had been discussed in other GATT fora such as the Consultative Group of Eighteen. In his view, neither the problem of indebtedness nor its solution could be related to one factor alone. In the World Economic Outlook for 1983, the IMF had identified (and quantified) the following factors as influencing the growth in the aggregate current account deficit of non-oil exporting developing countries in the period 1978 to 1981: the increase in net interest payments (more than one third), the deterioration in the terms of trade (one third), adverse changes in the oil trade balance (one fourth). In this context, import restrictions applied by developed countries were not such an important factor. Moreover, only a relatively small part of debtor countries' exports to industrialized countries were of so-called "sensitive" products; even if such imports were to be doubled, the effect on the debt/trade ratio of these countries would still be very limited. An additional factor which could not be ignored was the contraction in domestic demand. In 1982, the rate of utilization of textile quotas applied in the countries he represented had been approximately 50 per cent. In his view, a narrow approach to the trade element would lead to only limited results in dealing with the debt problem, which is of a different order of magnitude.

12. According to some representatives, developing countries were caught in the middle of protectionist pressures caused both by the recession and economic recovery. Economic recovery and the consequent expansion in demand would not necessarily lead to a relaxation of import restrictions and liberalization of access to exports from developing countries. It was much more likely to lead to increased pressures from domestic producers that they should be the exclusive beneficiaries of the expansion in demand. Moreover, attempts by some developing countries to liberalize imports in certain areas had not been reciprocated by their developed trading partners. It was obvious that a process of autonomous trade liberalization by developing countries had limitations. It was stated that some one hundred and thirty protectionist actions against developing country exports had been taken between September 1982 and April/May 1983 by way of anti-dumping or countervailing duties. In the view of some of these representatives, export-led growth could only take place if developed countries eased their import restrictions without seeking reciprocity from developing countries. An increase in official development assistance to developing countries would also be an important contribution to their recovery.

13. The representative of one developing country stressed that current economic circumstances should not be used as a justification for protectionism. In his view, while there was a need for a standstill there was also a pressing need for the initiation of the dismantlement of trade barriers by developed countries. This need was acutely perceived in the textiles sector where restrictions had prevailed for more than twenty years. The intimate interaction of the different aspects of North-South economic relations made trade liberalization measures in favour of the developing countries at least as important as measures of a similar nature in the other fields. In his opinion, the otherwise constructive suggestion made by the representative of a developed country that the developing countries should rely more on outward export-led policies rather than inward-looking import restrictions could hardly be of application in the present circumstances.

14. Another representative endorsed the proposition contained in the secretariat document to the effect that agriculture was a classic instance of the way in which various protectionist actions had caused price distortions affecting international trade and damaged the trade interests of small countries, many of which were developing countries. Much of this was attributable to government intervention in the market mechanism. In this context it appeared to him that the conclusions of the Working Party on Structural Adjustment should be taken into account in this and other GATT bodies.

15. Another representative stressed that external financing was a necessity for countries with outward looking economies which had to import both capital goods and raw materials. If exports were not found to be the way out of the indebtedness problem, debtor countries might be compelled to have recourse to import substitution policies. This aspect might be given greater attention in future secretariat reports.

16. The Committee took note of the comments made by delegations and also noted that the exchange of views which had been constructive and interesting could facilitate further consideration of this issue at the forthcoming session of the CONTRACTING PARTIES.

Review of the implementation of Part IV and the operation of the Enabling Clause

17. As background for the review of the implementation of Part IV and of the operation of the Enabling Clause, the Committee had before it a number of notifications by contracting parties which were contained in document COM.TD/W/395 and Addenda. The Chairman noted that a submission had also been made by the European Communities which would be circulated shortly. In addition, the secretariat had prepared a background note (COM.TD/W/394), summarizing available information on commercial policy measures relevant to Part IV (other than those which were before the Sub-Committee on Protective Measures at its meeting on 27 and 30 September 1983, or which were covered in the programme of consultations on Part IV during the current year), on developments regarding differential and more favourable treatment for developing countries under the Enabling Clause, and on relevant activities in other bodies of GATT.

18. Several developed country delegations commented on measures their countries had taken since the last meeting of the Committee and which were relevant to the Committee's review of the implementation of Part IV and of the operation of the Enabling Clause. More detail on these measures could, for the most part, be found in the respective notifications submitted by these delegations.

19. The representative of Japan recalled that his country had taken a series of trade liberalization measures since last January, as reported in documents L/5454, L/5472 and L/4531/Add.5. In addition to these, on 21 October 1983, the government of Japan had announced comprehensive economic measures (reported in document L/5570) aimed at stimulating domestic demand, further opening of the domestic market to foreign trade, promoting imports, encouraging capital inflows, improving the conditions of financial and capital markets and promoting international cooperation. The delegate from Japan indicated that the further opening of the Japanese market would be implemented by such means as the reduction of tariff rates, the relaxation of import restrictions and the adoption of measures to improve the standards and certification systems. Tariffs would be reduced or eliminated on items in the list attached to document L/5570, which included some primary products of interest to developing countries. Moreover, the Japanese government was considering the possible advance reduction of MTN tariff rates on industrial products, in addition to increasing the quota ceiling for industrial products under the Generalized System of Preferences by around 50 per cent in fiscal year 1984.

20. The representative of the United States drew the attention of the Committee to the submission made by the United States (document COM.TD/W/395/Add.2). As regards the implementation of Part IV, she made particular reference to several measures taken by the United States to reduce or eliminate tariffs on products of export interest to developing countries. Other measures included steps to reduce or remove existing restrictions affecting exports of developing countries, including various actions taken under Article XIX. Concerning the operation of the Enabling Clause, the representative of the United States noted that her country had revised and improved its GSP scheme seven times since the programme was first implemented in 1976. As a result of these improvements, in particular the addition of some 250 products to the GSP, there had been a substantial increase in duty-free imports into the United States from developing countries. The United States representative indicated that her administration had initiated efforts to obtain Congressional authority to extend the GSP beyond its expiration date of January 1985. Comments solicited from interested parties on the renewal of the programme through public hearings and in writing had provided the basis for the legislative proposal to extend GSP for ten years. In seeking renewal of the programme the Administration had also proposed special measures to benefit the least-developed countries. The representative of the United States noted that her country continued to improve benefits presently available in its GSP scheme, the most recent of which were approved in March 1983 and are contained in the United States notification. She added that the United States was in the midst of its 1983 annual product review, during which it would consider thirty-five requests to add products to the GSP, six requests to remove products from eligibility for duty-free treatment and eight requests to exclude one or more beneficiaries from eligibility on various products. Any modifications resulting from this review would take effect in March 1984.

21. The representative of the European Communities, referring to the submission made by his authorities which was in the process of being issued by the secretariat, observed that the Communities' GSP scheme was in its second decade of operation and that in 1981 the maintenance and improvement of the scheme had been confirmed for a further ten years. Commenting on the evolution of the Communities' scheme over that period, he noted that in 1971 only 147 agricultural products were covered, while in 1983 the scheme included 385 agricultural products. He added that, apart from six product categories, there were no limits on preferential access for agricultural products under the scheme. As regards the coverage of the complete scheme, the representative of the Communities said that in 1981 imports under GSP treatment amounted to 8 billion ECUs. A further 72 billion ECUs was accounted for by imports from GSP beneficiaries which entered the EEC market duty-free either on an MFN basis or under other preferential arrangements. As a result, 80 per cent of all EEC imports from GSP beneficiary countries entered either duty-free or under preferential treatment. He added that the Communities were exploring the possibilities for further improvement to the GSP scheme, in particular regarding duty-free or special preferential access for GSP products originating in least-developed countries. He also mentioned that by the end of 1983, all imports of jute into the European Communities would be free of any kind of quantitative restrictions.

22. The representative of Canada drew the Committee's attention to document COM.TD/W/395/Add.3 which contained information on improvements made in the Canadian General Preferential Tariff. He mentioned in this context that imports from least-developed countries eligible for the GPT enjoyed duty-free treatment as of January 1983. In addition, improvements were made on rules of origin applied to imports from these countries. In April 1983, the Canadian Government had announced improvements in the GPT which now covered a wide range of products with a value of \$11.3 million in 1982. Legislation was introduced in the Canadian Parliament seeking the extension of the GPT for ten years and amendments to the rules of origin to provide for global cumulative treatment.

23. The representative of a developing country welcomed the continued existence of the GSP scheme as well as all improvements made to increase its effectiveness. He observed that Part IV of the General Agreement was intended to have a balancing effect in the international trading system, but increased restrictions on imports in developed countries were negating this balancing effect. He also noted that there were certain built-in limitations to the GSP schemes. Of the products covered under the various schemes, those in which developing countries were major exporters were far more numerous than those for which developing country suppliers competed with their developed country counterparts. He added that there was, therefore, considerable room for improvement in the GSP, specifically through the expansion of product coverage to include those products where developing countries were in competition with developed countries. He also observed that while the objective of the GSP was to increase the price competitiveness of developing countries, the use of subsidies by the developed countries led to the erosion of benefits derived under the scheme.

24. The representative of another developing country observed that at the initial stage of its operation, the GSP had contributed considerably to the promotion of exports and the industrialization of developing beneficiary countries. He found it unfortunate, however, that some of the preference-giving countries had recently paid greater attention to restricting the export opportunities of developing countries than to concentrating on progressive improvements in the scheme. He wished to draw the attention of the Committee to the fact that one major trading country had removed several beneficiaries, including his own, from GSP eligibility with respect to three products - bolts, nuts and high carbon ferromanganese - as from 31 March 1983. While the decision to remove these products seemed to have been based on their import sensitivity and the degree of competitiveness achieved by several developing countries, this representative indicated that his delegation failed to understand fully the basis of that determination. He concluded by expressing his hope that the GSP scheme would continue to be applied by the major trading nations in a flexible manner and in accordance with the spirit and letter of Part IV of the General Agreement, so as to increase GSP benefits for products from developing countries.

The Committee's programme of work arising from the Ministerial Declaration
Programme of Consultations on the Implementation of Part IV

25. The Chairman recalled that the Committee had agreed at its forty-ninth session in March 1983 that the programme of consultations in regard to the implementation of the provisions of Part IV, called for by Ministers at the thirty-eighth session of the CONTRACTING PARTIES, would form part of the regular annual review of the implementation of Part IV by the Committee. The draft secretariat note on the consultations with Finland, Norway, Sweden, Austria and Hungary at the fiftieth session of the Committee, contained in document Spec(83)45, had accordingly been made available to the Committee for its present session. The Chairman said he hoped he was expressing a feeling shared by the members of the Committee that the first experience of consultations, in pursuance of the Ministerial decision, was found to be useful and worthwhile, in having provided the opportunity to both the consulting countries and other members of the Committee for a wide-ranging exchange of views on the trade policies and measures of these countries in relation to the provisions and objectives of Part IV and on the possibilities for further positive action in this respect. The consultations, he added, should be looked upon as a dynamic and continuing process; their ultimate usefulness depended on the degree to which they permit governments to focus on future actions under the objectives and provisions of Part IV. He noted that the Committee's experience in this first round of consultations, pointed to the importance of submitting specific questions and enquiries to consulting contracting parties in advance of the consultation itself, as provided for in the established procedures. This would enable the consulting contracting party to prepare its responses in time, and add to the efficacy of the process. He therefore suggested that delegations take this into due consideration for future consultations. The Chairman indicated that the Committee also had to consider the calendar for the consultations during 1984. He informed the Committee that informal consultations were proceeding with a view to reaching an understanding on arrangements for holding Part IV consultations

with the European Economic Communities and the United States during the first half of 1984, possibly in the month of June, and with Japan and a group of developing countries in the second half of 1984, possibly in the month of October. He hoped that confirmation of these arrangements would be given at the 39th Session of the CONTRACTING PARTIES and that the proposed calendar met with the approval, in principle, of the Committee.

26. In commenting on the recent consultations involving Finland, Norway, Sweden, Austria and Hungary, delegations agreed with the Chairman that the exercise had been useful and that the process had started well. They also agreed with the Chairman's assessment that this process should be dynamic and continuous in nature and noted the utility of providing advance notice to consulting countries regarding issues and areas of concern. Developing country representatives also expressed their appreciation to the consulting countries for the spirit of cooperation in which they had approached these consultations. A number of questions were raised, however, regarding follow-up procedures and the content of the report to be submitted to the CONTRACTING PARTIES in 1984 concerning the consultations. A number of developing countries thought that the Ministerial Declaration called for a global assessment of developed countries' responses to the requirements of Part IV to emerge from these consultations. In this context, they maintained that the Committee should undertake to evaluate the nature of trade flows between developed and developing countries, the conditions of market access the latter have faced and the degree to which developed countries have complied with the provisions of Part IV, in particular those of Article XXXVII.

27. One representative from a developing country indicated that, in his view, the follow up should incorporate two separate aspects of the Ministerial Declaration. He identified the first aspect with reference to paragraph 1(a) to the Annex to the Ministerial Decision concerning GATT Rules and Activities Relating to Developing Countries and quoted that the purpose of the consultations would be "to examine how individual contracting parties have responded to the requirements of Part IV." He observed that this formulation indicated a certain element of assessment, as a result of which the trade policy profiles of consulting countries should emerge, in particular in relation to their trade with developing countries. The second phase of the follow-up to the consultations, in his view, was provided for in paragraph 1(c) of the same Annex which called upon the Committee on Trade and Development to examine "other aspects of existing procedures for dealing with problems relating to the application of [the] provisions [of Part IV], and prepare guidelines for their improvement." He thought that these two separate aspects of the follow-up had been somewhat diffused in the recent consultations, and their sequential nature neglected. He suggested that these two tasks be clearly delineated by first undertaking an assessment of the response to the requirements of Part IV and then by specifying requests for actions to ameliorate the situation. A number of delegations found the distinction drawn by this speaker to be helpful and thought that it should be taken into consideration in future consultations.

28. A number of countries which had already been consulted with expressed their agreement with the view that the consultations had been useful and had brought out points which called for further reflection. They believed

that the effectiveness and usefulness of the consultations would be enhanced if questions were presented in advance and stressed the need to reflect further on the follow-up to the consultations. The representative of one of these countries felt that decisions on the follow-up procedures should be taken after more experience had been gained from the country-by-country consultations. The representative of another of these countries wondered if discussions under the second phase of the consultation procedure, could not take place after other contracting parties had also consulted. In this context, he stressed the importance of uniform treatment of all consulting countries.

29. A number of developing country representatives who had posed specific questions regarding specific products, as well as other developing countries, expressed their wish for a further consideration of these questions as well as any other issues that remained unanswered. In this connection, some consulting countries indicated that clarifications would be provided to countries that had requested them either bilaterally or through future meetings of the Committee.

30. As regards the time-table proposed by the Chairman, delegations stated that they had no objections in principle. In view of the importance of the next set of consultations, some developing country representatives requested the early distribution of the relevant documentation. Some representatives also urged the consideration of the schedule for 1985 as early as possible and suggested that Canada, Australia, New Zealand, and Switzerland, plus some developing countries, could be candidates for future consultations. The representatives of Canada and New Zealand stated that their countries were prepared to consult and would cooperate in the development of an appropriate timetable. The representative of Australia said that his authorities had not yet decided on when or whether they would participate in this exercise. He assured the Committee that the interest shown by some of its members for such consultations would be taken into account by his authorities. In the meantime, however, he emphasized that bilateral procedures to remedy specific problems were available.

31. In concluding the discussions under this agenda item, the Chairman made reference to the general agreement prevailing among Committee members that the consultations had been useful and worthwhile and indicated the desire to continue to follow progress on this matter. He noted that the 1984 programme for consultations had been approved, in principle, by the Committee and said that he would hold informal consultations regarding procedures. The secretariat would keep full records of the questions raised, which could also be pursued bilaterally. He expressed the Committee's feeling that the consultations constituted a dynamic and continuing process, the success of which depended on the extent to which the consultations enabled governments to focus on the provisions of Part IV in regard to their policies. Regarding follow-up procedures, he indicated that the CONTRACTING PARTIES were going to consider this issue at their 1984 session and therefore it would be premature to make any decision at this stage.

32. Speaking on behalf of the secretariat, the Deputy Director-General assured the Committee that the secretariat would cooperate with the Chairman and members of the Committee in implementing any necessary

improvements in the procedures. He took note of the comments regarding the distribution of documentation as well as the provision of questions to consulting countries in advance of the consultations themselves. He also indicated that the secretariat could be ready to circulate information or clarifications provided bilaterally. Noting the Chairman's comments concerning the nature of the consultation process, specifically with regard to encouraging governments to consider Part IV in relation to their overall trade policies, he pointed out that trade policies of governments were not static, and the provisions of Part IV had also to be applied and implemented in a dynamic way. It should thus be possible to see, not only what governments had done in the past to implement Part IV, but what they were doing at the present time and what would be expected in the future. In his view, the consultations did not entail the submission of request lists or a process of negotiation, but rather a joint exploration of possibilities in relation to Part IV. Eventually, the CONTRACTING PARTIES would review the results of this exercise and draw appropriate conclusions, but this should not preclude the individual consultations being used in a practical way to invite consideration of specific suggestions with regard to the policies and measures of the contracting parties concerned.

Consultations and appropriate negotiations on tropical products

33. The Chairman recalled that following the decision taken by Ministers at the thirty-eighth session of the CONTRACTING PARTIES in regard to consultations and appropriate negotiations aimed at further liberalization on trade in tropical products, the Committee had agreed at its March 1983 session that a first round of consultations would be held in 1983, followed by further consultations and appropriate negotiations in 1984. The 1983 consultations were scheduled from 7-11 November 1983. The arrangements for these consultations were summarized in document Spec(83)35 and would follow the timetable indicated in that document. A stock-taking session would take place at the end of the consultations. The Chairman proposed that the secretariat make available a note on the proceedings of these consultations for consideration by the CONTRACTING PARTIES at their thirty-ninth session on 21 - 24 November 1983. The Committee would have this note before it at its first session in 1984.

34. The Chairman also proposed that a calendar for further consultations and appropriate negotiations in 1984 be established on the basis of informal consultations which he would hold with delegations. The Chairman drew the attention of delegations to proposals made in the past by certain developing countries for including new products in the Committee's programme of work in this area, and indicated that such proposals would require the approval of the Committee.

35. While agreeing to the schedule that had been approved for the consultations, the representative of a developing country requested that abaca and products of plants and vegetable material such as mats, basket and wicker-work be included in the items to be covered in the programme of consultations and appropriate negotiations. The representative of another developing country proposed the addition of jute for the next stage of consultations. Other products could be considered for inclusion in the future. The hope was expressed by representatives of some developing countries that the consultations, which they saw as part of a continuing process that began in 1982, would progress further in 1983 and in 1984.

They suggested that as a first step the request lists submitted by exporting developing countries in connection with the March 1982 consultations should be examined to determine what action, if any, had been taken in regard to those request lists. They also stated that some product requests were still of a tentative nature and amendments, additions and deletions would be forthcoming as the consultations progressed.

36. The Committee approved the course of action proposed by the Chairman and took note of the proposals that had been made. These matters would be reverted to as the exercise progressed.

Review of the operation of the Enabling Clause in accordance with its paragraph 9

37. The Chairman recalled that in the light of the Ministerial Decision to review the operation of the Enabling Clause as provided for in its Paragraph 9, the Committee on Trade and Development had agreed at its March 1983 session that this review would be initiated in the context of the regular annual review of the operation of the Enabling Clause in 1983, and completed in 1984. The Committee now had before it notifications made by governments and contained in document COM.TD/W/390 and Addenda.

38. The representative of a developed country stated that the seriousness with which the Committee was conducting its review of the operation of the Enabling Clause as required by the GATT Ministerial decision was encouraging. The Enabling Clause was a useful mechanism for authorizing temporary departures from MFN treatment for the benefit of developing countries and it had achieved this objective with minimum damage to the integrity of the General Agreement. However, the Enabling Clause would continue to serve this purpose effectively only if it encouraged advanced developing countries to phase out progressively their use of preferential treatment. This representative noted that the Enabling Clause now provided a GATT basis for GSP programmes. She said that GSP schemes programmes had worked extremely well in providing significant opportunities for export-oriented developing countries to expand and diversify their exports to developed countries. Special and differential treatment had been applied in the codes governing non-tariff measures, and developing countries could benefit from this if they participated in the codes. Provisions in the Enabling Clause for regional or global preferential arrangements among developing countries had not been extensively used, and this was perhaps because of obstacles to trade liberalization within the developing countries themselves. On the other hand, special measures taken by most, if not all, developed contracting parties and by some developing contracting parties, in favour of least developed countries under the Enabling Clause had been beneficial to the latter.

39. The same representative said that the guidelines provided in paragraph 3 of the Enabling Clause were essential to its proper functioning. Adherence to paragraph 3(c), for example, would ensure that differential treatment was applied in a dynamic manner, to take account of changing levels of development of individual contracting parties. Transparency in the provision of differential and more favourable treatment, and full compliance with notification and consultation procedures, were essential if developing countries were to benefit fully from the provisions of the Enabling Clause. The representative also noted that paragraph 7 had not

been fully implemented and suggested that the Committee's review give major consideration to the practical implementation of differentiation in the context of the Enabling Clause.

40. The representative of a group of developed countries expressed the view that the time had come for certain developing countries to consider, in the light of paragraph 7 of the Enabling Clause, what contributions they could make in the GATT context as their development proceeded. Some developing countries had recorded rapid rates of growth in some sectors, even in times of economic uncertainty, and in some sectors they were very advanced. This was reflected in international trade. In the overall context of the Enabling Clause, the GATT could not always operate on two rigid levels and these developing countries would need to consider ways of accepting a higher level of responsibility in the GATT system, particularly with regard to the least-developed countries.

41. The representative of a developing country said that in his view developing countries would certainly be willing to participate in a review of the operation of the Enabling Clause including, inter alia, the provisions of paragraph 7 therein. However, paragraph 7 of the Enabling Clause should be viewed in the context of prevailing circumstances. He cited statistics to illustrate the critical situation in regard to balance of trade, balance of payments and debt and debt servicing ratios currently faced by developing countries. Paragraph 5 of the Ministerial Declaration relating to expansion of trade between developed and developing countries could be looked at either from the point of the serious situation confronting developing countries or, as an issue of reciprocity. If it were to be pursued solely in terms of the issue of reciprocity, the trade and economic situation of developing countries would be liable to worsen further.

42. The representative of a developing country stated that benefits of preferential schemes were often annulled by the existence of negative preferences operating against the exports of the developing countries. If there was a genuine commitment to an open trading system developing countries would be able to participate fully in their GATT obligations. The lack of substantial progress of developing countries' efforts at mutual liberalization of trade through regional arrangements was not due to the reluctance of developing countries to liberalize access to their mutual trade, but rather due to the obstacles created by developed countries. He added that economic recovery in developing countries and an increase in their imports necessarily depended upon improved access to developed country markets. This would require, for example, improvements in the GSP, the elimination of quantitative restrictions and more generally stricter adherence to the rules and obligations of GATT by developed contracting parties. These and other considerations would make for an interesting and welcome debate.

43. The representative of a developed country appealed that discussions should not be confined to trade issues between industrialised and developing countries. The possibility of improving access of less developed countries to the markets of those developing countries which had been able to attain relatively higher levels of development must be examined. He did not wish to challenge the unity and solidarity of developing countries, the political importance of which he acknowledged.

Access to markets of industrialized countries for certain products was limited not only by the existence of restrictions but also because of limited demand. These circumstances affected exports of less developed countries as well, who could benefit from improvements of access to the markets of the more advanced developing countries. Unity of developing countries did not exclude the possibility of adopting measures favourable to the less developed among them. He stressed the collective responsibility of all countries towards the needs of those countries who were at a lower stage of economic development.

44. The Committee took note of the several notifications and of the comments that had been made during the meeting. The Chairman in conclusion said that the meeting had initiated the review of the Enabling Clause, a review which would be completed in 1984 in the light of the discussions that had ensued.

Prospects for increasing trade between developed and developing countries

45. The Chairman recalled the decision taken by the Ministers at the thirty-eighth session of the CONTRACTING PARTIES that the Committee on Trade and Development carry out an examination of the prospects for increasing trade between developed and developing countries and the possibilities in GATT for facilitating this objective. Following an initial exchange of views on this subject at the March 1983 session of the Committee, it had been agreed that, on the basis of informal consultations with delegations and appropriate background material prepared by the secretariat, this matter would be reverted to at the present session of the Committee. The Committee had before it in document COM.TD/W/393 an outline of possible material on this subject to be prepared by the secretariat.

46. The Committee agreed that it would revert to this item of its agenda following informal consultations which would take place in early 1984 on the basis the material to be prepared by the secretariat on this subject.

Work of the Sub-Committee on Trade of the Least-Developed Countries

47. The Chairman drew the attention of delegations to the decision taken by the Committee at its March 1983 meeting that the Sub-Committee on Trade of Least-Developed Countries would (a) monitor the implementation of those aspects of the Ministerial Declaration which concerned least-developed countries and (b) hold consultations between interested least-developed countries and their respective trading partners on issues related to their development and trade interests, including the examination of barriers to their trade and any other relevant commercial policy matters. The Committee had before it (in document COM.TD/LLDC/4) a note on the proceedings of the fourth meeting of the Sub-Committee on Trade of the Least-Developed Countries, held in May 1983 to discuss its work programme in the light of the relevant Ministerial decisions. In view of the fact that the next meeting of the Sub-Committee was to take place on 15-16 November, during which there would be consultations between Bangladesh and its trading partners, the Chairman suggested that a note on the proceedings of the Sub-Committee's meeting be made available to the CONTRACTING PARTIES at their thirty-ninth session. The Committee itself would then have this note before it at its first session in 1984. The representative of a developing country underlined the importance of special and duty-free treatment that the least-developed countries desired for their exports to developed countries.

48. The Committee approved the course of action suggested by the Chairman.

Sub-Committee on Protective Measures

49. The Committee was informed that the Chairman of the Sub-Committee on Protective Measures, H.E. Ambassador G.O. Ijewere (Nigeria) had, for unavoidable reasons, been unable to preside over the sixth session of the Sub-Committee, held on 27 and 30 September 1983. H.E. Ambassador F. Jaramillo (Colombia) had acted as Chairman in his place. In introducing the report of the Sub-Committee, contained in document COM.TD/SCPM/6, Ambassador Jaramillo said that the Sub-Committee had continued to carry out its task of examining protective actions by developed countries effecting imports from developing countries in accordance with the Decision of the CONTRACTING PARTIES of 28 November 1979 on this subject and the procedures drawn up for this purpose by the Committee on Trade and Development and the Sub-Committee itself. He also said that in the light of the decision taken by ministers at the thirty-eighth session of the CONTRACTING PARTIES that the Committee on Trade and Development adopt a programme of consultations with contracting parties to examine how individual contracting parties had responded to the requirements of Part IV, the Committee had agreed at its March 1983 meeting that the work of the Sub-Committee on Protective Measures together with the consultations, would form an integral part of the regular annual review of the implementation of Part IV and the operation of the Enabling Clause. At its sixth meeting the Sub-Committee considered certain measures brought to its attention in three notifications from contracting parties: one from the United States concerned with the introduction of tariffs and quantitative restrictions on imports of certain speciality steel products; one from Argentina concerned with several non-tariff measures applied by developed countries to products of export interest to Argentina; and one from India related to certain anti-dumping and countervailing duty actions in Australia, Canada and the United States and also to import quotas maintained by Canada on leather footwear. He said that the Sub-Committee also had before it a secretariat note containing information on the following matters: measures introduced by the European Communities affecting imports of tableware and other articles of a kind commonly used for domestic or toilet purposes, of stoneware; measures affecting dried grapes adopted by the European Communities; measures taken by certain countries in respect of apples imported by the European Communities; Australian import restrictions on certain filament lamps; measures affecting imports of sheepmeat and goatmeat taken by the European Communities; import restrictions on mushrooms taken by the European Communities; a French import restriction on quartz watches from Hong Kong; import restrictions on woven jute fabrics applied by Greece; and United States import restrictions on sugar. The secretariat note had also contained information on anti-dumping and countervailing duty actions affecting the trade of developing countries. He also noted that under "any other business" the representative of Peru, speaking on behalf of copper exporting countries (CIPEC), had expressed concern regarding proposed legislation in the United States which would affect imports of copper and copper products. In conclusion, he noted that while divergent views were still expressed on the nature and scope of the work to be done by the Sub-Committee in the light of its mandate, in his view the Sub-Committee continued to provide a useful opportunity for a pragmatic discussion of any new trade measures which may be seen by developing countries as adversely affecting their exports.

50. The representative of Australia referred to paragraph 25 of the report of the Sub-Committee on Protective Measures, which recorded a question asked by the representative of India who, inter alia, enquired why Australia had not notified the Sub-Committee of protective action taken in regard to filament lamps. The representative of Australia stated that this omission had now been rectified, as the secretariat had been requested to circulate the notification in question, which could be read in conjunction with the discussion on this matter recorded in the Sub-Committee's report.

51. The Committee adopted the report of the Sub-Committee on Protective Measures.

Ivory Coast Proposals on Trade In Tropical Agricultural Product

52. The delegation of the Ivory Coast had made certain proposals in regard to trade in tropical agricultural products at the time of the Ministerial meeting of the CONTRACTING PARTIES. These proposals are contained in Document W.38/3. An understanding had been reached at that time that the proposals would be dealt with in the normal course of the work of GATT. At its meeting on 26 January 1983, the Council agreed that this matter would be taken up by the Committee on Trade and Development. The Committee had an initial exchange of views on this subject at its forty-ninth session, and it was agreed that the Committee would revert to this matter after further reflection and informal consultations between interested delegations.

53. The Chairman indicated that informal consultations had been held with delegations on this matter. The impression that had emerged from these consultations was that further reflection was required on how best to deal with the different aspects of the Ivory Coast proposals in the framework of GATT's present activities. The Committee accordingly agreed to continue informal consultations on this matter and to revert to it at a future session.

Report of the Working Party on Structural Adjustment and Trade Policy

54. The Chairman recalled that work on structural adjustment and trade of developing countries constituted one of the elements in the Committee's post-Tokyo Round work programme. In this connection the Committee, as well as the Consultative Group of Eighteen and the Council, had considered work undertaken by the Working Party on Structural Adjustment and Trade Policy since its establishment by the Council in November 1980. Following the decision taken by Ministers at the 1982 session of the CONTRACTING PARTIES to the effect that work on structural adjustment and trade policy would be reviewed at the 1983 session of the CONTRACTING PARTIES, the Working Party had issued a report, which was contained in document L/5568. This report was now before the Committee for its consideration. The Chairman noted that the report had been discussed by the Council at its meeting on 1 November, when consideration had also been given to questions relating to future work in GATT in this area. Any views expressed by the Committee on this matter or on the report of the Working Party would be recorded for purposes of the review at the 1983 session of the CONTRACTING PARTIES.

55. The representatives of several developing countries said that they attached considerable importance to the useful work which had been undertaken by the Working Party on Structural Adjustment and Trade Policy. This work had provided contracting parties with a deeper understanding of the adjustment process and a greater awareness of the sectors which were characterized by structural rigidities. A number of representatives felt that the work on structural adjustment and trade policy should continue. Emphasis should be placed on the practical application of the insights gained to the work of other GATT bodies, notably those dealing with agriculture and textiles, as well as to the work of the Committee on Trade and Development itself. Several representatives from developing countries said that the future activities of the Working Party should be directed towards an analysis of the sectors where there were structural rigidities, as indicated by high levels of protection, which affected products of interest to developing countries such as agricultural and textile products. Such an examination, apart from identifying the problems facing those sectors, would facilitate a second stage of work aimed at considering possibilities for making them more amenable to structural adjustment through, inter alia, the adoption of trade liberalization measures. The representative of one developing country expressed the view that the exercise of reviewing national experience in the field of structural adjustment should be repeated on a cyclical basis, perhaps every five years or so. In view of the extensive discussion of the report of the Working Party on Structural Adjustment and Trade Policy which had just taken place in the Council, and in order to avoid duplication of the debate held in the Council, many delegations reserved their positions, preferring that the Committee should cross-reference the relevant Council minutes in order to draw attention to the various points made at that meeting.

56. The Committee took note of the report of the Working Party on Structural Adjustment and Trade Policy and of the comments made in connection with the activities of the Working Party. The Committee also took note of the discussions which took place in the Council on this matter, which would be reported in document C/M/173, due to be issued shortly.

Expansion of Trade Among Developing Countries

57. In accordance with GATT's post-MTN work programme, the Committee continues to serve as a forum for following developments in relation to the expansion of trade among developing countries. In this connection, it receives the Annual Report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Negotiations Among Developing Countries. The Committee had before it the tenth Annual Report of the Committee of Participating Countries, in document L/5540 and Add 1. The Committee took note of the Report.

Technical Assistance to Developing Countries

58. Paragraph 4 of the Annex to the Ministerial Declaration, dealing with GATT Rules and Activities Relating to Developing Countries, contains the decision by the CONTRACTING PARTIES to strengthen the Technical Co-operation Programme of the GATT with a view to facilitating more effective participation by developing countries in the GATT system. The Committee reviewed the technical assistance activities of the GATT secretariat on the basis of a note prepared by the secretariat (document COM.TD/W/396).

59. Representatives of developing countries expressed appreciation for the technical cooperation activities of the secretariat which they had found to be extremely useful, both to permanent delegations at Geneva and the officials involved in GATT-related work in the capitals. These representatives called for the continuation and further strengthening of this work, in pursuance of the Ministerial decision in this regard. The representatives of some developed countries also expressed their support for the technical cooperation activities of the secretariat and emphasised the importance that they attached to this work.

60. The representative of Norway, speaking on behalf of the Nordic countries, observed that the International Trade Centre, for which GATT had co-responsibility, was involved in extremely useful work of direct relevance to the responsibilities and activities of the Committee on Trade and Development. It was extremely important at this stage that wider and larger measure of financial support should be extended to the ITC in its activities. He pointed out that the spring session of the Joint Advisory Group of the ITC would be an appropriate occasion for making voluntary commitments in regard to financial support to the activities of the ITC in 1984 and 1985. The representatives of a number of countries endorsed the call for wider and larger financial support to the ITC by other developed countries as well.

61. The representative of Switzerland while associating himself with the call for substantial financial support to the International Trade Centre, noted that Switzerland had just agreed to provide financial support to three projects of the ITC. He remarked that it would be highly illogical if the additional trade generated by the activities of the ITC were also to encounter impediments.

Next meeting of the Committee

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