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DRAFT PROCEEDINGS OF THE FIFTIETH SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its fiftieth session on 25 and 26 October 1983 under the chairmanship of H.E. Ambassador Kazimir Vidas (Yugoslavia).
2. In accordance with 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 individually or collectively, as appropriate, to examine how individual contracting parties have responded to the requirements of Part IV, this session of the Committee was convened to undertake the first round of consultations. The countries consulting at this session were Finland, Norway, Sweden, Austria and Hungary. The Committee had before it background information on the consulting countries provided by the countries themselves and also by the secretariat. Country submissions by Finland, Norway, Sweden and Hungary were provided respectively in documents COM.TD/W/386, COM.TD/W/387, COM.TD/W/389 and COM.TD/W/388. Secretariat documentation was provided in document COM.TD/W/383 and Addendum 1 and Corrigendum 1 for Finland, Norway and Sweden; in document COM.TD/W/384 and Addendum 1 for Austria; and in document COM.TD/W/385 for Hungary.
3. In his opening remarks, the Chairman stressed the importance of the effective implementation of the objectives and commitments of Part IV in promoting the expansion of trade and acceleration of economic development

in developing countries. In recognition of the responsibility of the Committee on Trade and Development in this regard, ministers decided at the November 1982 session of the CONTRACTING PARTIES that the Committee should organize individual or collective consultations to examine how individual contracting parties have responded to the requirements of Part IV. These consultations would permit the Committee to identify any difficulties that may arise in relation to Part IV and to promote the more effective fulfilment of the provisions and objectives of Part IV in the present difficult economic and trade situation.

4. The Chairman expressed the view that the effectiveness of this process of consultations would depend in large part on the degree of specificity under which discussions focus on concrete measures and on the relevant aspects of a country's trade policy. It was more important, in a spirit of cooperation and of open and free dialogue, to focus on specific measures in the context of the spirit and objectives of Part IV, rather than to undertake a legalistic examination of such measures. The consultations should embody a process in which consulting contracting parties could consider further action, taken in the light of the provisions of Part IV, which would promote an increase in the exports to developing countries and contribute towards alleviating the economic and payments difficulties confronting these countries. The Chairman expressed his appreciation for the spirit of cooperation in which Finland, Norway, Sweden, Austria and Hungary had come forward to be the first countries to undergo a consultation with their trading partners and he hoped that the results achieved would enable the Committee to look towards a regular cycle of periodic consultations with contracting parties.

5. Speaking on behalf of the secretariat, the Deputy Director General noted that the consultations represented an important new stage in the work of the Committee. It was the first time that the Committee would be considering how the overall implementation of trade policies by individual governments was affected by the provisions and objectives of Part IV. The Committee would therefore not be looking simply at the consistency between specific policy measures and the provisions of Part IV, but also at the relation between these measures and overall policies. Referring to the documentation prepared for the consultations, the Deputy Director-General pointed out that the submissions which the consulting countries had taken the trouble to prepare would enable the Committee to look at their policies and policy measures both in their overall relationship to Part IV and in their application to individual provisions in Part IV. The background documentation presented by the secretariat was intended to supplement the country submissions by giving some overall trends in the economy and trade of the countries concerned, as well as some more detailed description of the tariffs, GSP arrangements, import regulations, policies bearing on structural adjustment, agriculture and so on, as these are seen to relate to the trade interests of the developing countries. The secretariat documentation remained subject to corrections and amendments and would be improved for the next series of consultations in the light of any comments made at this session.

6. The Chairman drew the attention of members of the Committee to the agreement reached at the March 1983 session of the Committee that the consultations would form part of the regular annual review of the implementation of the provisions of Part IV. He therefore proposed that the secretariat prepare a note on the proceedings of this meeting which would be before the Committee for its end of year session in November.

7. In accordance with the agreement reached at the March meeting of the Committee, the Chairman proposed that discussions be organized under the following general points:

- (a) an overall review of developments in the consulting country's trade flows and factors affecting such trade;
- (b) an examination of how the consulting country's economic and trade policies have responded to the objectives and principles contained in Article XXXVI;
- (c) an examination of how trade policy measures have responded to the commitments of the consulting country under Article XXXVII;
- (d) consideration of any matters relating to joint action under Article XXXVIII.

The Chairman then declared the consultations open and offered the floor to the representative of Finland.

Consultation with Finland

8. In his introductory remarks, the representative of Finland said that he wished to endorse the opening statement made by the Chairman regarding the nature of the consultations. Turning to Finland's trade policies, he referred to the fact that Finland was highly dependent on foreign trade and stated that the country's basic approach to trade policy was founded on the multilateral trading system embodied in the GATT. In this connection, relations with developing countries had played a significant and increasingly important part. Trade relations between developed and developing countries were fundamental to GATT's future work, and Finland took the view that these consultations could be a very useful exercise in relation to the various GATT provisions dealing with the trade of developing countries.

9. The representative of Finland noted that the share of developing countries in Finland's trade was modest compared to some other developed countries, and attributed this mainly to historical and geographical factors. Trade was conducted predominantly with geographically close markets, and Finland's location in one of the peripheral parts of Europe, far from the historical avenues of trade, explained why even to-day about 80 per cent of foreign trade was carried out with trading partners in the immediate neighbourhood.

10. Referring specifically to trade with developing countries, the representative of Finland stated that special emphasis had been given to the promotion of this trade since the late 1960's. This had led almost to a doubling of the share of developing countries in Finland's trade during the 1970's, although the trend had been reversed in the past two years as a result of reduced oil imports. Trade relations between Finland and developing countries had, in general, been significantly strengthened during the past ten to fifteen years.

11. The representative of Finland expressed the view that his country's trade policy took fully into account the principles, objectives and obligations of Part IV. Market access for products of interest to developing countries had been consistently improved on a non-reciprocal basis. Finland had introduced a GSP scheme in 1972 and this had been extended for a further ten years in 1982. The major part of Finland's imports from developing countries entered duty-free, either on an m.f.n. basis or under the GSP. Finland had not resorted to safeguard actions under Article XIX, and import limitations on textiles had been taken consistently with the requirements of the Multi-Fibre Arrangement. In addition to the GSP, Finland had undertaken technical assistance and

training programmes for trade officials from developing countries and had supported the International Trade Centre in its efforts to promote the trade of developing countries. Finland had established a network of agreements on economic, industrial and technical co-operation with developing countries and the agreements had been instrumental in expanding trade with these countries. Finland had co-operated with international efforts aimed at stabilizing commodity markets and securing remunerative prices for producers together with stable supplies and fair prices for consumers. Finland had supported the Integrated Programme for Commodities and participated in all existing commodity agreements. The representative of Finland added that in addition to the information already placed before the Committee, he was willing to provide any further information which delegations might require.

12. Many delegations of developing countries expressed their appreciation for the introductory statement made by Finland as well as for the background documentation which had been prepared for the consultations. A number of these delegations, however, remarked on the comparatively small share of Finland's imports accounted for by developing countries. They noted that although this share had grown during the 1970's, in recent years both the value and the share of developing country exports in Finnish imports had been declining. The representative of Finland said that the trend in recent years was explained by reductions both in the value and volume of oil imports, given that a large proportion of imports from developing countries was accounted for by crude oil. He mentioned that an upward trend in developing country exports to Finland could be observed, particularly in relation to industrial and processed products, if one excluded oil from the picture.

13. In relation to the question of the level of Finland's imports from developing countries, many developing country representatives referred to the earlier statement by the representative of Finland in which he mentioned geographical and historical factors as determinants of trade flows. While recognising that these factors may have been relevant in the evolution of trade between Finland and developing countries in the past, developing country representatives felt that these factors had little to do with the existing scope for Finland to increase imports from developing countries. They felt that while there were a number of aspects of Finland's trade policies, as well as its technical assistance activities, which were favourable to developing countries, there remained significant scope for policy actions aimed at improving access and increasing imports from developing countries, in the context of the spirit and objectives of Part IV. The representative of Finland stated that his reference to historical and geographical factors had been merely descriptive and had not been intended to imply any new interpretation of the provisions of Part IV, and in particular the commitments of Article XXXVII.

14. There was widespread concern expressed by the representatives of developing countries in regard to the effects on the terms and conditions of access to Finland's market of the country's adherence to preferential trade agreements with EFTA, the EEC and certain state-trading countries in Eastern Europe. These representatives pointed out that the result of these agreements was to create a situation in which developing countries faced "negative" preferences with respect to a significant number of imports which were subject to positive m.f.n. rates and excluded from Finland's GSP scheme. Some representatives of developing countries also stated that

similar discriminatory effects on exports from their countries arose as a result of the application of quantitative restrictions and other non-tariff measures. The representatives of many of these countries expressed the view that these arrangements not only exacerbated whatever unfavourable influence the historical and geographical factors mentioned earlier had exerted on developing country exports, but they were also contrary to the spirit and objectives of Part IV. These representatives felt that it would be appropriate for Finland to adjust its trade policies so that developing countries could benefit from terms of access to Finland's market at least equal to those enjoyed by developed countries in Europe.

15. The representative of Finland, referring to his country's trading arrangements with other European countries, expressed doubts about the concept of "negative" preferences and stated that he did not wish to enter into a legalistic discussion of Article XXXVII. However, he did not consider that these trading arrangements had any bearing on Part IV of the General Agreement and expressed the view that a distinction should be drawn between concessions made in the course of negotiations and unilaterally accorded preferences. The introduction of developing country preferences, restraint in the use of Article XIX, and other measures taken to ensure or improve access for products of interest to developing countries, were, in the view of the representative of Finland, actions which demonstrated his country's compliance with the requirements of Article XXXVII.

16. The representative of a developing country, referring generally to the policy structure faced by developing country exports, stated that in his view there was a lack of consistency between the statements made in paragraph 2.1 of Finland's submission (COM.TD/W/386) and the information

provided in the addendum to the secretariat note (COM.TD/W/383/Add.1). The latter document contained long lists of products subject to tariffs and non-tariff measures. This information raised the question of how liberal Finland's trade policies were and suggested that there was considerable scope for further liberalization. These views were shared by some other developing country representatives, who also drew attention to the fact that Finland's tariffs were on average somewhat higher than those of Norway and Sweden.

17. Referring specifically to agricultural products, covered in Chapters 01-24 of the CCCN, some developing country delegations pointed out that only a small proportion of these products were duty free. Bound duty-free items accounted for less than 20 per cent of the total, with the remainder comprising both bound and unbound dutiable items or unbound duty-free items. With regard to 1980 imports of agricultural products from developing countries, only 6 per cent of these were duty-free m.f.n. items and a further 6 per cent entered under the GSP. One developing country representative raised the question why Finland imported many processed agricultural and tropical products from developed and not developing countries. In the case of industrial products, covered in Chapters 25-99 of the CCCN, several representatives from developing countries referred to high tariffs, the absence of GSP and the use of quantitative restrictions in certain sectors. These factors, combined with preferences in Finland's trade with European countries were, in the view of these representatives, largely responsible for the small share of Finland's imports of industrial products accounted for by developing countries.

18. In regard to Finland's GSP, many developing country delegations stated that the scheme embodied a number of favourable features from which developing countries had been able to benefit. They felt, however, that there was scope for improvement, particularly in relation to product coverage, since a number of important items were excluded. Some delegations also noted that the level of GSP utilisation would likely be higher if the administrative procedures involved in claiming GSP benefits could be simplified or made more flexible.

19. In response to the general points made by developing country delegations about Finland's import policies, the representative of Finland stated that taken as a whole, the Finnish economy was an open one with relatively few restrictions against imports. The level of tariffs was low, although tariffs were high in some sectors such as textiles. Moreover, Finland used transparent measures and so tariffs were generally preferred to quantitative restrictions, of which there were comparatively few. Where GSP rates applied, these were zero with no accompanying quantitative restrictions. In addition, special treatment was extended to the least developed countries. Import barriers had not been intensified, and regarding direct imports of processed agricultural and tropical products from developing countries, these had shown an upward trend. With respect to agricultural products, the representative of Finland referred to paragraph 2.3 of the Finnish submission (COM.TD/W/386), which states that out of 164 CCCN tariff headings, 50 qualify for exemption from import duties and import levies under the GSP and 54 items are duty-free on an m.f.n. basis. The representative of Finland explained that one element in his country's agricultural policy was to rely on domestic supplies where these could be produced at reasonable cost. While this policy may have

resulted in the application of some import restrictions, market access had been improved for many agricultural products and especially tropical products of interest to developing countries.

20. Many delegations from developing countries referred to Finland's import restrictions on textiles and clothing items. Not only were tariffs much higher than the average level in Finland, but there was no GSP on these items and a number of developing countries faced quantitative restraints under the MFA. Furthermore, the preferential trading agreements which Finland had with other European countries meant that these countries often enjoyed unrestricted duty-free access on textile and clothing items. Certain developing country representatives referred to the concept of "minimum viable production" embodied in the MFA. They wished to know why textile and clothing imports from developed countries in Europe which in any case accounted for a larger share of the Finnish market than imports from developing countries, were not considered to threaten minimum viable production in Finland in the same way as imports from developing countries. The legality of these restrictions was not in question, but it was relevant to consider them in the light of the provisions of Article XXXVII.

21. The representative of Finland referred to the difficulties faced by the domestic textile industry in his country. He maintained that in comparison to other countries in a similar position, Finland had a good record. Restraint agreements were limited to a small number of countries and products and they were consistent with the provisions of the MFA governing bilateral agreements.

22. With regard to import licensing and seasonal restrictions, some developing country representatives identified these as barriers to their trade and as factors which undermined GSP benefits. The representative of

a developing country enquired why seasonal restrictions were found necessary on products such as tropical fruit juices, which Finland itself did not produce. The representative of Finland stated that where import licensing and seasonal restrictions were found necessary, these were applied on a non-discriminatory basis. Tropical products were subject to seasonal restrictions only to the extent that they affected the market prospects of domestically available substitutes.

23. The representative of a developing country raised the question of fiscal taxes on products of interest to developing countries, and enquired whether such products were treated in the same way as those from other suppliers. In response to the reply from the Finnish representative that Finland applied the provisions of Article III in matters of internal taxes, the developing country representative explained that he was not referring to discrimination against particular suppliers, but to the possibility of exempting products of interest to developing countries from these taxes, in the context of the provisions of Article XXXVII. There was no conflict between the provisions of Article III and those of Article XXXVII. The representative of Finland explained that his country used a system of turnover taxes, and he did not see any realistic possibilities for discriminating in favour of developing countries in this area.

24. Several representatives from developing countries mentioned specific products facing import barriers in Finland which were of interest to their countries. The representative of Cuba mentioned the case of sugar. The representative of India made reference to a number of products contained in CCCN Chapters 40-42 and 60-62. The representative of Argentina listed several products and sectors where a variety of trade barriers, including tariffs and non-tariff measures were applied. The products mentioned included:

- dairy and milk products, including cheese;
- honey;
- vegetables and fruits;
- cereals;
- apples;
- tomatoes, preserved or prepared;
- fruit juices;
- leather and articles of leather;
- fish

25. The representative of Chile stated that his country was interested in similar products to those listed by Argentina, and mentioned in particular fresh grapes and apples. The representative of Egypt expressed the interest of his authorities in the following agricultural and industrial products:

- onions and garlic;
- tomatoes;
- cucumber;
- cauliflower;
- rice;
- dehydrated onions and garlic;
- cut flowers;
- cotton yarn;
- cotton textiles;
- finished underwear;
- outer garments;
- bed linen and sheets;
- carpets and rugs;
- articles of leather

26. The representatives of some developing countries raised the question of how these consultations were going to proceed. Many questions and observations, both of a specific and a more general nature had been addressed to the representative of Finland. While it was not possible for the representative of Finland to deal immediately with all of the points, some concern was expressed regarding the procedures which would be followed in order to complete the consultations. These delegations felt that it was necessary to have a procedure for referring back to some of the issues. The representative of a developing country expressed the view that it would help developing countries to address appropriate questions to the representative of Finland if he were to give some indication of what possibilities of action were open to his country in relation to Part IV. This representative also expressed the view that Part IV should be seen in a dynamic and not a static context, and that was why it was important to know how Finland proposed to continue implementing Part IV.
27. The Chairman intervened to say that in his view it was useful to bear in mind that these consultations represented a new phase in the work of the Committee, and the most appropriate procedures would become clear as the exercise was carried forward. As had been agreed, the secretariat would prepare a note recording the proceedings and reflecting the various points made by members of the Committee. This note would serve as a record on the basis of which points brought up in the recent discussion could be pursued with the delegations concerned and progress made in securing additional clarification or responses.
28. The representative of Finland stated that he did not have either the authority or the requisite information to provide detailed or precise

answers to all the points which had been made during the consultation. He had answered some of the questions posed by members of the Committee and intended to refer outstanding points back to his capital. In regard to the suggestion made by the delegate of a developing country that contracting parties might declare their intentions in relation to the provisions of Part IV, the representative of Finland stated that his understanding of the ministerial decision on Part IV consultations was that the Committee would examine how individual contracting parties had responded to the requirements of Part IV, and this did not imply a declaration of future intent. The representative of a group of developed countries endorsed this statement and expressed the view that it was important to distinguish between two different aspects of the Ministerial decision on GATT Rules and Activities Relating to Developing Countries; one exercise was an examination of how individual contracting parties had already responded to the requirements of Part IV, and another was to consider and prepare guidelines for improving existing procedures for reviewing the implementation of Part IV and dealing with problems relating to the application of its provisions. This representative felt that the two exercises should be kept separate.

Consultation with Norway

29. In his introductory remarks, the representative of Norway referred to certain features of the Norwegian economy. Approximately 47 per cent of the country's GDP was accounted for by services and a further 21 per cent by crude oil and natural gas production. Manufacturing accounted for some 15 per cent of domestic production and a large share of imports consisted of manufactures, originating mainly in industrialized countries. In 1982

developing countries accounted for only 7 per cent of Norway's imports and 8 per cent of the country's exports. The decline in the share of developing country imports during the last three years was attributable to reduced imports of petroleum and petroleum products. If petroleum and petroleum products were excluded, the share of Norway's imports from developing countries was about the same in 1970 and 1982.

30. The representative of Norway stated that most Norwegian imports from developing countries entered free of duty, either on an m.f.n. basis or under the GSP scheme. Eighty-five per cent of developing country exports to Norway entered duty-free in 1981. Norway's GSP scheme was introduced in 1971, and manufactured goods covered by the scheme entered at zero duty and free of quantitative restrictions. With regard to agricultural products, there were 70 tariff headings included in the "positive" list as benefitting from GSP. For the least developed countries, all products had entered duty free since 1976. Approximately 11 per cent of agricultural imports and 18 per cent of manufactured imports from developing countries were covered by the GSP scheme, while about 80 per cent and 59 per cent of agricultural and manufactured imports respectively from developing countries entered under duty-free m.f.n. bound rates. The representative of Norway pointed out that the coverage of Norway's GSP scheme had been constantly reviewed and in most years since 1971 new products had been added. With respect to GSP utilization, the low rate of about 60 per cent was partly accounted for by the failure of beneficiary countries to follow the procedures necessary for obtaining preferential treatment. Fifty-six developing countries had not notified the Norwegian authorities of the certifying institutions or the stamp of the certifying institution.

31. With regard to textiles and clothing, the representative of Norway referred to the global quotas maintained by his country on some of these

products. He stated that it was the intention of his authorities to accede to the Multi-Fibre Arrangement, provided that satisfactory bilateral agreements could be reached. Agreements had already been reached with some developing country exporters and discussions with three other suppliers were about to begin.

32. The representative of Norway also referred to efforts being made to expand imports from developing countries. A study on agricultural imports had been undertaken to examine the possibilities for increasing imports from developing countries. A similar exercise was to be undertaken with respect to manufactured products and their possible inclusion in the GSP scheme. In addition, the Norwegian Import Promotion Office for products from Developing Countries (NORIMPOD) had been established to improve contacts between Norwegian importers and developing country exporters and to provide information about the Norwegian market and market conditions. Norway had also signed several economic, trade, industrial and technical cooperation agreements with developing countries. The representative of Norway also referred to Norway's technical assistance programme, its comparatively sizeable contribution to the International Trade Centre, and to its participation in international commodity agreements and the Integrated Programme for Commodities.

33. Following the introductory statements made by the Norwegian delegation, several representatives from developing countries prefaced their remarks by commending the quality of the submission made by Norway. They found the format and coverage of the written submission particularly useful and suggested that reports from other consulting countries follow the same format. Apart from this point, several other observations and concerns were commonly featured in the statements made by developing country delegations. These included comments on the trends in the trade

flows between Norway and its developing country trading partners and on the Norwegian trade regime, in particular the Norwegian GSP Scheme and the effect of preferential arrangements between Norway and some European suppliers on imports from developing countries.

34. The comments concerning recent trends in Norwegian trade with developing countries centred around the decline in Norway's imports from developing countries in contrast with the expansion of Norwegian exports to these countries. From 1980-82 Norwegian exports to developing countries had expanded by 33 per cent in value. On the other hand, imports from GSP beneficiary countries had decreased by 13 per cent in the same period, with food products, beverages, tobacco, chemicals, petroleum and petroleum products registering the most significant declines. During the same period Norwegian imports from Eastern Europe, the EEC and EFTA countries had increased by 104 per cent, 13 per cent and 23 per cent respectively. Hence if there had been any improvements in the terms of access for developing country exports to the Norwegian market, this was clearly not reflected in the statistics.

35. In responding to the concern regarding developments in trade flows, the representative of Norway noted that the exclusion of petroleum products from import figures changed the picture considerably. Norwegian imports other than petroleum or petroleum products had thus increased from 1980 to 1982 by 22 per cent, 21 per cent and 25 per cent for EFTA, EEC and GSP countries respectively. Having said this, he indicated that historical and geographic considerations may in large part account for the modest and stagnant share of imports from developing countries. He added that the presence of already established channels with non-developing country suppliers may have contributed to the more rapid expansion of trade with these countries. He also mentioned the possible adverse impact on developing country suppliers of obstacles of a practical nature, such as

the small size of the Norwegian market which may not justify the additional costs of distribution and marketing to the Norwegian market. Lack of information about the Norwegian market's needs and preferences also resulted in marketing difficulties for most developing country suppliers. He mentioned, however, that the Norwegian Import Promotion Office for Products from Developing Countries (NORIMPOD) was examining the possibilities for alleviating such problems.

36. In connection with the modest share of developing countries in Norwegian imports, most developing country delegations expressed their concern over the low level of utilization of GSP benefits offered by Norway. While these delegations acknowledged the relatively generous nature of Norway's GSP scheme, they noted that a relatively small proportion of developing country exports that were eligible for GSP actually benefitted from this treatment. In fact, the rates of utilization of Norway's GSP scheme were lower than for the other Nordic countries. This raised the question as to whether Norway's scheme was less flexible in nature. Many developing country delegations cited practical problems with the procedures for benefitting from Norway's GSP scheme, such as those concerning signatures and stamps for the certificates of origin. They urged Norway to consider ways of eliminating such obstacles to the use of GSP and of administering operational improvements to enhance its utilization. In this context, one representative suggested that the Norwegian government and ITC should work collectively to this end.

37. Apart from the problems concerning the utilization of existing benefits under the Norwegian GSP scheme, some developing country representatives wished to explore the possibilities of expanding the Norwegian scheme's product coverage, in particular to include some textile and clothing items.

38. In responding to the questions regarding the Norwegian GSP scheme and its rate of utilization, the delegate from Norway said that in 1981 the rate of GSP utilization was 58 per cent. He acknowledged that this constituted a problem but did not think that it resulted from the nature of the scheme; rather it was due to non-conformity on the part of potential beneficiaries to the procedures for obtaining preferential treatment. He stated that the Norwegian scheme was very similar in nature to the schemes administered by the other Nordic countries and therefore could not be considered to be less flexible. The Norwegian delegate added that his authorities would consider the suggestion concerning co-operation with ITC to enhance the utilization of their GSP scheme.

39. Concerning the product coverage of the GSP scheme, the representative of Norway said that the list of exceptions under the system was not very long. This list did, however, include problem sectors of importance to Norway, such as textiles and clothing, for well-known reasons.

40. Another prominent concern for developing countries, as in the case of Finland, was the existence of preferential arrangements between Norway and some of its European trading partners, such as the EEC and EFTA countries, for products not included in the Norwegian GSP scheme. This led to the creation of "negative" preferences for developing countries since their exports were subject to m.f.n. duties while similar exports from the preferential suppliers entered the Norwegian market free of duty. Several developing countries stated that the problems concerning unequal terms of access to the Norwegian market for such products were identical to the ones already enumerated during the consultations with Finland. To rectify the disadvantages resulting from such "negative" preferences and allow competition on more equal terms, developing country delegations urged Norway to include the products concerned in its GSP scheme. The delegate from Norway shared his Finnish neighbour's

assessment that arrangements concluded on the basis of mutually exchanged concessions should not be compared with unilaterally administered preferences. Norway had free trade agreements with a high degree of integration with neighbouring countries, not least due to geographic factors.

41. One developing country representative stated that he could not entirely agree with the assessment made by the Norwegian delegate that his country had an open and liberal trading system in view of the large number of quantitative and other restrictions identified in the Secretariat's document. The representative of Norway reiterated that Norway's high trade to GDP ratio attested to the open nature of his country's economy. In addition, he thought that Norway's import policy was liberal. Restrictions existed in two sectors only and primarily in the agricultural sector.

42. In addition to these observations of a general nature, several questions were raised regarding specific measures that hampered access to the Norwegian market of products from developing countries. Such measures included fiscal taxes, tariff escalation, seasonal restrictions, discretionary licensing, minimum prices and sanitary regulations and state trading. One developing country representative noted that some of the fiscal measures applied by Norway had been adopted after Norway's acceptance of Part IV. He was wondering, therefore, to what extent these measures took into account provisions of Article XXXVII on fiscal measures. In responding to this query, the representative of Norway indicated that no contention should exist as far as the value-added tax administered by Norway was concerned. The VAT constituted an important element of the Norwegian tax system and its application was non-discriminatory and general, with no differentiation in the applied rates. With respect to the

sugar levy which might be of concern to some developing countries, he added that this levy was also non-discriminatory since it was applied to the consumption of sugar and sugar products. He suggested that this practice had two motives - namely fiscal and nutritional ones. The representative from the developing country who had raised this issue did not consider the question of whether or not discrimination existed to be central to his argument. He pointed out that it was precisely because the sugar tax was levied on consumption and thus had the effect of discouraging domestic consumption that he had raised the issue of conformity with the commitments undertaken under Article XXXVII. He enquired if there were any possibilities for the suppression of such taxes, to which the delegate of Norway responded by saying that the prospects of removing the sugar levy were not very good.

43. The existence of tariff escalation in the Norwegian tariff schedule was raised by a developing country representative who thanked Norway for indicating this problem in the written submission and pointed out the need for further analysis of the issue. The representative of Norway said that the tariff escalation problem was limited to the list of exceptions from the GSP scheme in general, and to textile items in particular. He indicated the intention of his authorities to study the matter further.

44. In response to questions regarding "minimum prices" on some agricultural products, the delegate from Norway clarified the Norwegian practice of suspending quantitative restrictions on such products during periods of the year when there was no domestic production and the internal price of the product exceeded a specified level. He was aware of the problem, pointed out by some developing country delegations, that developing countries faced difficulties in competing in the Norwegian market during periods when restrictions were temporarily suspended, due to

the fact that such supplementary imports took place at rather short notice. He added that his authorities were examining this problem. Some developing country representatives indicated that the gathering and communication of improved information on trends in the market would assist their countries in this regard.

45. One developing country representative indicated that his country had particular problems with the sanitary regulations administered by Norway. He requested explanations from Norwegian authorities regarding this practice since exporting companies in his country were somewhat frustrated in this regard. Another developing country representative indicated that his country's exporters at times had problems with Norway's regional norms for certification. He requested more flexibility in the application of such norms. The delegate from Norway took note of these requests.

46. A number of questions were raised regarding state trading practices in Norway for alcohol and cereals. Some developing country delegates thought that state trading practices provided one area where the political will to expand imports from developing countries could be demonstrated with comparative ease. The representative of Norway indicated that his authorities were reviewing the system of state trading, in particular the degree to which it was open to imports from non-traditional suppliers.

47. Developing country delegations also expressed concern with seasonal restrictions and import licensing applied to some agricultural products. While requesting more specific information regarding these concerns, the representative of Norway indicated that the desire to promote domestic agricultural production of items where some potential existed necessitated the use of such measures.

48. The consultations with Norway, as with Finland, revealed the particular concern of developing countries regarding restrictions in two

sectors - namely agriculture, and textiles and clothing. Concerning Norway's agricultural trade policy, developing country representatives noted that quantitative restrictions and relatively high tariffs had been applied to agricultural imports since the 1930's. No progress seemed to have been made in this sector in terms of reducing or eliminating such barriers.

49. In this respect, most developing country representatives expressed their positive reaction to the initiation of an internal study in Norway to examine on a product by product basis the possibilities of increasing agricultural imports from developing countries. They also indicated their willingness to co-operate with Norway on this internal exercise and to contribute in any way they could. The representative of Norway said that his country had provided to the Agriculture Committee information on the nature of and reasons for restrictions concerning agricultural products. While he would therefore not go into a detailed discussion of Norway's trade regime concerning agricultural products now, he wished to reiterate that the restrictions applied were non-discriminatory in nature. Further, Norway imported a large amount of agricultural products despite these restrictions.

50. In addition to global quotas on some items, licensing, seasonal restrictions, seasonal licensing and sanitary regulations applied by Norway were indicated as measures of concern for most developing country exporters of agricultural products. Some developing country delegates pointed out that seasonal and other import restrictions were applied to tropical products even though these were not typically Nordic products. They wondered if it would be possible to remove these barriers especially since developing countries faced "negative" preferences in respect of some tropical products. One developing country representative also asked if the

Tokyo Round concessions could be implemented in advance for some agricultural products. The delegate of Norway indicated that he had taken note of the questions posed and would transmit them to his authorities.

51. The concerns expressed by developing countries regarding exports of textiles and clothing to Norway resulted from (1) the exclusion of some of these items from the Norwegian GSP scheme, (2) the duty-free access provided to suppliers from preferential sources while products from developing countries were dutiable and (3) the quantitative restrictions applied to developing countries alone. As a result of this situation, some developing countries stressed that the ability of their textile exporters to compete in the Norwegian market was severely curtailed. It was also pointed out that in 1980, 65 per cent of all Norwegian textile imports had originated in either the EEC or EFTA countries, while the corresponding figure for clothing items was 88 per cent. While representatives of developing countries appreciated the problems faced by the Norwegian textile industry, they could not justify the imposition of restrictions on developing countries alone, in light of the prominence of developed country suppliers in Norway's imports of textiles and clothing. One developing country representative expressed concern over Norway's intention of acceding to MFA III - provided that satisfactory bilateral agreements could be obtained.

52. The representative of Norway said that the Norwegian textile and garment industry was facing serious problems because of increasing imports; in this regard low-priced goods were especially problematic. However, restrictions in the textile sector covered only 8 product categories and in spite of restrictions, Norway had one of the highest per capita import rates of textiles and clothing. He added that the degree of penetration in the textile sector varied considerably from product to product and that recently the share of developing countries in Norway's textile imports had increased, though modestly.

53. Several developing country delegations mentioned specific products facing import barriers in Norway which were of interest to their countries. The representative of Peru indicated the following products and the respective restrictions facing them:

- CCCN 16.03 - fish, preserved in containers (licensing)
- CCCN 20.05 - marmalades, fruit concentrates (licensing)
- CCCN 20.07 - fruit juice (licensing and global quota)

54. The representative of India expressed interest in Chapters 41, 55, 60 and 62. The representative of Norway indicated that as far as Chapter 41 was concerned, only products under item 41.02 were in the list of exceptions to Norway's GSP and to his knowledge there were no quantitative restrictions. Norway had global quotas on textile items under the other three chapters the Indian delegate had mentioned.

55. The representative of Indonesia made reference to the following items:

- 23.02 - bran, sharps (state trading)
- 20.07 - fruit juices (licensing and global quota)
- 17.03 - molasses (state trading)

The representative of Norway stated that imports of products under item 23.02 were free and that to the best of his knowledge all imports of molasses originated in developing countries. As far as item 20.07 was concerned he indicated that only a sub-item was under restriction and this reflected the importance of this sub-item for Norway's overall agricultural policy.

56. The representative of Argentina referred to the following products:

- 08.06 - apples and pears (licensing, seasonal restrictions)
- 02.01 - meat (licensing, bilateral quota)
- 07.01 - tomatoes (licensing, seasonal restrictions)
- 20.07 850 - fruit juices (licensing and global quota)
- alcohol (state trading).

57. With respect to fruit juices, he asked if the system could not be altered since both discretionary licensing and a global quota were applied. He also wondered why discretionary licensing was used in conjunction with seasonal restrictions regarding tomatoes. The representative of Norway indicated that he took note of the specific concerns regarding the measures affecting tomatoes and fruit juices. In response to a question concerning meat, he indicated that the reason imports of this product came mainly from developed countries had to do with the existence of established trade channels as well as with practical considerations.

58. The representative of Chile mentioned several agricultural products such as grapes, apples, pears, preserved fruit and fruit juices. He indicated that his country also had interests in the products mentioned by Argentina.

59. The representative of Egypt indicated his country's interest in vegetables, oranges, rice and cotton yarn. The representative of Romania referred to the following CCCN headings - 42.02, 42.03 AI, 42.03C, 51.04, 53.11, 54.05, 85.20, 85.23B, 87.02B, 94.03CII, 94.03III and wondered if these could be included in the Norwegian GSP scheme.

60. The representative of Norway stated his intention to transmit the questions to his authorities.

Consultation with Sweden

61. In his opening statement, the representative of Sweden expressed his delegation's support for the Chairman's view that the consultations should focus as much as possible on specific and practical problems in a positive and constructive atmosphere. He observed that the Swedish delegation welcomed the opportunity afforded by the consultations to explain Swedish policies to promote trade with developing countries.

62. Drawing attention to a few general features of these policies, as outlined in the Swedish submission (COM.TD/W.389), he observed that Swedish

custom duties were very low by international standards. Furthermore, about 98-99 per cent of Swedish industrial tariff lines were bound in GATT. Sweden had made it a matter of policy to afford duty-free status to as many products as possible on an MFN basis in the categories of particular interest to developing countries. Thus, all imports of tropical products, that is products which can only be produced in tropical areas, were duty-free on an MFN basis. The Swedish GSP scheme was applied in an open and general fashion and it had no quotas or other limitations. Swedish MFN bindings in combination with the GSP scheme had made it possible to offer duty-free treatment for approximately 85-90 per cent of Swedish imports from developing countries.

63. The representative of Sweden further observed that there were areas of trade, notably in agriculture and textiles, where Sweden had felt compelled to maintain certain regulations on imports. Such import restrictions were being applied by most industrialized countries, and members of the Committee were undoubtedly well aware of the reasons for them. He observed that Sweden's margins for further liberalization in these sectors were very limited.

64. The representative of Sweden affirmed his Government's appreciation of the need to deal with the economic problems of developing countries in a broader political context. That was why they continued to attribute high importance to the concept of a global round on north-south negotiations and why they participated so actively in international co-operation on commodities. Trade policy was but one integral element of the Swedish Government's policy towards developing countries, which also placed heavy emphasis on financial assistance to promote economic development.

65. The representative of Sweden further observed that these consultations on the implementation of Part IV were very timely and would contribute to

enhance an understanding of north-south trade flows. This improved knowledge would be of great use when members of the Committee proceeded to deal with other tasks assigned to this Committee by the GATT ministerial meeting, all of which aimed at promoting trade between developed and developing countries.

66. The representatives of a number of developing countries expressed appreciation for Sweden's positive attitude in its trade and economic relations with developing countries. In this connection, they referred to Sweden's official development assistance to developing countries, its contributions in the field of transfer of technology, its support to international commodity arrangements and its trade promotion assistance to developing countries, both directly, such as through the Swedish Import Promotion Office for Products From Developing Countries (IMPOD), and through its support to the International Trade Centre.

67. Appreciation was also expressed for the positive character of the Swedish GSP scheme which, like those of the other Nordic countries, is based upon zero tariffs without quantitative limitations. Representatives of some developing countries also noted with appreciation that the rate of utilization of the GSP preferences in the case of Sweden was highest amongst the three Nordic countries. There was however room for further improvement, possibly through more effective technical assistance to developing countries in this regard and a more flexible administration of the scheme in regard to its procedural requirements.

68. While noting with appreciation that Sweden's trade with developing countries was larger than that of the other two Nordic countries and a larger proportion of its total trade, the representatives of a number of developing countries observed that nevertheless, developing countries accounted for a relatively small share of Sweden's total imports. Some of

these representatives felt that Sweden's preferential trading arrangements with EFTA countries and with the members of the EEC, providing for unrestricted duty-free access to its market, were a powerful inhibiting factor against imports from developing countries, explaining their small share in Sweden's total imports. These preferential arrangements with Sweden's European trading partners not only seriously circumscribed the practical utility of Sweden's GSP preferences, they also placed the developing countries under the burden of "negative preferences" in so far as agricultural and industrial products not covered by Sweden's GSP scheme were concerned. These representatives urged that in view of the small overall share of developing countries in the Swedish market, Sweden may consider enlarging the list of agricultural products covered by the Swedish GSP scheme, and deletions from the negative list of industrial products, so as to make the conditions of access to its market for exports from developing countries at least equal to those enjoyed by its preferential trading partners in Europe.

69. The representatives of some developing countries observed that exports of textiles and clothing from developing countries to the Swedish market were faced with tariff barriers as well as quantitative restrictions under the MFA, whereas imports from developed countries were unrestricted and, in the case of EFTA countries and the members of the EEC, duty-free. It was obviously as a consequence of these multiple restraints that the developing countries' share of the Swedish market remained relatively small. While developing countries acknowledged Sweden's concern to support its domestic industry and protect its "minimum viable production", they could not understand why developing countries should not be allowed to compete freely and on equal terms with other developed country suppliers. They questioned the assumption implicit in Sweden's policy in this regard that all imports

of textiles and clothing from developing countries were lower priced than the unrestricted imports from the developed countries. One of these representatives recalled that in the context of Sweden's bilateral consultations with a developing exporting country it had been pointed out that imports of the items in question from a European supplier were at comparatively lower prices. In any case, he observed that with the addition of the fairly high customs tariffs, the landed cost of imports from developing countries became comparable to the cost of imports from the developed countries entitled to duty-free access. In the circumstances, there was no justification for their being subjected to quantitative restrictions.

70. Representatives of a number of developing countries further observed that given the existence of quantitative restrictions, there were no logical grounds for the maintenance of tariffs against imports of textiles and clothing. They expressed the hope that Sweden would consider coverage of all textile and clothing items of interest to developing countries in its GSP, so that at least in respect of tariffs conditions of access to the market for the exports of developing countries were placed on a par with those of developed countries. They also expressed the hope that at some appropriate time in the near future Sweden would be in a position to consider the elimination of all discriminatory aspects of its import regime in regard to textiles and clothing.

71. The representatives of some developing countries observed that, apart from textiles and clothing, a number of other agricultural and industrial products of interest to developing countries were excluded from the GSP and subject to escalating tariffs. They urged that in view of the small

overall share of developing countries in the total imports of Sweden, Swedish authorities give serious consideration to coverage under their GSP of all products which mainly or substantially originated in developing countries, and to reducing tariff escalation on processed and industrial products of significant export interest to developing countries.

72. The representatives of a number of developing countries referred to variable levies, internal fiscal measures, quantitative restrictions, discretionary licensing, seasonal restrictions, state trading and phyto-sanitary regulations as constituting barriers against exports of products of their particular interest and expressed the hope that Sweden would be able to consider relaxation of these restraints in the interest of promoting imports from developing countries.

73. The representatives of some developing countries observed that as a token of goodwill and in pursuance of the official Swedish policy to promote imports from developing countries, State Trading authorities (such as those for alcoholic drinks and grains) should increase their imports from developing countries.

74. Referring to factors, in exporting countries and in Sweden, inhibiting imports from developing countries, listed on page 5 in the Swedish submission (COM.TD/W.389), the representatives of some developing countries observed that Sweden should consider extending technical assistance to developing countries especially designed to help these countries overcome some of these constraints. It was also suggested that Sweden could consider extending special and differential treatment to developing countries in regard to its technical regulations under the provisions of the Agreement on Technical Barriers to Trade.

75. The representatives of some developing countries observed that the views expressed by Sweden in regard to the question of reciprocity at page 9 of its submission appeared to be somewhat out of accord with the letter and spirit of Article XXXVI.8.

76 Referring to this particular matter, the representative of Switzerland observed that his country attached considerable importance to the question of greater integration of the more advanced developing countries in the GATT's system of mutual rights and obligations

77. The representative of Romania observed that the special GSP regime of Sweden in regard to Romania was of a discriminatory nature.

78. Responding to some of the points made by the representatives of developing countries, the representative of Sweden observed that the relatively small overall share of developing countries in Sweden's total imports was mainly due to historical and geographical factors. Sweden's preferential trading arrangements with EFTA countries and with the members of the EEC were justified under Article XXIV of the General Agreement and could not be construed as constituting "negative preferences" against developing countries. In any case, the possible negative impact of these preferential arrangements on the trade of the developing countries, as of the problem of tariff escalation, was being exaggerated since most imports from developing countries were also entitled to unrestricted duty-free entry, either on an MFN basis or under GSP, with the exception of some products in the sectors of agriculture and textiles and clothing. It was already their policy that all products mainly or substantially originating in developing countries should be covered in their GSP scheme. The scheme was reviewed regularly, and they would welcome any specific suggestions for the enlargement of its product coverage on this basis. They were well aware of the difference of opinion that existed on the question of textiles

and clothing. Sweden, however, had to rely upon the assessment of its own industry which was convinced that it primarily needed protection against low-priced imports from developing countries. While in their view tariffs on textiles and clothing imports did not in general offset the price advantage enjoyed by developing countries, he could see some merit in the argument that given the existence of quantitative restrictions, tariffs amounted to unnecessary double protection. He would report this to the authorities at home, though he must recall the observation made in his opening statement that the margin for further liberalization in this sector, as in agriculture, was very limited. As regards the question of reciprocity, Sweden felt that the provisions of Part IV in this regard could not be viewed in isolation from the other provisions of the General Agreement, or of the Enabling Clause. Sweden attached considerable importance to the question of greater integration of the more advanced developing countries in the GATT's system of reciprocal rights and obligations, and they would like to see this question dealt with under a multilateral procedure. Variable levies, discretionary licensing and seasonal restrictions were an integral part of the basic structure and objectives of Sweden's agricultural policy. Efforts had, however, been made to make the system more transparent and predictable, and to take into account the interests of developing countries in the methods of applying these restrictions. Phyto-sanitary regulations were not a trade policy matter and were related to the objective of eradicating human, animal and plant diseases. They were however prepared to examine any trade problems arising from the administration of these regulations.

79. The representative for Argentina mentioned the following products of particular interest to his county:

Certain processed fruits, fruit juices

Certain leather products

Fish

Meat

Apples, certain vegetables, cereals

Cut flowers

Must and wine

80. The representative of Egypt referred to the following products:

Certain vegetables (such as onions, garlic, potatoes, green beans)

Fruit (oranges)

Cut flowers

81. The representative of Indonesia expressed the hope that Sweden would be in a position to consider further liberalization of access and trade promotion assistance to her country in the following products:

Fish

Spices

Coffee

Natural Rubber

Wood and Wood products

82. The representative of Cuba referred to the particular interest of her country in the following products:

Nickle

Sugar

83. The representative of Peru mentioned the particular interest of his country in the following products, in addition to certain textiles items:

Fillets of mackerel

Shrimps

Prawns

84. The representative of Romania referred to the interest of his country in the following products:

Fertilizers

Rubber products

Carpets

Some steel and aluminium products

Electric motors

Furniture

85. In responding to the references to specific products, the representative of Sweden observed that some of the products (such as spices, coffee, natural rubber, wood and wood products) were already subject to zero tariff either on an MFN basis or under GSP. The problem of nickle was not of market access but of marketing. With regard to sugar, the Swedish government had declared its intention to try to lower Sweden's rate of self-sufficiency from around 100 per cent to around 85 per cent over some time. The representative of Sweden further observed that his delegation had taken note of the suggestions in regard to further market promotion assistance. They had also taken careful note of the suggestions in regard to specific commodities and would be reporting them to the Swedish authorities in the capital. They hoped to be able to respond to them at some appropriate time in the future.

Consultations with Austria

86. In his opening statement, the representative of Austria observed that his authorities had found the secretariat background note on Austria (COM.TD/W/384 and Add.1) to be adequate and comprehensive in its coverage and therefore considered it unnecessary to make a submission of their own. Referring to Table 2 in the secretariat note (Balance and Direction of Trade: 1980,1981,1982), he observed that there had been a slight decline in the imports from developing countries into Austria during this period.

However this decline corresponded to the general decline of Austria's overall imports from all directions.

87. In their notification to the secretariat, contained in document L/4108/Add.16 of 17 May 1983, concerning the Austrian Generalized System of Preferences, the Austrian Authorities had notified that with effect from 1 January 1983 Austria had implemented the fourth stage of duty reduction under the Geneva Protocol (1979) to the GATT-MTN. With the application of the formula for calculating the tariffs under the Austrian GSP-scheme to the most-favoured nation rates thus reduced, preferential duty rates would be reduced accordingly. This improvement resulted in reduced tariff rates for around 1900 tariff lines.

88. The representative of Austria referred to the special treatment granted by Austria on hand-made products and noted that the last related notification was circulated as document COM.TD/96/Add.6 dated 13 July 1983.

89. The representative of Austria also referred to important technical assistance granted by Austria to developing countries in the framework of the Customs Cooperation Council and observed that this assistance included regular training seminars for officials of developing countries on international agreements on customs and trade matters. He observed that being a small country, Austria's possibilities were limited. Nevertheless Austria was willing to do its best.

90. The representatives of a number of developing countries expressed appreciation for the extensive product coverage of the Austrian GSP scheme and the fact that it was not subject to any quantitative limitations. They also welcomed the efforts of the Austrian authorities to improve the product coverage of the scheme, and to maintain its preferential margins. Some of these representatives also expressed appreciation for the special Austrian scheme for hand-made products.

91. Representatives of some developing countries observed that the overall share of developing countries in Austria's total imports was relatively small and therefore there was ample scope for the promotion and enlargement of this trade. They observed that a number of agricultural and industrial products of interest to developing countries were excluded from the Austrian GSP and were subject to MFN tariffs, and a large number of agricultural products were also subject to import restrictions. Industrial products in CCCN chapters 25 to 99 (except textiles) that were covered in the GSP were subject to positive rates, at one half of the MFN rates. With respect to textile items in chapters 50 to 62 and 65, the GSP rates were 65 per cent of the MFN rates. As against that, imports of all industrial products from EFTA countries and the members of the EEC were entitled to duty-free entry. This constituted a serious constraint against exports from developing countries.

92. Representatives of a number of developing countries indicated that the observations made by them in regard to the import regimes of the Nordic countries on textiles and clothing were also valid for Austria. Imports of textiles and clothing from developing countries were subject to multiple restraints, i.e., tariffs as well as quantitative restrictions. These representatives did not see the rationale for denying the developing countries the opportunity to compete with developed country exports to the Austrian market on equal terms, especially when more than 80 per cent of the imports were coming from developed countries.

93. The representative of Romania expressed concern about some import restrictions and some administrative aspects of the Austrian import regime which had affected exports from his country adversely.

94. The representative of Brazil referred to the following products, apart from textiles and clothing, in which his country had particular interest:

- Footwear
- Rubber articles
- Leather products
- Wood panels
- Leather and leather products
- ~~Wood pulp~~
- Cutlery
- Injection pumps

95. The representative of Indonesia mentioned the following products, in which they were particularly interested, apart from textiles and clothing:

- rubber footwear
- rubber tyres and tubes
- wood based panels, plywood
- furniture of wood
- essential oils

96. In addition to their interest in textiles and clothing, the representative of India made particular mention of leather and leather footwear.

97. The representative of Egypt mentioned the interest of his country in further liberalization of access for the following products:

- Vegetables (onions, garlic, potatoes, green beans)
- Fruit (oranges)
- Cut flowers
- Travelling goods of textile fabrics
- Articles of leather
- Cotton yarn
- Carpets

98. The representative of Peru referred to the following products of their particular interest, apart from textiles:

Pineapples, Guavas

Concentrated fruit juices

Skins

99. The representative of Cuba expressed her country's particular interest in further liberalization of access in regard to the following products:

Rum

Honey

Caramels

100. The representative of the Philippines mentioned the following products as being of particular interest to his country in this regard:

wooden picture frames

builders carpentry

doors, windows, parquet flooring

household utensils of wood

standard lamps of wood

joiners benches

plaiting materials

basketwork

gloves, mittens

undergarments

outergarments

mens'/boys' outer garments

cotton outer garments

girls' under garments

brassieres

socks

other made-up articles

footwear
wigs
glazed stoneware
imitation jewellery
photographic apparatus
wrist watches
alarm and other clocks
parts of watches
wooden chairs
other seats of wood
other furniture of rattan
animal carving materials
parts/accessories for dolls

101. The representative of Romania mentioned the particular interest of his country in further liberalization of access to the Austrian market in the following product groups:

51.03
51.04
54.05
58.01
60.02
60.03
60.04
61.01
61.02
61.03
61.04
62.02
84.11 B

84.45
84.62 B
85.01 A
85.01 C
87.01
87.02
07.03 D
20.01 B
22.05
02.01 A2
02.01 A3
16.01
16.02 B2

102. In responding to the observations and suggestions made by the representatives of developing countries, the representative of Austria observed that Austria's regional preferential trading arrangements with EFTA countries and members of the EEC were covered by Article XXIV. Austria had exchanged concessions with these trading partners on the basis of reciprocity and mutuality. Austria would be favourably disposed to the exchange of concessions on a similar basis with the more advanced developing countries. He further observed that agriculture and textiles were particularly sensitive and difficult sectors for Austria in which there was little room for further liberalization.

103. The representative of Austria observed that in presenting long lists of products of their interests, developing countries should bear in mind the limited scope for action in a small market such as Austria's. Nevertheless, he had taken careful note of the suggestions and would transmit them to his authorities. He expressed the hope that it would be possible to respond to them in due course. He advised the representative

of Romania to take up the particular problems faced by Romanian exports to the Austrian market with the Austrian authorities bilaterally.

Consultation with Hungary

104. The representative of Hungary prefaced his introductory remarks by indicating that he found the secretariat document to be useful and complementary to his delegation's own submission. While indicating that Hungarian trade policy was pursued on the basis of the rights and obligations stemming from the General Agreement, he emphasized that developments in his country's trade policy should be assessed against the background of the economic realities of his country. From this point of view, it was important to note that Hungary was a small trading nation, with an economy which was rather sensitive to the foreign economic environment. In the past ten years, the terms of trade had steadily worsened. Export possibilities had been limited by the recession, and agricultural and industrial exports had been affected by a growing number of protectionist measures. Non-tariff measures were maintained against 90 per cent of Hungary's exports and some contracting parties still applied discriminatory measures against his country's exports. The combination of these market access problems with the dramatic increase in real interest rates in the international money markets had resulted in the continuous deterioration of Hungary's convertible trade balance and the relatively fast accumulation of foreign debts.

105. The representative of Hungary pointed out that since 1978 the central objective of Hungarian economic policy had been to improve the external balance. In recent years, some far-reaching adjustment measures had been taken to restrict both public and private domestic consumption. In addition, in order to prevent a serious decline in Hungary's monetary reserves the Hungarian government had introduced temporary import restrictive measures under Article XII:2(a) of the GATT. When introducing

these measures, however, the Hungarian authorities had taken into account, to the extent possible, the export interests of the developing countries and had exempted products of the least developed countries from these measures.

106. The representative of Hungary maintained that the worsening external economic environment had created for his country a situation in which its foreign economic and trade problems were very similar, if not identical, to those of the majority of the developing countries. Despite all these external difficulties, Hungary continued to make efforts to implement Articles XXXVI and XXXVII of the General Agreement. As a result of these efforts, the imports of Hungary from developing countries between 1972 and 1982 had quadrupled, while the total value of Hungarian imports had only doubled in the same period. The share of developing countries in total Hungarian imports had increased from 5 per cent at the beginning of the 1970's to over 10 per cent in 1982. The representative of Hungary attributed a considerable part of this dynamic increase in imports from developing countries to the operation of the Hungarian Generalised System of Preferences. The Hungarian government was working on further improvements, concerning both the number of beneficiary countries and the scope of the product coverage of the GSP. He expected that about 30 products would be added to the GSP scheme at the beginning of next year and existing preferential rates would be reduced further. In addition, he pointed out that there were no a priori quantitative limitations in Hungary's GSP scheme and that cumulative treatment was granted to developing countries in respect of rules of origin. The representative of Hungary also informed the Committee that in accordance with the United Nations Assembly Resolution No. 37/133 of 17 December 1982, Hungary now included Djibouti, Equatorial Guinea, Sao Tome and Principe, Sierra Leone and Togo in the list of the least developed developing countries enjoying

duty-free treatment in the Hungarian market. All these improvements would be introduced as from 1st January, 1984.

107. The Hungarian delegate stressed that his country had made and continued to make significant efforts to offer a widening market to industrial and agricultural products from developing countries. Imports of agricultural products from developing countries were already significant, and the share of imports of products embodying a higher stage of processing accounted for by developing countries was increasing. He stated, however, that while Hungarian measures taken in the context of Articles XXXVI and XXXVII in themselves provided a possibility for developing countries to expand trade, the desired results could not be achieved without the active cooperation of developing countries. It was, therefore, necessary to cooperate in order to achieve the mutually satisfactory development of economic and trade relations.

108. Several developing country delegations commended the quality of the Hungarian submission and made comments regarding the trade flows and trade balance between Hungary and its trading partners. It was noted that while developing countries accounted for 24 per cent of Hungary's total exports, their share in Hungarian imports was only 17 per cent. Although imports from developing countries had increased, their overall share was still relatively modest. Further, Hungary's exports to developing countries had increased by some 45 per cent from 1972 to 1982. This indicated that there was still ample room for improvement and that the possibilities for further increasing imports from developing countries needed examination. Several developing countries also indicated that Hungary had consistently registered surpluses in its trade with developing countries and that the size of this surplus had been increasing. In this regard, it was instructive that Hungary's trade surplus with developing countries was even more significant than its surplus with its Eastern European trading partners.

109. In responding to these comments, the representative of Hungary indicated that his authorities were making efforts to increase imports from developing countries, in part by improving the Hungarian GSP scheme. Delegations were being sent to developing countries to conduct market research in an attempt to promote imports from developing countries by identifying products of potential interest to Hungarian consumers. In this context, he suggested that developing countries could also be more active in their marketing activities in Hungary, and initiate more contact with domestic consumers. The positive trade balance Hungary maintained with developing countries could be partially explained by Hungary's geographic proximity to and traditional ties with the Middle East. He indicated that with other developing country regions, Hungary was more or less in a deficit position.

110. A number of developing country representatives sought clarifications on Hungary's trading practices, including the state monopoly on foreign trade and the nature of its trade with CMEA countries. The representative of Hungary reiterated that foreign trade was the monopoly of the state. In this regard, export and import activities could be carried out only by authorized economic organizations. However, he indicated that a process of decentralization was evident since 1968. As a result, while in 1968 only 40 enterprises had permanent authorizations enabling them to engage in foreign trade, the corresponding figure in 1982 was 196. In addition ad hoc authorizations in 1982 had exceeded 500.

111. Concerning a question on tariff practices in Hungary's trade with CMEA countries, the delegate from Hungary pointed out that the bulk of trade with the socialist countries of Eastern Europe was carried out under a special regime where fixed quotas and fixed prices were used. No customs duties were collected if such trade was settled in non-convertible currencies. However, customs duties were applied to imports originating in the same countries if such trade was effected in convertible currencies.

112. One developing country representative inquired if there were any possibilities for increasing trade with developing countries under barter arrangements or compensation trade. The delegate from Hungary responded by indicating that his authorities did not object to compensation trade but did discourage counter-trade.

113. Some questions were raised concerning the quotas administered by Hungary, in particular regarding the possibility of suppressing or relaxing them in favour of developing countries. The delegate from Hungary indicated that these quotas were introduced in September 1983 for balance-of-payments purposes. The Balance-of-Payments Committee had recognized the serious nature of Hungary's external balance problems during consultations held in March 1983 and had been duly notified of the coverage of these global quotas. He emphasized, however, that his country had tried to exclude, to the extent possible, items of interest to developing countries in this exercise. He made special reference to the case of coffee where, despite its importance in total imports, his authorities had resisted the application of a global quota because of the interests of developing countries in this item.

114. In responding to a question raised in connection with the trade interests of developing countries in items under the global quotas, the delegate of Hungary said that the share of developing countries was 24 per cent in 1982. Since this share was higher than the share of developing countries in total imports, he did not think that the Hungarian quotas acted against the legitimate interests of developing countries.

115. A number of questions were also asked regarding the Hungarian GSP scheme and its country coverage. One developing country representative, welcoming the fact that the Hungarian GSP scheme contained no built-in restrictive elements, wondered what exactly was meant by the formulation

used in the opening statement - that is that there were no a priori in-built restrictions. The representative of Hungary emphasized that his authorities did not contemplate the introduction of any restrictions - neither a priori nor a posteriori. He could not, however, exclude the possibility that some restrictions could be introduced should the need arise since this was permitted, in an indirect manner, by the Hungarian regulations concerning the GSP.

116. The representative of a group of developed countries inquired why Cuba, Romania and Yugoslavia were not among the list of beneficiaries for the Hungarian GSP scheme. The delegate of Hungary indicated that Cuba was originally a beneficiary but since this country had entered the CMEA, trade was now conducted under the special regime he had referred to earlier. As for the other two countries, when Hungary introduced its GSP scheme, it had decided not to grant the benefits of the GSP to European suppliers. He indicated that otherwise Hungary would have been in the peculiar position of having granted GSP treatment to Greece, Spain and Portugal as well - countries which had either already acceded or would in the near future accede to the European Community.

117. The same representative also made reference to the accumulation of restrictions administered by Hungary and inquired whether GSP beneficiaries were exempt from these measures - e.g. licensing, duties and quotas - or whether the two systems co-existed. The delegate from Hungary reiterated that most of these restrictions had been adopted for balance of payments purposes and notified in advance of their implementation, to the CONTRACTING PARTIES. He indicated that GSP beneficiaries were also affected by these measures, but added that Hungary had exempted the least developed countries from their application.

118. The representative of Peru mentioned some specific items of interest to his country and inquired about the possibility of reducing the tariffs applied to them. The products he mentioned included:

- 03.01 - frozen fish fillets (Global Quota)
 - 12.07 - medicinal plants
 - 16.04 - fish, preserved or prepared (Global Quota)
 - 20.06 - preserved fruits
- textile items under chapters 60 and 61

The delegate from Hungary offered to discuss this specific request bilaterally with Peru.

Chairman's Summing Up

119. The following observations were made by the Chairman in his summing up of the proceedings of this session of the Committee:

"In summing-up the proceedings of this session of the Committee, I would like once again to express the hope that this first experience of the new procedures for Part IV consultations with individual countries or groups of countries, as decided by the Ministerial Meeting of 1982, has been found to be useful and worthwhile by member countries. The consultations have provided the opportunity to both the consulting countries, Finland, Norway, Sweden, Austria and Hungary, and developing country members of the Committee to have an in-depth look at the economic and trade policies of the consulting countries as these relate more particularly to trade with developing countries in the GATT context. They have in this manner provided an opportunity for an exchange of views on the extent and manner in which consulting countries' trade policies and measures have responded to the provisions and objectives of Part IV. The consultations have also enabled developing countries to make specific

suggestions and proposals regarding the possibilities for further action by the consulting countries in pursuance of the provisions and objectives of Part IV.

"Discussions in the Committee have highlighted the role which these consultations can play in securing the fullest possible implementation, in the light of present trade and economic developments, of the Ministerial decision on GATT Rules and Activities Relating to Developing Countries, as regards the call to implement more effectively Part IV and the Decision of 28 November 1979 regarding Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, and to work towards further improvement of GSP or MFN treatment for products of particular export interest to least-developed countries, and the elimination or reduction of non-tariff measures affecting such products.

"Developing contracting parties, while expressing their satisfaction with the constructive exchange of views that has taken place at this session of the COM.TD and their appreciation of the cooperative spirit of the consulting countries, have stressed their expectations that opportunities would be provided for continuation of the dialogue which was begun in this session so that these consultations result in the adoption of concrete measures to stimulate their trade with the consulting parties. While at this meeting the Committee has had only a very preliminary reaction, the consulting countries' delegations have taken sympathetic note of the specific proposals and suggestions regarding possibilities for further action in terms of Part IV, and after consideration by the respective authorities, will be able to respond to them in due course.

"In this respect, the consultations should be looked upon as a dynamic and continuing process; their ultimate usefulness depending on the degree to which they permit governments to focus on future actions under the

objectives and provisions of Part IV.

"I need hardly emphasize that the economic and financial difficulties in which many developing countries find themselves today lends a special urgency and value to any action that can be taken on an immediate basis to improve their possibilities of access to export markets. I would hope that it is in this spirit of understanding that the consulting contracting parties will reflect on the suggestions made in the course of this meeting.

"Our experience in this first round of consultations also points 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 will enable the consulting contracting party in future to prepare its responses in time, and will add to the efficacy of the process. It is therefore suggested that delegations take this into due consideration for future consultations.

"The record of these discussions will be reflected in the note on our proceedings. The secretariat will keep a full record of the questions raised. I would suggest that informal consultations should continue between interested developing countries and the consulting contracting parties with regard to the specific questions that still remain to be pursued, as well as to the responses to these questions. At future sessions the Committee on Trade and Development will continue to follow progress in these matters."

120. Following upon the summing up by the Chairman, and referring to his observation that the consulting countries' had "taken sympathetic note of the specific proposals and suggestions regarding possibilities for further action in terms of Part IV", the representative of Sweden observed that even though it was the intention of his authorities to participate in these proceedings in a spirit of cooperation and goodwill, he felt compelled to

reiterate the remarks made in his opening statement, namely that in the sectors which were of primary importance to the developing countries the room for additional liberalization was indeed very limited for Sweden. ~~They did not really see the consultations being undertaken in pursuance of~~ the Ministerial decision as a procedure for requests being made and responded to. They were nevertheless willing to take note of all the remarks that had been made and to report them to their authorities. They hoped to be able to clarify further the positions that they had already primarily indicated at this meeting.