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Introduction

1. Since the thirty-ninth session of the CONTRACTING PARTIES in November 1983, the Committee on Trade and Development has held three meetings, comprising its fifty-second, fifty-third and fifty-fourth sessions, under the Chairmanship of H.E. Ambassador Tai Soo Chew (Singapore).
2. The proceedings of the fifty-second session, which took place on 5 June 1984, are contained in document COM.TD/117. At this meeting, the Committee discussed the second round of consultations on tropical products, held in May 1984, in pursuance of the Ministerial Decision calling for consultations and appropriate negotiations aimed at further liberalization of trade in tropical products. The Committee had an exchange of views on how to complete the process envisaged in the Ministerial Decision, and agreed to revert to this issue at its November meeting. In regard to paragraph 5 of the Ministerial Decision 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 a preliminary discussion on this matter on the basis of the background material prepared by the secretariat for this purpose. The Committee agreed to keep this item on the agenda in order to continue its deliberations. With respect to the proposals made by the Ivory Coast at the thirty-eighth session of the CONTRACTING PARTIES in relation to trade in tropical agricultural products, the Committee further considered this matter and decided that particular attention be given to problems in trade in tropical agricultural products in the context of the Committee's annual review of developments in international trade, in addition to any attention that these problems might receive in the context of the Committee's other activities. The Committee took note of the proceedings of the fifth meeting of the Sub-Committee on Trade of Least-Developed Countries, held on

15 November 1983, during which consultations took place between Bangladesh and its trading partners, and also noted that a tentative understanding had been reached that consultations would be held with the United Republic of Tanzania and the Central African Republic and their respective trading partners in October 1984. The Committee continued the discussion initiated in 1983 in regard to the review of the operation of the Enabling Clause in accordance with its paragraph 9, as called for by Ministers in November 1982, and agreed to revert to this matter at its November meeting.

3. At its fifty-third session, held on 9-12 October 1984, the Committee carried out consultations on the implementation of Part IV of the GATT with the European Economic Community, the United States, Japan and a group of developing countries members of ALADI (Argentina, Brazil, Chile, Colombia, Peru and Uruguay). A secretariat note on the proceedings of the meeting has been circulated as document COM.TD/118.

4. For its fifty-fourth session, held on 13-14 and 16 November 1984, the Committee had the following items on its agenda: review of developments in international trade; annual review of the implementation of Part IV and 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, prospects of increasing trade between developed and developing countries, work of the Sub-Committee on Trade of Least-Developed Countries; report of the Sub-Committee on Protective Measures; expansion of trade among developing countries; technical assistance to developing countries. A report of the discussions on these matters is contained in the following paragraphs.

Review of developments in international trade

5. The Committee had before it, in document GATT/1363, the first chapter of the GATT Annual Report, International Trade 1983/84, embodying its main conclusions. In his opening remarks, the Chairman observed that according to the report, both world production and trade expanded in 1983, representing the best overall performance in the world economy since 1979, and a turnaround from the negative production and trade growth rates recorded in 1982. It was also noted, however, that this expansion had been

quite uneven, occurring mainly in the United States, with very little improvement in many parts of the developing world, particularly in Africa and Latin America. Developing countries experienced a further deterioration in their terms of trade in 1983, although in the case of the non-oil developing countries the deterioration was less than in 1981 and 1982. Many developing countries continued to face severe payments difficulties and high debt-servicing commitments. The report also spelled out the need for concerted efforts by policy makers to provide the stable conditions needed to buttress investors' confidence and open up new trading opportunities on the basis of improved and more secure market access. In particular, the report stressed the importance of non-discriminatory trade policies and respect for the most-favoured-nation commitment to sustained and generalized economic recovery.

6. Representatives of many countries expressed their appreciation for the introductory remarks made by the Chairman of the Committee as well as for the analysis contained in the report prepared by the secretariat.

7. Representatives of developing countries underlined the uneven character of the economic recovery in developed countries and its slight impact on the majority of developing countries where economic activity remained depressed. They expressed the view that the weak response of the world economy to the economic recovery which took place, particularly in the United States, resulted from the lack of trade-related investment due to general business uncertainty, structural rigidities, especially in the economies of Western European Countries, uncertain market access created by protectionist and discriminatory measures of developed countries, debt problems and their adverse impact on trade and investment in developing countries, as well as to weak markets for raw materials and food.

8. Referring to the debt problem, several representatives of developing countries observed that the policy of import contraction pursued by many indebted countries in order to respond to their payments difficulties was a short-term solution and that a durable improvement of their financial situation could only be brought about through increased access to developed countries' markets.

9. A number of developing country representatives expressed concern over the unsatisfactory situation in trade in commodities, both with respect to quantities and to prices which were still below the 1980 level. They pointed out the particularly negative effect of the decline in commodity prices on the economic and financial position of the many developing countries which were still largely dependent on these products.

10. Some representatives of developing countries referred to the persistent difficulties encountered by developing countries in their exports of textiles and clothing due to increasing protectionist pressures in some developed countries, the rigid application by importing countries of the MFA's provisions, the introduction by the United States of additional criteria establishing a "presumption of market disruption or threat thereof", trade measures taken by importing countries outside the scope of the MFA, particularly in the form of countervailing duties and changes in the rules of origin. Moreover, the burden of restrictions had fallen mainly on developing countries, with the developed countries whose production was greater than that of developing countries not being subject to restrictions. These representatives also pointed out the difficulties their countries were facing in diversifying exports, due to capital shortages and to restrictions existing in other sectors of international trade where developing countries might have a current or potential export capacity.

11. The representatives of some developing countries expressed concern over the position of developing countries in international trade in agricultural products. They noted that as a result of the protective policies pursued by developed countries, major agricultural markets had not opened up. In addition, developing countries were confronted with unfair competition from those contracting parties that made massive use of subsidies which depressed international prices.

12. A number of representatives from developing countries endorsed the view expressed in the secretariat's report with respect to the need to ensure a relatively unimpaired international price system as a condition for allowing investment decision-making on a rational basis and the operation of comparative advantage.

13. Representatives of developed countries stated that the international economic situation had improved although concerns still remained. Adjustment difficulties had continued, unemployment levels were still very high, and investment levels depressed. Some of these representatives observed that the economic recovery in their countries had been moderate, and that this should be taken into account when assessing the prospects for 1985. Certain developed country representatives also stressed the importance of an open trading system and trade expansion to their economic recovery prospects.

14. One representative of a developed country stated that the trade situation of developing countries had improved markedly since a year ago and that developed countries' measures had not had such a restrictive impact as developing country representatives had suggested. She recalled that whilst the volume of world trade in manufactured products increased by 4 per cent, developing country exports increased by 9 per cent. Due largely to the strong demand from one major trading country, the value of developing country exports of manufactures to the industrial countries increased by 15 per cent. The percentage share of world exports accounted by non-oil developing countries increased steadily while the share of world exports accounted for by developed countries declined. Referring specifically to the trade policy of her country, this representative stated that the facts did not support the criticisms made by developing countries. She noted the increase in her country's imports from developing countries in 1983, which was even more impressive in the case of imports from non-oil developing countries. One-fifth of all the exports from the non-oil developing countries was being shipped to her country, which was purchasing nearly 40 per cent of these countries' exports to the industrialized countries. She also expressed the view that issues related to trade in textiles and clothing would find an appropriate place for discussion in the Textile Committee and the TSB and that countervailing duties were not protective measures but legitimate responses to unfair trade practices.

15. The representative of a developed country, speaking on behalf of several developed countries, noted that developing countries, in particular the most industrialized among them, had benefitted from the economic growth in developed countries. As far as the least-developed countries were concerned their growth had been slow and the prospects remained unchanged.

He also stated that it was still uncertain to what extent the present recovery could be sustained. This representative expressed the view that weaker growth was likely to complicate the financial and liquidity problems of developing countries and that it was important to take into account the need to facilitate trade expansion when drawing up financial arrangements for solving debt problems.

16. The representative of a group of developed countries drew the Committee's attention to their decision to accelerate the implementation of the remaining Tokyo Round tariff reductions, particularly for products of export interest to developing countries, which was a contribution to more liberal trade. He also stated that the comments regarding structural rigidities in some developed countries did not take into account the efforts made by these countries in the last twenty years to pursue, despite the rise in unemployment, a determined policy of structural adjustment leading to a marked decrease in the work force involved in several sectors like steel and textiles.

17. Some representatives of developing countries stated that a realistic assessment of the situation of developing countries required an inter-related examination of the trends and findings contained in document GATT/1363. They observed that the increase in the share of non-oil developing countries in the total value of world exports was not meaningful since the terms of trade of these same countries had continuously deteriorated.

18. With respect to the international trade system representatives of developing countries expressed deep concern over the weakening of compliance with the m.f.n. principle, increased discrimination against developing country exports and intensification of bilateral and regional approaches in trade policy. They fully endorsed the views expressed in the secretariat's report on the need for restoring a more integrated world economy and for a return to the most-favoured-nation system.

19. Representatives of developed countries restated their support for the m.f.n. principle and expressed the view that a new multilateral round of negotiations would be an appropriate means for solving existing problems and strengthening the multilateral trading system. Some of these representatives also stressed the need for confidence building measures and

efforts to roll-back protectionist measures as steps to be taken in preparing the launching of a new round. The representative of a group of developed countries recalled that some of the departures from the m.f.n. principle were results of exceptions made in favour of developing countries as, for instance, through the introduction of the Generalized System of Preferences.

20. Several representatives of developing countries reaffirmed their position in regard to the possibility of initiating a new round of multilateral negotiations, as stated in the common declaration of the developing countries to the Council on this issue (document L/5647 of 4 May 1984). These representatives underlined that the strengthening of the international trading system required first of all, a return to basic GATT principles, particularly the m.f.n. principle. In this respect the representative of one developing country emphasized that the m.f.n. principle enshrined in Article I of the General Agreement related to all products and not just to certain ones. Some representatives of developing countries were of the view that before examining new directions of activity in GATT a number of issues should be further examined, as for instance: the impact of the GSP on developing countries; the significance of the duality between nominal and effective protection; tariff escalation; the significance for developing countries of quantitative restrictions maintained by developed countries; and the link between the developed countries' compliance with the m.f.n. principle and paragraph 7 of the Ministerial Declaration.

21. The Committee took note of the statements made. In concluding the debate on the first point of the agenda the Chairman observed that the following common points had emerged from these statements: (a) during the period under review economic growth, particularly in the United States, took place but generally the economic situation in developing countries remained precarious; (b) in general the exports of developing countries had somewhat improved, but trade restrictive measures and difficulties of access to the markets for products of interest to developing countries created uncertainty for future growth; (c) there was need to preserve the m.f.n. clause on which the existing multilateral system was based and to avoid measures which would lead to its weakening.

Review of the Implementation of Part IV and the Operation of the Enabling Clause

22. As background for the review of the implementation of Part IV and the operation of the Enabling Clause, the Committee had before it a secretariat note (COM.TD/W/419), summarizing information available in the secretariat on commercial policy measures relevant to the implementation of Part IV and the operation of the Enabling Clause, as well as information on activities of possible interest to developing countries which had taken place in other bodies of GATT.

23. The representative of a developing country referred to Section II of the secretariat document, which concerned developments in other GATT bodies of interest to Part IV, and expressed the view that there was a certain lack of equilibrium in the coverage of items in this Section. He noted in particular that references to activities in the Committee on Balance-of-Payments Restrictions omitted mention of the recent statement made by a developing country in regard to certain aspects of the balance-of-payments consultation process. Likewise, no reference had been made to the establishment of a Working Party by the International Meat Council, which was considering issues of importance for certain developing countries, as well as to dispute settlement cases before the Committee on Subsidies and Countervailing Duties which were relevant to developing countries.

24. A representative of the secretariat explained that the document was intended to summarize main events which were of potential interest to developing countries and there could be inadvertent omissions.

25. It was suggested by some representatives that the secretariat document for the Part IV review should in future seek to supplement information available in other GATT documents instead of reproducing information already available to delegations. It was agreed that the secretariat would give this matter further consideration.

26. The representative of New Zealand said that his authorities attached considerable importance to the provisions of Part IV and the Enabling Clause, and had already agreed to undertake Part IV consultations next year. He said that New Zealand's GSP scheme, and its continued efforts towards greater trade liberalization, were relevant to the trade interests

of developing countries. Trade liberalization measures were currently being undertaken in the context of industry development studies and the import licensing tendering scheme. The GSP was presently under review, and was among the most comprehensive in regard to country and product coverage. There were a few exceptions, but developing countries enjoyed preferential access on 98.5 per cent of their exports to New Zealand. The representative of New Zealand also noted that his own country's trading environment, and therefore its liberalization possibilities, were affected by the policies of other countries.

27. The representative of the United States said that the recent Part IV consultations undertaken by her country underscored the importance that was attached to the provisions of Part IV by her authorities in the formulation of trade policy. She referred to the recently signed Trade and Tariff Act 1984, and noted that it contained a number of provisions of particular interest to developing countries, including a provision for the temporary suspension of duties on certain products. In regard to the GSP, the United States representative said that despite efforts made in the Congress to curtail the GSP scheme with respect to its product and country coverage, it had been revised and extended to July 1993. The GSP programme would continue to operate as in the past, including in respect of its consultation provisions, with the major changes taking effect in 1987. The least-developed countries were exempted from competitive need limitations and the scheme also contained provisions to waive the competitive need criteria for other countries under certain conditions. The scheme also differentiated between developing countries according to their level of development through product specific exclusions, it raised the de minimis limit from US\$1 million to US\$5 million, and extended the deadline for changes in the scheme from March to July each year. The United States representative said that these measures were indicative of the continued commitment of her Government to help developing countries diversify and develop their economies.

28. The representative of Norway referred to various measures which had been taken or were being contemplated, which were of interest to developing countries. An Article XIX action on certain textiles and clothing items had been terminated in July 1984 and replaced by bilateral agreements under the auspices of the Multifibre Arrangement. This change was considered likely to result in an increase in imports of textiles and clothing items

from developing countries, particularly from small suppliers who were not subject to quantitative limitations. In regard to efforts aimed at rolling back existing measures of protection, Norway had decided to implement fully all Tokyo Round tariff cuts with effect from 1 January 1985. In addition, an Ad Hoc Committee of State Secretaries was currently reviewing ways of increasing imports of agricultural products from developing countries. This Committee had made proposals regarding the reduction of tariffs and quantitative restrictions in this regard, as well as the extension of the GSP scheme to cover more agricultural and industrial products. There were also certain proposals in favour of the least-developed countries. The Report of the Ad Hoc Committee was currently being considered by the Government and a decision was expected in the near future. He said that these initiatives were the result of a serious and determined effort on the part of his authorities to improve access to the Norwegian market for developing country exports.

29. The representative of a least-developed country remarked that some countries had not yet included special provisions in favour of least-developed countries in their GSP schemes and requested that these countries give consideration to this possibility. In some instances the special provisions excluded products which were of special interest to the least-developed countries and requested that consideration be given to including such products. He also noted that the 1982 Ministerial Declaration and the Enabling Clause made reference to the provision of special treatment in regard to non-tariff measures, and requested that this possibility be considered for the least-developed countries.

The Committee's Programme of Work arising from the Ministerial Declaration

Programme of consultations on the implementation of Part IV

30. 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 reviews of the implementation of Part IV by the Committee. The secretariat note on the consultations held with the European Communities, the United States, Japan, and a group of developing countries members of ALADI (Argentina, Brazil, Chile, Colombia, Peru and Uruguay) at

the fifty-third session of the Committee, contained in document COM.TD/118, had accordingly been made available to the Committee for the present session. The Chairman said that he was expressing a view shared by members of the Committee that the experience of the consultations so far, in accordance with the Ministerial Decision, had been found to be useful and worthwhile. The consultations had provided an opportunity to both the consulting countries and other members of the Committee to have 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 possibility of further positive action in this regard. The ultimate usefulness of these consultations depended on the degree to which they committed Governments to focus on future actions under the objectives and provisions of Part IV. In this regard, the consultations should be seen as a dynamic and continuing process. The Chairman noted that as far as the calendar for the 1985 consultations was concerned, it had been understood that Australia, Canada, New Zealand and Switzerland had expressed their readiness to consult. He said that the Committee might also wish to consider what other countries or groups of countries would consult next year and suggested that a firm calendar for these consultations be established in the early part of next year. The Chairman also noted that in accordance with the Ministerial Decision, the Committee was required to report to the CONTRACTING PARTIES at the forthcoming session on the experience so far with the consultation process.

31. All the delegations who spoke under this item agreed that the consultations had proved to be useful and positive. It was noted that the consultations had provided an opportunity for an honest and straightforward exchange of views on a wide range of questions relating to the implementation of Part IV. This exchange of views had taken place in a non-confrontational manner and had proved to be very helpful.

32. A number of representatives expressed the view that the consultations had focused attention on both the positive and negative aspects of present trade policies as these related to the provisions of Part IV. On the positive side, a number of representatives referred to policy decisions in certain developed countries, including the efforts of the United States administration to resist protectionist pressures, as for example in the copper industry, and the recent decision of the European Communities to accelerate tariff cuts negotiated in the Tokyo Round.

33. On the other hand, several representatives of developing countries noted that there were significant areas where there was room for improvement. Certain of these representatives also noted that they were still awaiting responses to questions and issues that had been raised during the course of the consultations. Many developing country delegations expressed their concern at recent developments in the GSP schemes of certain developed countries. In the view of these delegations, there had been a tendency toward the erosion of the principles of non-reciprocity and non-discrimination in the application of the GSP. The exclusion of countries or products from GSP benefits often amounted to a form of protectionism, which did not benefit other developing countries that had not been so excluded.

34. A number of developing country representatives emphasized the special responsibility of the developed countries in regard to the provisions of Part IV. Developing country participation in the consultations related only to Article XXXVII, paragraph 4, and could not be considered on an equal footing with consultations with developed countries. The representatives of some developed countries emphasized the importance attached by their authorities to the participation of developing countries in the consultation process. One of these representatives said that the importance of developing country participation related to the responsibility of developing countries to utilize the benefits provided under Part IV, including through full observance of GATT provisions. A review of performance in this regard was consistent with the provisions for joint action in Article XXXVIII. This representative also expressed the view that consultations with developing countries provided the developed countries with an opportunity to review measures taken by them and to see how they could be improved. The representatives of some developing countries said that they did not see the consultations as providing an opportunity to judge whether countries were implementing sound economic policies, but were designed to examine trade policies in the light of the requirements of Part IV. Moreover, the policies of developing countries were already examined in the course of balance-of-payments consultations, and questions concerning the internal policies of contracting parties had been taken up in discussions on structural adjustment in the GATT.

35. Several delegations addressed the question of how the process of consultations could serve as a basis for appraising the implementation of

the provisions of Part IV in a broader and longer-term perspective, and for assessing the progress made and problems encountered in the implementation of Part IV. In this regard, the representative of a developing country listed the following fifteen points as being relevant to an examination of the experience of contracting parties with the implementation of Part IV:

- (i) a consideration of the extent to which the objectives of Part IV had been realised in relation to the export-led industrialization efforts of developing countries, their agricultural exports, regional or bilateral preferences, and the generalised system of preferences;
- (ii) the extent to which preferences had been implemented regionally or bilaterally rather than on a generalized basis, and the balance between the two;
- (iii) the extent of GSP product coverage and the degree to which non-tariff measures eroded preferences;
- (iv) the presence of reverse preferences and the extent to which negative preferences limited or eroded market access;
- (v) the extent to which preferences had been eroded through m.f.n. tariff cuts and the advanced implementation of these cuts;
- (vi) the present level of tariffs and tariff bindings, and tariff escalation, particularly in relation to tropical products;
- (vii) the existing institutional arrangements, both multilateral and domestic, for examining the implementation of commitments under Article XXXVII;
- (viii) the extent to which measures of protection persisted in sectors of special interest to developing countries;
- (ix) in cases where there was no direct competition between developing country exporters and domestic producer interests, but where there was competition between developing countries

and third developed countries which did not grant preferences, the extent to which subsidies and market domination by the third country eroded developing country market access in the first market;

- (x) technical issues relating to preference schemes, including the application of ceilings, quotas, and product and country exclusions;
- (xi) the system of statistical evaluation, which was often based on eligibility rather than the receipt of benefits;
- (xii) the extent to which technical assistance was available to preference beneficiaries and the ways in which this assistance could be given on a multilateral basis;
- (xiii) the potential for further enlargement of GSP benefits;
- (xiv) the possibilities for granting regional and bilateral preferences on a unilateral basis;
- (xv) the scope for expanding GSP benefits for the least developed countries without affecting the benefits received by developing countries in general.

The representatives of several developing countries expressed their support for these proposals, as well as for an earlier proposal made by the delegation of a developing country on the need for a tabular statement on progress achieved by consulting countries in the implementation of the provisions of Part IV. A number of developed country delegations said that these proposals required further elaboration and time for reflection, and could be discussed informally and referred to at a future meeting.

36. The representatives of many developing countries said that in view of the proven utility of Part IV consultations, these should become a regular feature of the Committee's assessment of the implementation of Part IV. Regular periodic consultations with contracting parties would allow the Committee to follow up on the individual country consultations and also to examine new possibilities for further action in accordance with the

provisions of Part IV. The representative of one developing country suggested that next year's calendar for consultations could also include a follow up of consultations held so far, with answers being given to outstanding questions. The representative of a developed country said that her Government had no objection to the proposal for making the consultations a permanent feature of the Committee's surveillance of the implementation of Part IV.

37. The representatives of some developed countries expressed the view that it was premature to consider institutionalising Part IV consultations. It was necessary to complete a full cycle of consultations with contracting parties, including a number of developing countries, before taking a decision on the future of the consultation process. The representative of one developed country also said that it would be necessary to consider this matter in relation to other elements in the Ministerial Work Programme, including paragraph 5 and the review of the operation of the Enabling Clause.

38. In summing up the discussion on Part IV consultations, the Chairman said that the consultations had proved useful and should be continued. In this respect, four countries had agreed to consult in 1985. It was also agreed that a special responsibility for the implementation of Part IV, and therefore with respect to Part IV consultations, lay with developed countries, but consultations in principle also covered developing countries. The proposals put forward by certain developing countries for improving the system of consultations would be further discussed to see how they may be best incorporated into the work of the Committee. The question whether the consultations should be a regular feature of the Committee's supervision of the implementation of Part IV would be considered in the light of further Part IV consultations to be held next year.

Consultations and appropriate negotiations on tropical products

39. 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 of trade in tropical products, to be carried out in the Committee on Trade and Development, the Committee had held consultations in November 1983 and May this year. Secretariat notes on the proceedings of these consultations

had been made available to participating contracting parties. In addition, the Committee had before it in document COM.TD/W/409 a summary of the current situation in regard to tariff and non-tariff measures affecting tropical products and also in regard to requests for trade liberalization and measures adopted since 1979. The Chairman said that these informal consultations had permitted an in-depth examination of the problems affecting exports of developing countries at the specific tariff line level. Requests submitted by developing countries had been examined, and developed countries had given indications of recent liberalization measures taken and had also presented their views on problems and issues raised by developing countries. The Committee had noted and welcomed trade liberalization actions which had been taken in the field of tropical products. It had been agreed that the process of informal consultations had been carried to the extent possible and requests made by developing countries had been noted and remained on the table. It was understood that delegations could revert to these requests in future work and it would be open to developing countries to submit additional requests or modify existing ones in the light of future developments. The Chairman noted that it remained for the Committee to consider how best to proceed with work in this area in the light of the stage reached so far, bearing in mind particularly the need to move forward to a stage of "appropriate negotiations", as envisaged by the Ministerial Decision.

40. The representatives of many developing countries expressed their disappointment with the results achieved so far in the field of tropical products. Market access for tropical products was still hampered by tariff escalation, quantitative restrictions and other non-tariff measures. The representative of one developing country expressed the view that the lack of progress could be explained by the absence of political will on the part of the developed countries.

41. Several representatives of developed countries said that they had found the consultation process useful. It had provided information on the concerns and priorities of developing countries, which could be taken into account in any further discussion or consideration of action on this matter. The representative of Norway, speaking on behalf of the Nordic countries, said that all requests made were being carefully considered, and certain practical results had already been obtained. The representative of Canada noted that certain responses on the part of his authorities were

outstanding and said that the delay was the result of the recent change in Government. The representative of the United States noted that her country provided relatively liberal access for tropical products. Over 70 per cent of the imports of tropical products in 1983 entered at zero duty on an m.f.n. basis. A further 5 per cent entered duty free under the GSP. For the remaining 25 per cent, many of the items covered originated in developed countries. The few remaining items subject to some form of restriction were extremely sensitive domestically and the representative of the United States did not see any possibility for further liberalization at present, particularly on a unilateral basis.

42. The representative of Indonesia, speaking on behalf of the ASEAN countries, suggested that, in the light of the disappointing results so far, a new initiative be considered in this area. She proposed that as a confidence-building measure, the developed countries considered aligning their duties to the lowest level of duty prevailing in those countries. Thus, if one developed country charged no duty on a particular item, then all other developed countries which charged duty on that item would be requested to reduce it to zero. The representatives of a number of developing countries supported this proposal and expressed the view that it was quite modest in the light of the long-standing priority which had been given to trade liberalization in this sector. The representatives of several developed countries said that the ASEAN proposal required careful consideration, as well as further elaboration and clarification. The proposal would be communicated to capitals and could be reverted to at a later date. One of these representatives wondered whether the proposal did not imply that all tropical products would enjoy duty free unrestricted access in all developed countries. Another of these representatives said that such a proposal should take account of what countries had already done, as well as of the particular sensitivity of certain items.

43. The representatives of some developed countries expressed the view that this discussion emphasized the need for clarification in regard to the meaning of the phrase "appropriate negotiations". The representative of one developed country said that his authorities had been willing to discuss this question bilaterally, both with respect to the coverage of preferences and the rates applied. Another developed country representative said that most of the requests addressed to his authorities had been for improvements

in GSP and this did not lend itself readily to negotiations. Certain developed country representatives said that they did not understand "appropriate negotiations" to entail further unilateral concessions on the part of developed countries, but implied a situation in which there would be an exchange of concessions. One of these representatives expressed the view that progress in this field was more likely to be achieved in the context of a larger round of trade negotiations.

44. The representatives of some developing countries said that the word "appropriate" should be understood in terms of the provisions of paragraph 5 of the Enabling Clause. Moreover, the word "appropriate" could be understood to refer to a situation where tariffs were greater than zero. Another developing country representative said that this word referred to different modalities of negotiation, in the light of possibilities for unilateral action, or alternatively a plurilateral approach where the interests of more than two countries were involved.

45. The representative of a developed country said that there was perhaps a need for further discussion on the definition of tropical products. The representative of a developing country did not see the reason for opening up a discussion on definition at this stage, and expressed the view that the present coverage of the exercise, including processed tropical products, encompassed a generally accepted definition of tropical products.

46. The Chairman said that the Committee had taken note of the proposal made by the ASEAN countries. The proposal had some preliminary support, but it was necessary to reflect further and for the proposal to be further refined and elaborated.

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

47. 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 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 then completed in 1984. An initial exchange of views was held on this matter at the November 1983 and June 1984 sessions of the Committee. The Chairman said that the

Committee might wish to proceed with the review at this session, and would also be required to consider its report to the CONTRACTING PARTIES at their forthcoming session.

48. In addressing this item, the representative of the United States referred to the submission made by her government in November last year (COM.TD/W/395/Add.2). She said that in the view of the United States, the Enabling Clause had been a useful mechanism for authorising temporary departures from m.f.n. treatment for the benefit of developing countries, and it had achieved that objective with minimum damage to the integrity of the General Agreement. The Enabling Clause would continue to serve this purpose effectively only if it encouraged more advanced developing countries to phase out progressively their use of preferential treatment. In the view of the United States, it should be a high priority of the CONTRACTING PARTIES during the next few years to ensure the timely transition of advanced developing countries to fuller participation in the framework of rights and obligations under the General Agreement, as called for in paragraph 7 of the Enabling Clause.

49. Referring to the specific provisions of the Enabling Clause, the United States representative said that the Enabling Clause provided a legal basis for GSP programmes. Special and differential treatment had been applied in the codes governing non-tariff measures, and any inadequacies in this regard were attributable more to limited developing country participation in the Code Committees than to shortcomings in the Enabling Clause itself. With respect to the use of the Enabling Clause for regional or global arrangements among developing countries, the representative of the United States expressed the view that these provisions had been used to a limited extent, primarily because of obstacles to liberalization within the developing countries themselves. As far as special measures in favour of the least-developed countries were concerned, most, if not all, developed contracting parties and some developing contracting parties had introduced special measures in favour of this group of countries.

50. The United States representative expressed the view that adherence to the guidelines provided in paragraph 3 of the Enabling Clause was essential to its proper functioning. Paragraph 3(c), for example, would ensure that differential treatment was applied in a dynamic manner, taking account of changing levels of development in individual developing countries. The

notification and consultation provisions in paragraph 4 were essential for transparency in the provision of differential treatment. Adequate notice of changes contemplated was also essential if countries were to allocate resources efficiently, including foreign investment, in response to the opportunities created by differential treatment. The United States representative expressed the view that a major shortcoming in the application of the Enabling Clause had been the limited progress made in implementing paragraph 7. It was appropriate to acknowledge the achievements of some developing contracting parties in their economic development and in the improvement in their trade situation. In the light of these developments there should be additional differentiation among developing countries in the degree of preferential treatment they receive and the degree of reciprocity expected in the course of trade negotiations. The representative of the United States said that her authorities were pleased to note that the ALADI countries recognized the important principle of differentiation among developing countries in the implementation of their regional preference programme. Finally, the United States representative said that her authorities attached importance to this element of the Ministerial Work Programme and wished this item to remain on the agenda for future meetings.

51. The representative of Uruguay, speaking on behalf of the ALADI countries, noted that the ALADI treaties had been the subject of Part IV consultations a short time ago. With respect to the special and differential treatment provided for within ALADI, he said that he would have no problem with the idea that these arrangements could provide an example of possibilities within the GATT framework for differential treatment among developing countries. He said that if the relative differences in the level of economic development between the ALADI countries were compared with the relative level of development between developed and developing countries, any analysis would clearly show that in these terms the ALADI countries were offering a much greater degree of special and differential treatment to the less-developed among them than the developed countries were offering to the developing countries.

52. The representative of Switzerland stated that his Government had not made a notification under the Enabling Clause this year. He noted that his country had not removed any preferences or graduated any countries within the framework of the GSP, as permitted under current legislation. He said

that his authorities had resisted pressures in this regard, although this resolve had not always been helped by the policies of developing countries in relation to access to their own markets. The Swiss representative drew the attention of the Committee to the decision taken last year to accelerate the implementation of the Tokyo Round tariff cuts, by bringing forward the cuts scheduled for 1985 to 1984. This also implied corresponding reductions in GSP rates. The possibility of bringing forward the 1986 cuts to 1985 was currently being examined. In regard to the GSP utilization level, the Swiss representative said that this had not been entirely satisfactory in 1984, and raised the question of what could be done to secure some improvement in this respect.

53. The representative of the European Communities said that his authorities had not made a notification to the Committee this year on the Enabling Clause. However, he wished to record that, as he previously mentioned, the Council of Ministers of the European Communities had recently decided to advance the implementation of all remaining Tokyo Round tariff cuts to 1985. He also said that his authorities supported the procedural suggestion made by the United States that this item should remain on the agenda of the Committee.

54. The Committee agreed to maintain this item on its agenda.

Prospects for increasing trade between developed and developing countries

55. The Chairman recalled that at the thirty-eighth session of the CONTRACTING PARTIES, Ministers instructed the Committee on Trade and Development to carry out an examination of the prospects for increasing trade between developed and developing countries and possibilities in GATT for facilitating this objective. The Committee had an initial exchange of views on this subject at its March and November sessions last year. The matter was taken up again at the June 1984 session on the basis of background material prepared by the secretariat, contained in document COM.TD/W/412 and Add.1. The Chairman said that the Committee might wish to discuss this matter further at this session and would be required to consider its report on the subject to the CONTRACTING PARTIES.

56. The representatives of many countries said that the secretariat background documentation provided a useful starting point for an

examination of means of expanding trade between developed and developing countries. The representative of a developed country said that the secretariat study highlighted differences among developing countries in terms of individual levels of development and participation in the trading system. The study cited the growing share of world exports of manufactures accounted for by developing countries and the high degree of specialization achieved by some developing countries in certain export sectors. An important conclusion to be drawn from the study was that further liberalization was required by developed and developing countries in order to consolidate past achievements in the trading system and to secure a more open trading environment. Since the secretariat document stopped short of outlining in detail the areas in which liberalization would be mutually advantageous and the appropriate modalities to achieve liberalization, it was up to the Committee to explore the appropriate mechanisms in GATT to facilitate the expansion of trade. In this regard, the study had noted the dynamism of developing country markets and the success of some developing countries in achieving economic growth through the adoption of outward-looking trade practices. The study focussed on the numerous differences among developing countries by discussing the transformation of export structures and export diversification. The study also highlighted the increasing importance of developing country markets for the exports of primary products and manufactures of other developing countries, and noted that the rapid expansion of exports in some sectors by developing countries had caused high adjustment costs in the economies of developed countries. This representative expressed the view that all these points were relevant as the Committee explored the appropriate ways to expand trade between developed and developing countries. Her authorities agreed that several issues mentioned by the secretariat, including safeguards, dispute settlement and trade in agriculture would require resolution with all major importers and suppliers. She said that references to a rollback of trade restrictions, as envisaged in paragraph 7 of the Ministerial Declaration, applied to both developed and developing countries. Similarly, the reference to the possibility of fresh measures in regard to trade liberalization, which were made in the secretariat document, should be taken to apply to all contracting parties. Her authorities supported the suggestion made in the document that one way to obtain greater liberalization was for developing countries to undertake actions to provide greater transparency in their trade practices, as well as to reduce existing levels of protection consistent with development levels. In

regard to the question of ensuring greater flexibility in GATT rules or a balance of rights and obligations for developing countries, this representative said that her authorities had taken note of this suggestion and expected that any discussion of the matter would also include an assessment of how such provisions had facilitated the assumption of increased GATT obligations by developing countries. She expressed the desire of her authorities to maintain this item on the agenda of the Committee for future discussion, and this suggestion was supported by several delegations.

57. In referring to the secretariat document, one representative said that at a first reading the document had appeared to be a balanced one, reflecting the situation at the time it was written. Certain changes had occurred since then, for example with respect to the price of oil, the external debt situation of developing countries, and the unemployment situation, and it may be desirable to look at some of these issues again. Another representative noted that references to the rapid growth in receipts from migrant labour in the Mediterranean countries up to 1980 may be misleading because the situation was reversed after 1980 on account of increasing economic difficulties in the developed countries and the oil exporting countries, which led to reduced demand of labour. This representative also noted that some of the aggregated trends hid important differences in the experiences of particular countries. For example, increasing shares of total exports accounted for by developing countries as a group were largely the result of expanded manufactured exports, while the shares of those countries without a manufacturing export base had tended to fall.

58. In regard to the question of the Committee's future work in this area, many delegations expressed the view that there was need for further reflection. The representative of a developed country suggested that the best way of proceeding in this matter might be through informal consultations. The representatives of a number of developing countries emphasised the importance that they attached to the undertakings contained in paragraph 7 (i) of the Ministerial Declaration in regard to rolling back protectionist measures and resisting protectionist pressures. They expressed the view that increased protectionism made it difficult for developing countries to participate fully in the trading system. The surest way of promoting developing country involvement in trade, and an

expansion of trade between developed and developing countries, was to ensure improved access for the exports of developing countries, particularly in such sectors as agriculture.

59. Developing country representatives noted that the present financial situation obliged developing countries to expand their exports and reduce their imports in order to meet their debt-servicing obligations and this was not only inimical to the development process itself, but it prevented them from generating export surpluses in order to pay for additional imports. This situation clearly implied a net transfer of resources from developing to developed countries and was putting a considerable strain on the economies of the former. In these circumstances it was difficult to see how the developing countries could offer fresh commitments. It would not be appropriate to put aside commitments made at the 1982 Ministerial Meeting and to launch new initiatives, particularly since such initiatives did not appear to address the priorities of the developing countries. The representative of one developing country said that discussions elsewhere in the GATT had shown that many contracting parties were committed to seeing action on several different fronts moving forward in tandem, and that 'this made it essential to discuss issues relating to trade between developed and developing countries in a broader perspective.

60. The representative of a developed country said that his authorities were also concerned with the full implementation of the commitments made in the Ministerial Declaration, particularly in paragraphs 6 and 7 thereof, but that it would be difficult to deny that the GATT had significantly helped contracting parties, including the developing countries among them, to expand their exports. He said that past rounds of negotiations in the GATT had been of great benefit to his country. While trade liberalization in respect of particular items was significant, the system itself was of vital importance for the trade and investment prospects of contracting parties. He expressed the view that the GATT system did not stand on its own, and could only be maintained by the continued commitment and political will of contracting parties. In this connection, the representatives of several developed countries expressed the view that the proposals made in paragraphs 198 to 205 of the secretariat document were entirely relevant to the mainstream of GATT work, and as such should be the subject of continued discussion in the Committee.

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

61. 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 Spec(84)62) a draft note by the secretariat on the proceedings of the Sixth Meeting of the Sub-Committee on Trade of the Least-Developed Countries, held in October this year, at which apart from a review of recent developments in the international trading environment of relevance to the trade interests of the least-developed countries, ad hoc consultations were held between Tanzania and its trading partners.

62. Presenting his report in regard to the work of the Sub-Committee during the current year, Ambassador Martin Huslid (Norway), Chairman of the Sub-Committee, observed that the situation of the least-developed countries could only be characterized as dismal and unsatisfactory. This was true both in regard to their situation until now, and if one made projections into the future. Far from catching up with other countries, be they developed or more advanced developing ones, the least-developed countries had on the whole gradually lost ground over the last decade and, according to present projections, were likely to do so also in the decade to come. Many of these countries seemed to have come into a vicious circle of constraints, poverty and population explosion with stagnation and even back-sliding as a result. The least-developed countries share in world trade had declined from 0.8 per cent in 1970 to 0.4 per cent in 1980. The situation of the least-developed countries quite obviously demanded immediate attenuating and relief measures. He had accordingly made the following proposals in the meeting of the Sub-Committee regarding the types of measures which could be taken in the trade field to promote the trade interests of the least-developed countries:

1. Countries which had not yet given special treatment to the least-developed countries within their GSP schemes do so on a complete duty-free and quota-free basis for all products of export interest to them.
2. Those contracting parties already according special status to the least-developed countries with certain exceptions and limitations, especially on textiles, jute and a number of agricultural products, remove such exceptions and limitations and grant duty- and quota-free access.
3. All special measures such as competitive need criteria which might erode the full value of GSP schemes be waived in favour of the least-developed countries.
4. The establishment by developed contracting parties of a simple duty- and quota-free system for imports of handmade products from the least-developed countries.
5. Priority to be given to the least-developed countries in the provision of technical assistance at national and international levels with regard to quality, technical standards and phytosanitary requirements.
6. Examination of exempting the least-developed countries from quantitative restrictions and other non-tariff measures falling outside the scope of MTN agreements.
7. Improvement of origin rules in favour of least-developed countries (simplification, liberal cumulation and a generally more liberal and differential application of rules of origin in favour of the least-developed countries).

He felt that the proposed measures could be adopted in the framework of accepted GATT rules in favour of the least-developed countries, in particular paragraphs 2(d) and 8 of the Enabling Clause. He recalled in this context that in terms of the Ministerial Declaration (paragraph 7(b), paragraph 3 of the Decision on GATT Rules and Activities Relating to Developing Countries, and paragraph 3 of the Annex), not only the

Sub-Committee, but the Committee on Trade and Development as well as the CONTRACTING PARTIES had a mandate to carry out a work programme in favour of the least-developed countries which remained to be fulfilled.

63. Referring to the ad hoc consultations carried out in the Sub-Committee, Ambassador Huslid observed that the consultations in regard to Tanzania had been thorough and useful. The follow-up on the earlier consultations in the Sub-Committee with regard to Bangladesh had also been most useful, and had transformed the ad hoc consultations into a long-term and continued process.

64. Ambassador Huslid further remarked that active participation by representatives of other organizations who play a central role in international work related to the least-developed countries, more specifically of the World Bank, FAO and UNCTAD, had helped to enrich and broaden the discussions in the Sub-Committee, and had been most useful. He expressed the hope that they would also take part in the Sub-Committee's work in the future.

65. Referring to the organizational aspect of the work programme of the Sub-Committee on the Trade of the Least-Developed Countries, and drawing upon the experience of the past meetings of the Sub-Committee, Ambassador Huslid proposed that in future broader issues which concerned the least-developed countries as a group might more usefully be taken up as a special item on the agenda of the Committee on Trade and Development itself, where a larger attendance than at the meeting of the Sub-Committee could be expected. The Sub-Committee might then concentrate its attention more specifically on ad hoc consultations and work related to the follow-up of such consultations. In such a way the work might be more concentrated and useful for the participants and the Sub-Committee could carry out its work with greater flexibility, without having to rely on a fuller attendance of its membership in each and every meeting.

66. The proposals made by Ambassador Huslid in regard to measures to promote the trade interests of the least-developed countries were endorsed by Bangladesh. The representatives of the United States and the EEC observed that they had taken note of the proposals which would be examined as sympathetically and positively as possible. In this connection, the representative of the EEC observed that some of the proposed measures, such

as special treatment of the least-developed countries in the framework of their GSP scheme and more flexible application of rules of origin in their favour, had already been adopted by the EEC.

67. The representative of the United States expressed support for the proposal in regard to the procedural aspect of the work of the Committee relating to least-developed countries. The EEC also considered this proposal pragmatic and constructive, and were willing to support it provided that it was acceptable to the least-developed countries themselves. The representative of Bangladesh suggested that the question may be kept open for further consideration until the next meeting of the Committee.

68. The Committee took note of the Draft Note by the secretariat on the Sixth Meeting of the Sub-Committee.

Chairman's summing-up of the activities of the Committee in relation to the 1982 Ministerial Work Programme

69. [to be inserted]

Tariff Escalation

70. The representative of a developing country suggested that the subject of tariff escalation should be inscribed on agendas for the future meetings of the Committee, under the item "Programme of Work arising from the Ministerial Declaration". He felt that tariff escalation was a continuing problem of serious concern to developing countries which had not received adequate attention during the Tokyo Round. He proposed that further work on this subject could take the form of consultations (along the lines of the consultations on tropical products), and if necessary negotiations, to resolve the problem of tariff escalation faced by exports from developing countries.

Sub-Committee on Protective Measures

71. The Committee had before it, in document COM.TD/SCPM/7, the Report on the work of the Sub-Committee during the current year. Ambassador Mebazza (Tunisia), Chairman of the Sub-Committee introduced the report.

72. The representative of a developing country expressed concern in regard to countervailing duty investigations against imports of textile products from certain developing countries initiated by the United States, which were considered discriminatory in nature. The representative of the United States reiterated the view of her authorities that countervailing duty actions were not protective measures but legitimate action in response to what was considered as unfair trade practices adopted by other countries.

73. The Committee adopted the Report.

Expansion of Trade Among Developing Countries

74. The Committee had before it the Eleventh Annual Report of the Committee of Participating Countries on the operation of the Protocol Relating to Trade Among Developing Countries (L/5686 and Addenda). The representative of a developing country expressed concern at the very slow progress of the process of expansion of the Protocol in terms of country and product coverage. Despite the passage of a number of years the process was still at the initial stage. In his view, expansion of trade among developing countries would represent an effective response to the continued maintenance of protectionist measures by developed countries against their exports.

75. The Committee adopted the Report.

Technical Assistance to Developing Countries

76. The Chairman recalled that paragraph 4 of the Annex to the Ministerial Declaration, dealing with GATT Rules and Activities Relating to Developing Countries, contained the Decision by the CONTRACTING PARTIES to strengthen the technical cooperation programme of the GATT with a view to facilitating more effective participation by developing countries in the GATT system. The Committee had before it a note prepared by the secretariat, in document COM.TD/W/420, on the implementation of the Ministerial Decision in this regard, as well as continuing technical cooperation activities of the GATT.

77. The representatives of a number of developing countries expressed appreciation for the technical assistance activities of the secretariat which had provided valuable support to their participation in the work of

the GATT, as well as very useful guidance and assistance to senior officials in their capitals responsible for international trade and other related sectors of administration. Appreciation was also expressed for the Trade Policy Training Courses, which constituted one of the most important activities of GATT for the benefit of developing countries. It was strongly urged that the continued maintenance and further expansion of the technical cooperation activities of GATT, including the Trade Policy Training Courses, was a matter of utmost importance for developing countries and there should not be any curtailment or contraction of any of these activities for want of financial support.

78. One of these representatives proposed that the country by country seminars organized at the request of individual developing countries on general trade policy or specialized subjects should be complemented by trade policy seminars regularly held on a regional basis, at the request of developing countries of particular regions. He proposed that a regional trade policy seminar for African countries should be held at some suitable place in the region in 1985. He had discussed this idea with some of his colleagues from African countries and they all seemed to be generally in favour of the proposal. They considered that the organization of such a regional seminar would offer the following advantages:

- (i) Any such seminar would provide an opportunity to senior officials from the countries of the region to familiarize themselves not only with the basic rules governing the conduct of world trade, and with the work programme of GATT, but would also provide them with an important opportunity for exchange of views on current trade policy issues, particularly those which are of interest or relevant to the region.
- (ii) The knowledge of GATT principles and rules would also enable the participants to understand better as to how their countries could follow these principles in their commercial policies and assist them in their bilateral negotiations with their trading partners for improvement of access, and

- (iii) The training received would also help the officers in the negotiations for further liberalization of trade among the African countries, in accordance with the Lagos Plan of Action adopted by the OAU in 1980.

79. He observed that the proposal was not entirely new since a regional seminar on trade policy for countries of the ESCAP region was held in 1983. That seminar had been funded by the Government of the Federal Republic of Germany. He expressed the hope that in view of the importance which African countries attached to holding such a seminar, financing for the proposed regional trade policy seminar in Africa would similarly be made available by some developed countries through voluntary contributions.

80. A number of representatives of developing countries expressed support for the idea of holding regional seminars, and for the proposal in regard to a regional seminar in Africa. Some of these representatives proposed the organization of regional seminars in Latin America as well as Asia at opportune times in the future.

Other Business

81. The Committee had before it a submission by Kuwait in regard to the Unified Economic Agreement among the States of the Gulf Cooperation Council (L/5676), and a report by the Latin American Integration Association (L/5689). The Committee took note of these reports.

82. The Committee noted that the date of its next meeting will be determined by the Chairman in consultation with delegations and the secretariat.