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

Introduction

1. Since the Fortieth Session of the CONTRACTING PARTIES in November 1984, the Committee on Trade and Development has held four meetings, comprising its Fifty-Fifth, Fifty-Sixth, Fifty-Seventh, and Fifty-Eighth Sessions, under the Chairmanship of Mr. Mahmoud Abdel-Bari Hamza (Egypt).
2. The Proceedings of the Fifty-Fifth Session, which took place on 22 and 23 April 1985, are contained in document COM.TD/120. At this session, the Committee considered two specific items of its work programme under the 1982 Ministerial Declaration, namely, consultations and appropriate negotiations on tropical products and the prospects for increasing trade between developed and developing countries. The Committee also examined, in response to a request made by the CONTRACTING PARTIES at their Fortieth Session, the question of tariff escalation and the trade of developing countries. Finally, the Committee addressed issues relating to structural adjustment as these affected the trade of developing countries. In regard to consultations and appropriate negotiations on tropical products, the Committee focussed in particular upon the question of "appropriate negotiations", as envisaged in the Ministerial Decision. In addition, Indonesia made a proposal on behalf of the ASEAN countries regarding further trade liberalization measures in this sector. With regard to prospects for increasing trade between developed and developing countries, the Committee continued its examination of a number of issues raised under this item of the Committee's Ministerial Work Programme. Following a fairly wide ranging discussion of this subject, the Committee agreed to continue to maintain this item on its agenda. In the discussion on tariff escalation, representatives of many countries expressed concern at the manner in which tariff escalation had hindered the expansion and diversification of exports of developing countries, while recognizing that the degree of escalation had been reduced over the years in certain

sectors. Some representatives observed that tariff escalation was a feature of the tariff structure of all countries, and did not only affect the exports of developing countries to developed countries. The Committee agreed to hold informal consultations on this matter before taking it up again at a future session. The Committee's examination of structural adjustment was undertaken in the context of an invitation by the Working Party on Structural Adjustment, endorsed by the Council, for relevant GATT bodies to take into account in their work the insights gained and conclusions reached in the Working Party. It was noted that the Committee on Trade and Development had a clear and continuing mandate to consider issues relating to structural adjustment as these effected the trade of developing countries. It was therefore agreed that the Committee would revert to this matter as appropriate at a future session.

3. At its Fifty-Fifth and Fifty-Sixth Sessions, held on 25-26 June 1985 and 15-16 October 1985 respectively, the Committee undertook further consultations with contracting parties on the implementation of Part IV of the GATT. At the Fifty-Sixth Session, consultations were held with Canada and Switzerland, and a report of the proceedings of this session is contained in document COM.TD/121. At the Fifty-Seventh Session, the consulting countries were Australia and New Zealand, and the report of these consultations is contained in document COM.TD/122.

4. For its Fifty-Eighth Session, held on 11 and 15 November 1985, the Committee had the following items on its agenda: review of developments in international trade; annual review of the implementation of Part IV and the operation of the Enabling Clause; the programme of work arising from the Ministerial Declaration, including consultations on the implementation of Part IV, consultations and appropriate negotiations on tropical products, review of the operation of the Enabling Clause in accordance with its paragraph 9, prospects for increasing trade between developed and developing countries, and the work of the Sub-Committee on Trade of Least-Developed Countries; the Report of the Sub-Committee on Protective Measures; expansion of trade among developing countries; and technical assistance to developing countries. A report on the discussions at this session on these matters is contained in the following paragraphs.

Agenda item (i):

Review of developments in international trade

5. The Committee had before it, in document GATT/1374, the first chapter of the GATT Annual Report, International Trade 1984/1985, embodying its main conclusions. In his opening remarks the Chairman observed that according to the report the volume of world trade increased by 9 per cent in 1984, which was the largest increase since 1976. While this growth rate reflected relatively vigorous growth in all major commodity groups, the performance of individual countries and regions was widely divergent. The exports and imports of industrial countries expanded in value terms by 6.5 per cent and 8 per cent respectively, while the relevant figures for the developing countries were 6 per cent and 0.5 per cent respectively. As with trade, world production also expanded significantly in 1984, at a rate in real terms of 5.5 per cent. This represented the best performance in the world economy in eight years. Apart from the geographically unbalanced nature of the recovery, the report noted that unemployment remained a particular problem in many countries. On the other hand, a number of countries had scored a major success in reducing inflation rates. For many developing countries, the level of external indebtedness remained a serious constraint on recovery and future growth. The report also argued that a major effort was required to adopt measures which would strengthen and spread the recovery without running the risk of re-igniting inflation. The report pointed out that trade policies were only one element of the policy issues facing national economies, and that trade policies alone cannot solve many of the current economic problems. On the other hand, it was argued that a further opening of markets would provide an important stimulus to the world economy and would afford investors greater security and certainty in relation to the direction of future government policy. For developing countries especially, action in this direction would be useful in spreading more widely the benefits of renewed economic growth and would in turn contribute to sustaining that growth.

6. Several representatives observed that there had been some positive developments in international trade in 1984. Among these developments were the improved trade performance of a number of developing countries, in particular non-oil exporting countries. While noting that in 1985 the expansion of world trade was continuing at a more moderate pace, these representatives expressed the view that a more dynamic development of world

trade, as well as of the trade of developing countries, could be achieved through the launching of a new round of multilateral negotiations. Some representatives also emphasized that benefits would accrue both to developed and developing countries from an open trading system. Such benefits included greater transparency and certainty in international trade, and greater efficiency in production as a result of specialization through international exchange.

7. The representative of a group of developed countries noted that a closer analysis of trade between the countries he represented and developing countries revealed that the exports of developing countries other than OPEC members had, over the period 1980-1984 achieved above average growth rates, and these countries had thus increased their share in total imports. A sector-by-sector analysis confirmed that developing countries had attained significant growth rates in their exports to these developed countries in all but the oil-related sectors.

8. A number of other representatives underlined the geographically unbalanced nature of economic recovery since the end of the recession in 1982, which contributed to the persistence of economic difficulties in many developing countries. They also expressed concern over the slow-down of the recovery in 1985 and the negative effects which this would have on developing countries, including those which had expanded their trade significantly in 1984. These representatives also emphasized that continued protectionist trends and uncertainty about the future course of trade policies of developed countries prevented developing countries from developing adequate export strategies.

9. Several representatives referred to the need for full compliance with the GATT rules, which would in itself bring about improved conditions of access in international markets. Representatives of a number of countries also stated that the preoccupation with preparing for the proposed new round of multilateral trade negotiations should in no way diminish the existing obligation to implement commitments undertaken in the Ministerial Declaration of 1982 and the GATT Work Programme. Furthermore, priority attention should be given to ensuring observance of GATT rules, independently of any decision in regard to the proposed round of multilateral trade negotiations.

10. Several representatives referred to the severe debt and balance-of-payments difficulties encountered by many developing countries, and stressed the beneficial role which increased access to developed country markets could play in solving these problems. They also referred to the adverse effect exerted on the financial situation of developing countries by exchange rate fluctuations. Some of these representatives expressed the view that there was need for greater compatibility between trade policies and financial and monetary policies. They also observed that trade measures should not be used to solve domestic economic problems.

11. A number of representatives referred to the continuing decline in commodity prices and deteriorating terms of trade, which adversely affected the economies and the external financial position of most developing countries. Some of these representatives also drew attention to the continuing fall in prices of agricultural products. These representatives further noted that their agricultural exporters were confronted with increased difficulties on the international market as a result of the subsidized exports of some major trading nations.

12. Several representatives expressed concern over the spread of market sharing and managed trade agreements which contravened countries' commitments under the GATT and which had a discriminatory character. They agreed with the analysis made by the secretariat on this issue in its report and said that there was a risk that the temporary protection envisaged by these agreements tended to become permanent, thus contributing to a further erosion of the multilateral trading system and adversely affecting the interests of smaller trading nations. These representatives underlined the need for greater compliance with the GATT rules in order to ensure a proper functioning of the multilateral trading system.

Agenda item (ii):

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

13. As background for its review of the implementation of the provisions of Part IV and the operation of the Enabling Clause, the Committee had before it a secretariat note (COM.TD/W/438) summarizing information, relating to the period under review, available in the secretariat on commercial policy measures relevant to the implementation of the provisions of Part IV and the operation of the Enabling Clause.

14. The representative of the United States observed that the US continued to attach importance to the implementation of the provisions of Part IV and the Enabling Clause by all contracting parties. She recalled that, as the Committee was already aware, the US administration had made a great effort, in a very unfavourable climate and a highly protectionist atmosphere, to obtain legislation extending the US GSP scheme until 4 July 1993, with a number of important improvements. These improvements, many of which had been made at the suggestion of developing countries themselves, responded to the dynamic evolution of the development, financial and trade needs of developing countries, and would help in the broader and wider distribution of the benefits of the scheme among developing countries.

15. The representative of the European Community recalled the improvements in the EEC GSP scheme for 1985 and observed that the Community was on the point of deciding further improvements in its scheme for 1986. He further recalled that the Community had anticipated Tokyo Round tariff cuts for more than 400 tariff lines of interest to developing countries as from 1 January 1985 and decided recently to anticipate the implementation of all remaining Tokyo Round tariff cuts as from 1 January 1986. He also referred to the conclusion of a new improved Lomé Convention, with the inclusion of two new members (Mozambique and Angola), and drew attention to the recent decision by the Community to extend to all least-developed countries a system similar to its STABEX system, designed to stabilize export earnings of the beneficiary countries from certain basic commodities.

16. The representative of Japan referred to the improvements in the Japanese GSP scheme notified in L/4531/Add.11, and recalled the proposals made by Japan, in the Action Programme announced July last, for the establishment of an international principle for the fundamental improvement of all GSP schemes consisting of the following three points:

- (i) Freeze and reduction of the product exclusion for the Generalized System of Preferences.
- (ii) Principle of zero tariff rates in the Generalized System of Preferences.
- (iii) Consideration for the least-developed countries.

17. Representatives of a number of developing countries emphasized the need for further improvements in GSP schemes through better product

coverage, deeper margins of preference, removal or liberalization of quotas and ceilings, and simplification of administrative procedures. They further observed that while they did not question the autonomous and unilateral character of GSP schemes, they were concerned that the criteria used by some of the donor countries to exclude individual countries or products from coverage under their schemes, such as the per capita GNP criteria adopted by New Zealand and the United States, tended to be arbitrary. In particular, these representatives felt that some of the discretionary criteria to be taken into account by the US President, under the US legislation, were not trade-related, and quite alien to the spirit and purpose of the generalized system of trade preferences in favour of developing countries.

Agenda item (iii):

The Committee's programme of work arising from the Ministerial Declaration

Programme of consultations on the implementation of Part IV

18. The Chairman recalled that the Committee agreed at its Forty-Ninth Session in March 1983 that the programme of consultations in regard to the implementation of the provisions of Part IV, called for by Ministers at the Thirty-Eighth Session of the CONTRACTING PARTIES, would form part of the regular annual review of the implementation of Part IV by the Committee. The Committee had before it secretariat notes on the consultations held with Canada and Switzerland at its Fifty-Sixth Session, and with Australia and New Zealand at its Fifty-Seventh Session, in documents COM.TD/121 and COM.TD/122 respectively.

19. Many representatives observed that the consultations procedure had been found to be useful and effective for the review of policies and measures adopted by the consulting countries in pursuance of the provisions of Part IV. The procedure had helped the consulting countries themselves in focussing on policy issues of concern to developing countries in the light of requirements of Part IV, and contributed towards greater transparency of trade policies and trade measures. It also provided developing countries with an opportunity to better understand the trade policies and trade measures of their developed trading partners, and to identify specific difficulties or impediments faced by them in those markets. While some representatives felt that it would be premature for the Committee to take a formal decision about the institutionalization of the

process of Part IV consultations, it was generally agreed that the process should continue.

20. A number of representatives, while agreeing that consultations thus far had been useful and constructive, regretted that few developing and Eastern European countries had offered to consult. They stated that consultations with Latin American countries members of ALADI and with Hungary had been very helpful, and considered that more developing countries and Eastern European countries should offer to consult before a definitive assessment could be made of the effectiveness of the programme. Some representatives emphasized that the process need not necessarily be viewed in terms of rounds or cycles. In their view, the consultation procedure was more in the nature of a continuing process. More developing countries and Eastern European countries should consult. However, this should not be considered as a precondition and developed countries which had already consulted should in any case be ready to consult again after a reasonable interval.

21. Some representatives remarked that the consultations had been somewhat broad in their coverage of policies and measures. These representatives would prefer if the consultations were to focus more specifically on the specific obligations of the contracting parties under Articles XXXVII and XXXVIII. One of these delegations had tried to elicit specific and concrete information from the consulting countries in regard to various specific obligations contained in these Articles, but had been somewhat disappointed at the information offered in response.

22. Some representatives pointed out that the obligations placed on developing countries under Part IV were very limited in nature, and emphasized that consultations with developing countries could only be held in the framework of these limited and specific obligations.

23. A number of representatives suggested that there was need to make this exercise more effective and more focussed. In this context, they suggested that a second round of consultations should take the form of an assessment or evaluation of the extent to which consulting countries had responded to or implemented their obligations under Part IV, including improvements under their GSP schemes, and an examination of the compelling reasons which may have prevented developed consulting countries from better and further implementation of their obligations under Part IV.

24. An indication by the representative of the Republic of Korea of his country's willingness to consult at an appropriate stage in the future was welcomed.

25. It was suggested that the secretariat should provide necessary technical assistance to developing countries for the purpose of preparing for their Part IV consultation.

26. In summing-up the discussions in the Committee on this subject, the Chairman made the following remarks:

"I believe I am expressing a view shared by all sides that Part IV consultations have fully established their credibility as an effective, stimulating and useful procedure for examining the implementation of the provisions of Part IV. The consultations have undoubtedly served as a vehicle to raise the consciousness of national administrations in regard to the requirements of Part IV. They provided the consulting countries with the possibility of presenting and explaining their overall trade policies insofar as they relate to developing countries, and, more specifically, the policies and measures adopted by them in response to the provisions of Part IV. They provided a valuable opportunity for frank, friendly and focussed discussion of these policies and measures, for the identification of the specific concerns of developing countries and difficulties and impediments faced by their exports into the markets of the consulting countries. They also permitted the identification of possibilities for further improvements in trade in the spirit of the provisions of Part IV.

"To the extent that the consultations promote a dialogue, and involve the discussion of policy issues in a constantly evolving trade environment, they are obviously in the nature of a continuing process.

"With the completion of the programme of consultations this year, we have practically completed a round of consultations with developed countries. In addition, as you all know, the Committee has held consultations with the Latin American developing countries members of ALADI, and with one Eastern European country, namely Hungary. It is my hope that some additional developing countries and some more countries in Eastern Europe will be in a position to announce their readiness to consult in the near future.

"It may be recalled that the question of establishing the Part IV consultations procedure on a regular periodic basis, as an integral part of the work of the Committee on Trade and Development, was discussed at the Fifty-Third Session of the Committee in October last year. At the same time, widespread support had been expressed for this proposal in principle. Many delegations, however, had also felt that any decisions in regard to the institutionalization of this process, including the question of the periodicity of the consultations, should be taken after more experience had been acquired with the process of consultations. In the meantime, however, the Committee's discussions lead me to the conclusion that it is not too early to inform the CONTRACTING PARTIES that the Committee has found that the consultation process is useful and positive, and therefore warrants continuation. I would therefore like to propose that the Committee agree to recommend to the CONTRACTING PARTIES that consultations with contracting parties to examine how individual contracting parties have responded to the requirements of Part IV, as provided for in paragraph 1(a) of the Annex to the Ministerial Declaration of 1982, be continued as an element of the review and surveillance procedure of the Committee on Trade and Development in regard to the implementation of Part IV."

27. The Committee agreed to the recommendation to the CONTRACTING PARTIES as proposed by the Chairman.

Consultations and appropriate negotiations on tropical products

28. 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 1984. Since these consultations were held, this matter had been discussed by the Committee at its Fifty-Second, Fifty-Fourth and Fifty-Fifth Sessions. The Chairman also noted that the Committee had before it in COM.TD/W/424 a secretariat note providing an overview of the post-Tokyo Round work of the Committee in the field of trade in tropical products.

29. The Chairman expressed the view that past discussions had revealed that there was general agreement in the Committee that the informal consultations had permitted an in-depth examination of problems affecting exports of developing countries at a specific product 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 the problems and issues raised by developing countries. He noted that 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 questions in further work and it would be open to developing countries to submit additional requests or modify existing ones in the light of future developments.

30. The Chairman said that an outstanding issue still before the Committee was how best to proceed with work in this area in the light of the stage reached so far, particularly bearing in mind the "appropriate negotiations" envisaged by the Ministerial Decision. It was evident from the past discussions which had been held in the Committee that there was a divergence of views in regard to the meaning of "appropriate negotiations" in the context of the Ministerial Decision. Many importing countries had said that unilateral trade liberalization actions in favour of tropical products within the framework of the GSP had gone practically as far as possible. In the view of these delegations, the fulfilment of the Ministerial mandate now required that exporting countries showed a willingness to enter a negotiating process in which they were prepared to undertake trade liberalization actions in return for further improved access for their tropical products exports. Some of these delegations had also argued that the most effective way of moving ahead in this field would be in the wider context of a new round of multilateral trade negotiations. A number of exporting countries had emphasized that in their view the process of "appropriate negotiations" clearly required full recognition of the principle of non-reciprocity, as spelled out in Part IV and the Enabling Clause. In addition to emphasizing the non-reciprocal basis of any negotiations, the exporting countries had emphasized the fact that trade liberalization in favour of tropical products had been a priority area of work in the GATT for a long time and as such represented unfinished business which should be addressed as a matter of priority, independently of any possible trade liberalization initiatives in other areas. Some

developing countries had explicitly indicated their readiness to enter into a process of negotiations. The Chairman also drew the attention of Committee members to the proposal made by Indonesia on behalf of the ASEAN countries regarding a possible formula for trade liberalization in tropical products which involved the downward alignment of tariffs on tropical products by all developed countries to the lowest currently prevailing levels in the latter countries. He said that it was understood that this proposal would remain before the Committee and that delegations would reflect further upon it.

31. The Chairman said that it was his feeling from the informal consultations which he had held with delegations that the different positions he had summarized on the question of "appropriate negotiations" remained basically unchanged. He therefore suggested that the Committee take note of discussions on this subject and refer the matter to the CONTRACTING PARTIES. He also said that the Committee might agree to consider any points raised at a future time as appropriate, in the light of consideration of this matter by the CONTRACTING PARTIES.

32. The representatives who intervened on this item said that the Chairman's summary of the current situation was accurate and reflected the differing views of contracting parties. The representatives of certain exporting countries reiterated that they saw the tropical products sector as a priority area for trade liberalization and did not regard "appropriate negotiations" in any way to imply a linkage with other issues which were being discussed in the GATT. They also emphasized their view that "appropriate negotiations" should take place on a non-reciprocal basis, in line with the relevant provisions of Article XXXVI and the Enabling Clause. The representative of an importing country expressed the view that the process had been taken to the point where negotiations could begin, and that all that remained was to establish mutually convenient modalities for carrying such negotiations forward. This representative also referred to measures recently taken by his authorities, which included improved conditions of access for certain tropical products. The representative of another importing country observed that some developing countries had already expressed their willingness to enter a process of negotiations.

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

33. 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 had agreed at its March 1983 session that this review would be initiated in the context of the regular annual review of the operation of the Enabling Clause in 1983, and then completed in 1984. Certain contracting parties had made notifications in the context of the review exercise (COM.TD/W/390 and Addenda), and the Committee had discussed the matter at its November 1983, June 1984 and November 1984 sessions. It had been agreed at the November 1984 session of the Committee that this matter would remain on the Committee's agenda.

34. One representative said that in the view of her authorities, the Enabling Clause had provided a useful mechanism for permitting temporary departures from the most-favoured-nation principle, and this had been achieved with a minimum of damage to the integrity of the General Agreement. However, this would continue to be the case only if the use of preferential treatment was gradually phased out. Contracting parties should give priority to ensuring a timely transition to fuller participation in the framework of rights and obligations under the General Agreement. The Enabling Clause provided the legal basis for GSP programmes and the GSP had offered an opportunity to developing countries to expand and diversify their exports to the developed countries. As far as provisions for special and differential treatment in the non-tariff measure Codes was concerned, any shortcomings were attributable primarily to the low level of participation by developing countries in the Codes rather than to any difficulties with the operation of the Enabling Clause. This representative also noted that the provisions for trade preferences amongst developing countries had been put to limited use, largely because of obstacles to trade liberalization amongst developing countries themselves. The provisions for special treatment for the least-developed countries had prompted the introduction of special measures in the latter's favour by most developed countries and some developing countries. She said that the guidelines provided in paragraph 3 of the Enabling Clause were important, and particularly paragraph 3(c), which indicated that special and differential treatment should be provided on a dynamic basis, taking into account changes in development levels and the development, financial and

trade needs of developing countries. This representative also referred to the importance of transparency and adequate notice of changes in trade policies and said that the notification provisions of paragraph 4 should be more fully adhered to. In this regard, she noted the positive comments which had been made about her country's GSP scheme. In the view of this representative, a major shortcoming in the operation of the Enabling Clause related to the slow implementation of its paragraph 7. She noted that paragraph 7 required differentiation between developing countries beyond that envisaged for the least-developed countries. In the light of the economic progress made by some countries there should be a greater degree of differentiation among developing countries in regard to access to preferential treatment and to the degree of reciprocity required in negotiations. This kind of differentiation was essential to the continued functioning of the Enabling Clause and was in the interests of all contracting parties. In the light of the importance of these issues, this representative said that her authorities wished to retain this item as a continuing element in the work programme of the Committee on Trade and Development.

35. Several representatives said that they did not agree with a number of the views expressed by the previous speaker. Certain of these representatives reserved the right to revert to specific points which had been made at a later date. One representative noted that there were different interpretations of the way the Enabling Clause had functioned, and these were largely conditioned by differing priorities and differing interpretations of the provisions of the Enabling Clause. In the view of some representatives, the Enabling Clause had not been in existence for sufficient time to allow an adequate assessment to be made of the way in which it had been operating. It was necessary to have more experience with its operation before such an assessment could be made.

36. In regard to the provisions of paragraph 7 of the Enabling Clause, some representatives said that this paragraph did not provide the basis for discrimination among developing countries, as had been suggested by a previous speaker. One representative noted that developing countries had negotiated in the past and would continue to negotiate new commitments under the GATT, but such commitments would be made in the light of perceived interests. This was the basis on which all contracting parties participated in the multilateral trading system. Another representative

noted that the decision to participate more fully in the GATT system of obligations was an autonomous decision to be taken in terms of a country's own judgement of its development, financial and trade needs. One representative said that an attempt to discriminate between countries under the GSP had reduced the benefits available to some developing country exporters but had not increased benefits for others, since displaced exports were substituted by increased exports of other developed countries to the GSP-giving country.

37. One representative said that in order for the Enabling Clause to function properly, there must be an element of dynamism in its application. In the view of this representative, the Enabling Clause had proved to be a useful instrument and he expressed surprise at some of the criticisms which were being made by contracting parties which were supposedly its principal beneficiaries. Another representative said that a fundamental point about the Enabling Clause which should not be lost sight of was its concern with improving conditions of access for developing countries in the markets of developed countries. This was a point which should be kept in mind and there was considerable scope for further action in this regard.

Prospects for increasing trade between developed and developing countries

38. 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 the possibilities in GATT for facilitating this objective. The Committee had an initial exchange of views on this subject at its March and November Sessions in 1983. The matter was taken up again at the June 1984 Session on the basis of background material prepared by the secretariat and contained in document COM.TD/W/412 and Add.1. The Chairman noted that the Committee had held subsequent discussions on this question at its Fifty-Fourth and Fifty-Fifth Sessions in November last year and April this year respectively. Although the exchange of views on this subject had been fairly wide-ranging, there had been a feeling in the Committee that discussions on the issue had not fully covered all its aspects and it was therefore agreed to maintain this item on the Committee's agenda and revert to it at a future session.

39. A number of representatives said that while in certain factual respects the secretariat document may be a little outdated, and could perhaps be revised in this regard, the basic thrust of the analysis remained pertinent and served as a useful basis for a further exchange of views. A further study of some of the conclusions of the secretariat document might also be useful in the context of discussions presently under way on preparations for a new round of trade negotiations.

40. One representative said that he saw a link between the Enabling Clause and the Paragraph 5 discussions. He said that many developing contracting parties were being pressured to adopt increasingly liberal trade policies. He said that his country had undertaken a virtually complete liberalization process, involving the removal of quantitative restrictions and the reduction of tariffs, but no reciprocity had been forthcoming in response to these initiatives. He appealed to contracting parties to comply more fully with their GATT obligations, and in the context of the approach of a new round of trade negotiations, to give active consideration to meaningful measures of trade liberalization. In this regard, it was necessary to take account of the particular position of developing countries, especially those facing high external debts. He suggested that a formula might be devised for immediate trade liberalization actions in favour of the latter countries, even if such measures were of a temporary nature. Finally, he noted that while tariff reductions would reduce GSP margins, any trade liberalization initiative should not jeopardize the essential features of the GSP, including its unconditional and non-reciprocal character.

41. Many representatives referred to the current discussions on a new round of multilateral trade negotiations. Several of these representatives expressed the view that a new round was not obviously a useful step to take. According to this view, negotiations would not serve to further open markets in the absence of the political will to live up to present commitments, particularly in regard to standstill and rollback. Moreover, there was a risk that negotiations would be used as a pretext for extracting concessions from developing contracting parties, which would not be in the interest of these countries. Some representatives also expressed concern that a new negotiating process would result in the neglect of important long-standing issues, including those of particular interest to developing countries such as standstill, rollback, textiles, tropical products and safeguards. One of these representatives expressed the view that a new round did not offer any promise for better relations between

developed and developing countries in the trade field, and previous rounds of negotiations had not done so either. The economic gap between developing and developed countries was greater in the early 1980s than it had been in 1960, and many developing countries accounted for a lower share of trade in the 1980s than they did in 1960. Another representative said that if more contracting parties complied with their existing GATT obligations, it would make a significant difference to the international trading environment and would even raise the question whether new negotiations were necessary at present.

42. A number of other representatives emphasized their view that a new round of negotiations was essential at the present juncture. Such negotiations presented the only hope of securing improvements in the world trading environment, including in respect of trade between developed and developing countries. Such negotiations held out real possibilities for collective gains which would serve the mutual interests of all contracting parties. Some of these representatives said that in the light of the promise for improvements in the trading environment that was held by a decision to enter into negotiations, it was difficult to see why this should be resisted by certain contracting parties. One representative said that in the view of his authorities, improved compliance with existing commitments under the General Agreement was important, but not sufficient. It was important also to seek improvements in the trading environment through a negotiating process. In regard to the subject matter of negotiations, several of those representatives favouring the launching of a new round emphasized that while such a round may not be expected to solve all problems for all contracting parties, it was the right of all participants in the negotiations to define their priorities and to ensure that their interests were accommodated. In this connection, certain representatives noted that there were issues where developed and developing countries had important interests in common.

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

43. The Chairman recalled that it was agreed at the Committee's Forty-Ninth Session in March 1983 that the Sub-Committee on Trade of Least-Developed Countries would (a) monitor the implementation of aspects of the Ministerial Declaration which concerned the least-developed countries and (b) hold consultations between interested least-developed countries and

their respective trading partners on issues related to their development and export interests, including an examination of barriers to their trade and other relevant commercial policy matters. He said that the Sub-Committee had met twice during the year and that secretariat notes on the proceedings of these meetings were contained in COM.TD/LLDC/8 and COM.TD/LLDC/9.

44. In his statement to the Committee, the Chairman of the Sub-Committee said that at its seventh meeting, the Sub-Committee had carried out its traditional periodic review of developments in international trade of relevance to the trade interests of least-developed countries and of recent commercial policy measures taken in favour of least-developed countries. In the discussions under this agenda item, widespread concern had been expressed about the serious economic situation facing many of the least-developed countries, as well as in regard to the widening gap between the least-developed countries and other developing countries and developed countries in terms of income levels. It was further noted that per capita incomes had been falling in recent years in some of the least-developed countries. Reference had also been made to the additional burden placed on the least-developed countries by the adverse international economic situation, which in some cases was compounded by serious drought and famine situations. In its discussions the Sub-Committee had benefitted from the active participation of other international agencies, including the FAO, ITC, UNCTAD and the World Bank. The Chairman also referred to the mid-term review which had taken place in UNCTAD of the Substantial New Programme of Action for the 1980's for the Least-Developed Countries (SNPA), which had helped to focus the attention of the international community on the pressing needs of the least-developed countries.

45. The Chairman of the Sub-Committee noted that the Sub-Committee had held ad hoc consultations between the Democratic Republic of Sudan and its developed country trading partners at the Eighth Session of the Committee. As with the previous consultations, there had been a general feeling that the exercise had been useful, and it was stressed that follow-up discussions were required in order to clarify certain issues, as well as to monitor any progress made in regard to Sudanese requests for technical assistance and reductions in certain tariff and non-tariff barriers. There were also follow-up discussions with Bangladesh and the United Republic of Tanzania at the Eighth Session of the Sub-Committee on the consultations

that these countries had held with their trading partners previously. The Chairman also noted that in the ad hoc consultations held so far, both the FAO and ITC had actively assisted in preparing for the consultations, and he expressed the appreciation of the Sub-Committee for this assistance.

46. The Chairman of the Sub-Committee said that at both the Seventh and Eighth Sessions of the Sub-Committee, there had been discussions on certain earlier proposals which had been made in the Sub-Committee for possible further action in favour of the least-developed countries in the light of the relevant 1982 Ministerial Decisions. These proposals had been reproduced in COM.TD/LLDC/W/27 together with some annotations by the secretariat. The Chairman drew the attention of the Committee to one proposal, on the possibility of exempting least-developed countries from quantitative restrictions on a preferential basis. He noted that there had been general agreement at the Eighth Session that the discussion of these proposals had been useful and although there had not been general agreement in the Sub-Committee on them, considerable support had been expressed for them. However, several delegations had expressed the view that a further examination of these proposals should take place in a wider context, namely in conjunction with an evaluation of the Enabling Clause or even with Part IV of the General Agreement. In the light of this consideration, it was agreed that the Sub-Committee had taken these proposals as far as it could and that it would be appropriate to refer them to the Committee on Trade and Development. The Chairman stressed that these proposals were not intended to create new "discrimination", but represented an attempt to enlarge the limited advantages already given within the GATT system to this very disadvantaged group of countries. He said that such action would in his view fall well within the spirit of the General Agreement as it had been developed through Part IV and the Enabling Clause.

47. The representative of the Democratic Republic of Sudan expressed the appreciation of his authorities for the opportunity to consult in the Sub-Committee. He said that although the consultation represented the preliminary phase of a process and required follow-up in respect of requests made, it had already served a useful purpose in identifying and clarifying trade policy issues affecting the Sudan. He noted that some viewed trade as a secondary issue as far as the least-developed countries were concerned, but said that in fact trade represented one of the important means available to these countries for overcoming their severe

difficulties, both in the short-run and the long-run. He stressed that there was an urgent need to deal with current difficulties, and said that any action in this regard in the trade field would not be intended to undermine GATT disciplines and principles. The representative of Sudan also referred to the SNPA and said that the special recommendations made in the mid-term review of the SNPA reflected the urgency of the situation.

48. One representative said that her authorities were sympathetic to the plight of the least-developed countries, and regretted that the limited manpower resources of her delegation had made it impossible to attend meetings of the Sub-Committee. In this regard, she requested that an attempt be made to schedule Sub-Committee meetings at a time when they would not coincide with other GATT meetings. Another representative said that it was necessary to examine carefully how special action in favour of the least-developed countries was related to an evaluation of the Enabling Clause and Part IV. He noted that the Chairman of the Sub-Committee had highlighted one particular proposal in his statement, relating to preferences in the field of non-tariff measures, and expressed the view that it would be unacceptable for the least-developed countries to enjoy preferential treatment in regard to existing quantitative restrictions which were inconsistent with the General Agreement.

49. The Chairman said that the proposals made by the Chairman of the Sub-Committee would remain on the Committee's agenda and be considered at a future meeting. The Committee took note of the notes on the proceedings of the seventh and eighth meetings of the Sub-Committee.

Agenda item (iv):

Sub-Committee on Protective Measures

50. The Chairman of the Sub-Committee on Protective Measures presented the report of the Eighth meeting of the Sub-Committee held on 8 October 1985 (COM.TD/SCPM/8). The Chairman said that at its Eighth meeting the Sub-Committee had continued to carry out its task of examining protective actions by developed countries affecting imports from developing countries in accordance with the Decision of the CONTRACTING PARTIES of 20 November 1979 on this subject and the procedures drawn up for this purpose by the Committee on Trade and Development and the Sub-Committee itself. He also drew the attention of the Committee to the decision taken

in March 1983 that together with the Part IV consultations, the work of the Sub-Committee on Protective Measures would form an integral part of the regular annual review of the implementation of Part IV and the operation of the Enabling Clause. He said that the Sub-Committee had before it at its Eighth meeting a secretariat note containing information of possible relevance to the Sub-Committee's work. Amongst new measures referred to in this document were those introduced by the United States affecting imports of certain sugar-containing products and raw sugar, measures adopted by the European Communities affecting cherries, and measures affecting steel introduced by the United States. In addition, the secretariat note contained information on anti-dumping and countervailing duty actions affecting the trade of developing countries and also references to developments with respect to certain measures discussed at the Sub-Committee's earlier meetings. The Chairman drew the attention of the Committee to paragraph 7 of the Sub-Committee's Report, and also noted that this was the first meeting of the Sub-Committee where there were no notifications or reverse notifications from contracting parties on new protective measures. In view of this situation the Chairman had suggested that the Sub-Committee authorise him to propose that the Committee on Trade and Development carry out, at an appropriate time, an examination of the Sub-Committee's future role in order to activate it in the light of the Committee's own overall activities and responsibilities. The Sub-Committee had approved this course of action.

51. The representative of Chile, speaking on behalf of Chile, Peru and Zaire, all members of the Intergovernmental Committee of Copper Exporting Countries (CIPEC), read a statement addressed to the United States. The statement noted with satisfaction that the President of the United States had decided not to seek negotiations with major copper producing countries for the voluntary reduction of copper production. The statement expressed concern about the recent legislation approved by the United States Congress which obliged United States representatives in all multilateral credit institutions to oppose the provision of credit which was to be used to increase copper production. The statement also expressed concern about draft legislation which would require the President to enter into negotiations with major copper exporters to limit production to 1983 levels for the next five years. Countries which refused these limitations would be subject to a tax of 15 cents per pound on exports to the United States. The statement also mentioned other similar draft legislation requiring

various forms of trade restrictions. Finally, the statement appealed to the United States government to continue to resist pressure for the introduction of restrictions on trade in copper. The representative of the United States recalled the discussion on the question of restrictions affecting copper which had taken place in the Sub-Committee, and reiterated that it was not Government policy to introduce trade restrictions in this sector.

52. In regard to paragraphs 7 and 8 of the Sub-Committee's report, certain representatives said that their authorities attached considerable importance to the work of the Sub-Committee and maintained that the issues which the Sub-Committee was supposed to address remained as relevant as ever. If the work of the Sub-Committee had not been as effective as it might have been, then it would be useful to search for ways of restoring the Sub-Committee's effectiveness. In the view of these representatives it would not be desirable to absorb the work of the Sub-Committee into the main body of the Committee's work. It was suggested that the Chairman, together with the Chairman of the Sub-Committee might conduct informal consultations in order to bring to the Committee at a future session specific proposals on how the Sub-Committee's role might be strengthened.

53. The Chairman took note of the statements and the suggestion made, and agreed to pursue informal consultations before the Committee should revert to the question. The Committee adopted the report of the Sub-Committee on Protective Measures.

Agenda item (v):

Expansion of trade among developing countries - Annual Report of the Committee of Participating Countries on the operation of the Protocol Relating to Trade Among Developing Countries

54. The Chairman noted that in accordance with GATT's post-MTN work programme, the Committee continues to serve as a forum for following developments in relation to the expansion of trade among developing countries. In this connection, it receives a annual report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Negotiations Among Developing Countries. The Committee had before it the Eleventh Annual Report of the Committee of Participating Countries, in document L/5891 and Add.1. The Committee took note of the report.

Agenda item (vi):Technical assistance to developing countries

55. The Chairman recalled that Paragraph 4 of the annex to the Ministerial Declaration, dealing with GATT rules and activities relating to developing countries, contains the decision by the CONTRACTING PARTIES to strengthen the technical cooperation programme of the GATT with a view to facilitating more effective participation by developing countries in the GATT system. The Committee reviewed the technical assistance activities of the GATT secretariat on the basis of a note prepared by the secretariat (COM.TD/W/440).

56. Representatives of a number of countries expressed appreciation for the technical cooperation activities of the secretariat, which they had found to be extremely useful. In particular, these representatives referred to the briefing session which had been held at the beginning of the year in order to familiarise delegates who had recently arrived in Geneva with the GATT. The briefing session had enabled delegates to acquaint themselves more easily with the work of the GATT and also to obtain prompt answers to questions and clarifications of certain issues. These delegations requested that briefing sessions be continued and noted that the next briefing session was scheduled for the beginning of 1986. Several representatives also expressed their gratitude for other aspects of the GATT's technical cooperation programme, including seminars and technical assistance with respect to specific GATT instruments.

Chairman's concluding remarks

57. The Chairman made the following concluding remarks on the proceedings of this session of the Committee:

"Our discussion today on developments in international trade has reminded us yet again of the fact that many countries face serious constraints in their quest for growth and in their efforts to raise the living standards of their peoples. From a trade perspective, these difficulties concern primarily the balance-of-payments situation, which for some countries in particular is aggravated by heavy servicing requirements on outstanding debt. Although some developing countries have registered improvements in their export

earnings, which has given them greater flexibility in regard to imports, there is already preliminary evidence that imports and exports are declining again in some of these countries. Uncertainty and market restrictions associated with protectionist policies in many sectors undoubtedly bear a part of the responsibility for this situation.

"It has been noted that the world economy has emerged from the 1982 recession and is presently growing at a moderate pace. However, the experience of individual countries and regions has been widely divergent. There has been a significant set-back in economic growth in those countries which led the world economy out of the recession. In the absence of a marked acceleration of growth in other industrial countries over the past two years, this has influenced the growth prospects of some developing countries which after 1982 had also enjoyed relatively high growth. On the other hand, it has been observed that a number of developing countries never participated in the recovery, and these countries are still plagued by low or negative growth rates.

"It is my strong belief that unless the benefits of economic growth spread widely throughout the world economy, including to developing countries, such growth cannot be sustained for long. It is clear from our discussions this morning that there is a generally shared perception of the important role that policy plays in securing greater economic benefits for all countries. As far as trade policy is concerned, it would be difficult to over-emphasize the positive contribution that an open and stable trading environment can make to the future prosperity of all countries.

"In line with established practice, the Committee has at this Session completed its annual review of the implementation of Part IV and operation of the Enabling Clause, basing itself on secretariat background documentation and also on the Part IV consultations held during the year and the work of the Sub-Committee on Protective Measures. The Committee noted the suggestion made by one contracting party that the Chairman might invite contracting parties which have previously consulted to inform the Committee on any actions taken in response to requests for improvements in GSP schemes, or more generally for improvements in conditions of market access.

"Turning now to the Committee's programme of work arising from the Ministerial Declaration, I do not think it is necessary to repeat the comments made or the decisions taken under individual items of the Work Programme. More generally, however, I think it is fair to say that the results of our work in these areas have been somewhat mixed. On the positive side, we have, for example, concluded that Part IV consultations constitute a useful way of monitoring the implementation of Part IV. On the other hand, in areas such as trade in tropical products, work has not moved ahead as far as might have been hoped. However, I trust there will be further opportunities to explore these issues and to seek ways of carrying the work forward.

"One aspect of the Work Programme which I would like to single out for specific comment is that related to the least-developed countries. In response to the relevant Ministerial Decisions, the Sub-Committee on the Trade of Least-Developed Countries has been active in seeking ways of promoting the trade and development of the least-developed countries. I would note the positive and active role played in these endeavours by Ambassador Huslid, who has been Chairman of the Sub-Committee for two years. The Sub-Committee's activities have helped to highlight the precarious situation facing many of these countries and have emphasized the urgency of the need for appropriate action in this regard. Not only has the Sub-Committee instituted a process of ad hoc consultations between interested least-developed countries and their trading partners on issues related to their development and export interests, but the Sub-Committee has also carried out a preliminary examination of a list of specific proposals, including those by its Chairman, for action aimed at securing further trade liberalization in favour of the least-developed countries. These proposals have been forwarded to the Committee for consideration, and I would urge that this matter receive sympathetic attention in the near future.

"We have had some discussion today on the future role of the Sub-Committee on Protective Measures. This discussion has taken place on the basis of a recommendation by the Chairman of the Sub-Committee that the Committee carry out an examination of the Sub-Committee's future role in order to activate it in the light of the Committee's

own overall activity and responsibilities. It is my hope that further discussions on this matter will take place in a positive spirit and with the aim of seeing how best the Sub-Committee can be activated to promote the objectives of Part IV.

"Finally, the technical cooperation programme of the secretariat has continued to function well and to respond to the requirements of developing countries. In this connection, special attention has been given to the technical assistance needs of the least-developed countries."

Next meeting of the Committee

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