

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Twenty-Fourth Session

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## SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva,  
on Monday, 13 November 1967, at 2.45 p.m.

Chairman: Mr. M. AOKI (Japan)

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Subject discussed: 1. Programme for Expansion of  
International Trade

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### 1. Programme for Expansion of International Trade

The CHAIRMAN explained that in the absence of Mr. Lall he was called upon, in his capacity of Vice-Chairman, to take his place. He opened the meeting by calling upon the New Zealand representative.

Mr. PRESS (New Zealand) warned the CONTRACTING PARTIES against resting satisfied with their past achievements and welcomed the Director-General's statement as a challenge and jolt to complacency and post-Kennedy Round euphoria. Commenting on Item 3(a) of the agenda he agreed with the Director-General's proposal that the time now available be used in working out the problems and solutions ready for the next massive assault in the field of industrial tariffs. Some of the matters involved were not simple. Even the matter of consolidating duty-free treatment as presented in document L/2893 could be a very different problem for countries which were in the process of expanding the range of their industrialization as indeed could that of duty-free raw materials. Similarly the suggested sector approach might work much better as between industrial exporters than it could for countries at a lower level of industrialization. Along with a careful study of these and other problems the problem of non-tariff barriers in industrial products should also be closely examined. Work in these fields should start immediately and ought to be carried out in the full realization that further negotiations could only be fruitful if the problems were considered against the background of the wide differences in the economies of the contracting parties.

With regard to Item 3(c) of the agenda, Mr. Press welcomed the initiative taken by the Director-General in presenting the proposals set out in documents L/2875 and L/2898. He stressed the point that GATT could not shrug off

responsibility for positive action in promoting the trade of less-developed countries just because some of the issues were raised in other international organizations. He added that New Zealand was prepared, as it had done in the past, to make further constructive contributions to meeting the special problems of developing countries, all the more since New Zealand shared some of their problems.

Turning to Item 3(b) and the problems of trade in agricultural products he stated that, though formally the GATT rules did not distinguish between industrial and primary or agricultural products, these rules were not in fact being applied alike in the agricultural and industrial fields. GATT had not proved to be, in the words of its preamble, "reciprocal and mutually advantageous" in the eyes of either the less-developed or the agricultural countries. It had been in partial recognition of this that the ground rules for the Kennedy Round provided that the negotiations "should cover all classes of products, agricultural and primary products" and that the negotiations "should provide for acceptable conditions of access to world markets for agricultural products". For some products, and in some countries, these objectives had in part been achieved. For other products, including those of major importance to New Zealand, little or nothing had been achieved. Meat and dairy products had been dealt with in the Kennedy Round by a group approach in the course of which efforts had been made to find a basis for general arrangements covering these arrangements. Mr. Press suggested that the CONTRACTING PARTIES should, in their future work, aim at comprehensive negotiations covering all aspects of trade and production of these and other commodities, and taking into consideration the new concepts which were introduced during the work of the groups. However, success of such efforts could only be expected if it was sufficiently accepted by the CONTRACTING PARTIES that there was indeed a special problem of fitting agricultural countries into the framework of reciprocity and mutual advantage. New Zealand would be happy to accept Committee II, with some clarification or modification of its mandate, or any other forum for this activity provided that the task would be defined in terms of the broad objectives which he had suggested. Mr. Press added that for New Zealand GATT would be dead, if it turned out that the objective of "reciprocal and mutually advantageous arrangements" was unattainable for the agricultural countries.

Referring to the Director-General's statement and the letter from the International Dairy Committee quoted in document L/2886, he then drew the 'CONTRACTING PARTIES' attention to the situation in the world dairy market. He explained that, with many markets closed to dairy products, with domestic support policies encouraging yet further surplus production, and with export subsidies pushing those surpluses on to world markets at dumped prices, the market situation was becoming chaotic and the trade of those countries which depended in large part on exports of dairy products was being seriously affected. One major factor was, he said, the agricultural policy of the European Economic Community. The effect of this policy was to produce high-cost surpluses. Though the Community made strenuous efforts to dispose of large proportions of its surpluses on EEC markets in a manner which would not interfere with normal trading in other markets, this objective was not always achieved, and the surpluses were then dumped in overseas markets with the aid of very heavy subsidies. Other countries besides the Community - some of them in GATT - were acting in much the same way.

As another matter of concern he pointed out the recently introduced new restrictions applied by the United States on imports of dairy products. The dairy products marketing crisis demanded immediate action, analogous to those adopted for cereals; to establish (a) fair trading conditions for dairy products in commercial markets and (b) a multilateral scheme for the disposal of surplus dairy products as food aid. Under (a) the objective should be to mitigate the effects of export subsidies and thus to avoid their depressing effect on prices. Under (b) a way should also be found to make an effective and co-operative contribution to food aid in dairy products by such means as facilitating the use of unused capacity in milk reconstitution plants in some countries, school milk programmes and the use of new products such as the milk biscuit which might be suitable for aid in areas where other dairy products could not readily be distributed. If these measures, or something like them, could be agreed upon, a more or less permanent forum should be established for discussion and co-operation in the arrangements under both (a) and (b).

In any case the CONTRACTING PARTIES should decide to set up a group to meet as soon as possible after the end of this session with terms of reference either along the lines suggested or terms of reference which would convey the urgent need to co-operate in finding solutions to the critical situation in the dairy products trade and which would permit New Zealand's proposal to be considered. Preferably such a group should be required to report to the Council at an early date, for example the end of this year. The work of this group should not be regarded as in any way prejudicing or replacing the larger and more general task to be carried out on the agricultural problem.

Mr. BENES (Czechoslovakia) said that his delegation shared the general view that, while the Kennedy Round had yielded important results in lowering tariffs on industrial products, only limited results had been achieved in the agricultural area and that much remained to be done for the expansion of trade of developing countries. A full statement on these matters would be made later in the session by the Czechoslovakian Vice-Minister for Foreign Trade.

He said that his Government was taking the necessary steps to implement the results of the Kennedy Round on 1 January 1968, although it might not be in a position to sign the respective instruments by the end of this month.

His Government would fully support further action in the field of tariff reduction or elimination of tariffs on industrial products along the lines suggested by the Director-General. The CONTRACTING PARTIES should be aware that there still existed some cases of high and almost prohibitive tariffs on specific industrial items. These were a more serious obstacle to any further expansion or even to the maintenance of the present level of trade, than were very low duties. His Government also subscribed to the Director-General's suggestions in the field of non-tariff barriers, including residual import restrictions. Drawing up an inventory of such measures would be a prerequisite for action in this field; he agreed that the help of exporters might be useful in making such an inventory.

With regard to the problems of agriculture, Mr. Benes said that Czechoslovakia was ready to co-operate in this field and give full support to action aimed at further liberalization of trade in agricultural products.

With regard to Item 3(c) of the agenda, he restricted himself at that stage of the meeting to recalling that his Government would sign shortly the Geneva (1967) Protocol, and would implement the results of the Kennedy Round on items of special export interest for the developing countries, on a most-favoured-nation basis, on 1 January 1968.

Mr. GROS ESPIELL (Uruguay) said that his Government considered the GATT an effective and necessary instrument for the progressive liberalization and expansion of international trade. Because of its legal framework and the increasing number of developing countries participating in its work, the GATT would have an important rôle to play in the solution of problems facing these countries. This session of the CONTRACTING PARTIES was therefore of particular significance. The Kennedy Round, the main beneficiaries of which had been developed countries, had shown where the interests of developing countries lay. The experience acquired during these negotiations should serve to tackle the remaining unsolved problems. Uruguay agreed, in general, with the suggestions put forward by the Director-General and was prepared to participate in any future negotiations.

In view of protectionist movements detected in some countries, serious action should be taken to consolidate the results of the Kennedy Round and implement the concessions on products of interest to less-developed countries without phasing. With respect to the agricultural sector, consultations should start as soon as possible with a view to entering into concrete negotiations without delay, especially in the meat and dairy products sectors. In the industrial sector, the possibility should be explored that concessions granted by developed to developing countries not be subject to the most-favoured-nation clause. If a strict interpretation of this clause was maintained, developing countries would have little opportunity to penetrate the markets of developed countries. On this basis, and taking into account paragraphs 5 and 8 of Article XXXVI, a new sort of negotiation directed towards solving the export problems of less-developed countries should be envisaged.

With regard to the expansion of trade between developing countries, he wished to reiterate his Government's intention to participate in the preparation of negotiations directed to that end. His delegation attributed special importance to the study of non-tariff barriers, which in many cases were much more effective than tariffs, and agreed that the compilation of a catalogue of existing barriers was necessary.

The future work of GATT in the field of expansion of trade of less-developed countries should be envisaged in a context of co-ordinated action with UNCTAD. The proposals of a joint UNCTAD/GATT International Trade Centre opened new perspectives for future action. It was his Government's view that the GATT could play an important rôle in the future with respect to developing countries.

Mr. NOTOWIJONO (Indonesia) said that the Director-General's suggestions in particular on the work to be undertaken towards the development of a free-trade arrangement embracing as broad a sector of production as possible, and the so-called Bad Godesberg Plan deserved the fullest attention of the CONTRACTING PARTIES.

He acknowledged the past efforts made by the CONTRACTING PARTIES towards the expansion of trade of the developing countries, culminating in the addition of Part IV of the General Agreement. He regretted, however, that in this respect the results of the Kennedy Round achieved in favour of the less-developed countries had fallen short of their expectations. The Kennedy Round would give a strong impetus to the expansion of world trade, particularly among the major trading countries. But it seemed to him a fallacy to believe that the expansion of such trade would automatically lead to increases in the trade of the non-industrialized countries. GATT was now faced with an unfinished task, since in the Kennedy Round, perhaps for lack of time, the problems of the less-developed countries had not been given the attention that it was intended to bestow on them.

Today the developing countries were fully aware that it was, in the first place, up to them to promote the economic welfare of their people. But it was necessary to complement national measures by international actions. There were still various obstacles to trade of primary products in many major markets. Some countries imposed tariffs on palm oil, tobacco, spices including pepper, coffee and other beverages, and on copra. Furthermore, there were numerous non-tariff barriers such as variable levies on tapioca, and internal charges on a long list of products.

Mr. Notowijono said that the developing countries sincerely hoped to attain immediate and effective co-operation from the developed countries for the elimination of tariff and non-tariff barriers to their export trade, all the more since this question had not only strictly commercial but also political implications.

After the wide industrial liberalization achieved through the Kennedy Round, the vital sector of primary products which were particularly important to the developing countries should be taken up immediately. Consideration of this question should be based on the Charter of Algiers and take into account the proposals put forward by the Director-General in his statement and those emerging in the present session.

He suggested that an effective programme should be formulated during this session in which the following points might be included: (a) the binding of duty-free tariffs on products now already enjoying free entry. (b) The elimination of duties which are already low. Tariffs below 5 per cent should be eliminated. However, especially in the case of primary commodities the rate of 10 per cent should be set, in view of the fact that most products of export interest to the less-developed countries were subject to tariff duties of more than 5 per cent. (c) The immediate implementation of the concessions given in favour of the developing countries within the Kennedy Round, without the transitional period of five years. He appreciated the efforts already made by some countries in this direction but stressed that implementation without phasing should be carried out by all developed countries on all items on which they

already accepted the obligations towards the developing countries in the Kennedy Round. (d) The duty-free entry of tropical goods. So far very little progress had been achieved in the complete liberalization of trade of products wholly produced by the developing countries. Means should now be devised for moving away from the situation in which wealthy countries not themselves producers of tropical products continued to impose taxes on these goods. (e) The elimination of duties on raw materials for industry. Though many raw materials were already now enjoying free entry in many major trading nations, further steps ought to be made to secure free access for the remaining industrial raw materials in all developed countries. (f) Effective solutions should also be found on import restrictions and other non-tariff barriers, such as internal taxes or levies. A more detailed inventory on all sorts of non-tariff barriers was required, and also further consultations between countries directly concerned. (g) Modification of protective policies on agricultural products. Many agricultural products originating from developing countries faced various kinds of measures in some major markets to protect domestic production of similar or competing products. The countries concerned could modify their existing protective policies by extending special treatment to agricultural products from the less-developed countries.

He hoped furthermore that for the related problem of special preferences now given to certain developing countries a final solution in concrete terms could be worked out and immediately implemented, so that a multilateral non-discriminatory system of trade could be promoted for the benefit of all developing countries. Stressing the great importance of trade in manufactures and semi-manufactures and the new opportunities they provide to expand the trade of the less-developed countries, he suggested that general preferences should be introduced on these products in favour of the developing countries on a non-reciprocal and non-discriminatory basis.

He recalled the importance of trade promotion for the expansion of trade and welcomed the existence of the International Trade Centre as an increasingly useful means of assisting less-developed countries to develop their export potentials.

Finally Mr. Notowijono pointed out that further progress could also be achieved in expanding the trade among developing countries, chiefly by promoting regional or sub-regional co-operation, even though this could not be a substitute for the trade which they maintained with the main industrial centres.

Mr. LACZKOWSKI (Poland) said that two opposed tendencies were apparent. One that considers the Kennedy Round as the culmination of a great enterprise and that for GATT to move forward, new legal instruments should be elaborated. The other, that considers with some frustration, that much unfinished business remains in different sectors and that this should be tackled. With regard to the suggestions put forward by the Director-General, the idea to abolish very low tariff which did not have a protective nature, should be examined. Free trade by sectors should be approached by stages. In some sectors, like sulphur in all its forms, positive solutions could be found in the immediate future. In others, such as fuels, action should be envisaged in the longer term. It would be of interest to set up a working group to study the special situation of coal, from the point of view of international trade. In the agricultural sector he recalled that the rate of growth of trade in industrial products was much higher than that in agricultural products. Rich countries were showing signs of maintaining very low levels of consumption in agricultural products. This situation resulted from

keeping prices artificially high, and from approaching international trade with a liberal attitude towards industrial products, while maintaining protectionist policies with respect to agricultural products. The unfinished work begun during the Kennedy Round should be continued, especially on meat and dairy products. A problem of particular interest to his Government concerned the policies that would govern, in the future, the markets for secondary agricultural products which were not, for the time being, within the scope of the agricultural policies of European countries. It was of great importance to know whether some of the protectionist barriers could be reduced and whether some of the relatively less protective tariffs could be bound. This led Poland to agree with the suggestion to revitalize Committee II, with clear objectives and possibly a new title such as Committee on Agriculture. The problems of competitive disparity between mass-produced agricultural products and those produced by traditional methods, should also be studied. He supported the suggestion of an inventory of existing non-tariff barriers.

Dr. KHALLAF (United Arab Republic) said that with the conclusion of the Kennedy Round a programme for the expansion of international trade would become the cornerstone of the work of GATT. This programme should be drawn up in the context of the increasing gap between developing and developed countries, at a time when the volume of aid was becoming smaller and its terms harder. Thus the dependence by developing countries on export receipts was greater than ever. The Kennedy Round had created hope but had left the most important problems of these countries without solution. Regarding the suggestions of the Director-General in the industrial and agricultural sectors, the first task was to consolidate the results of the Kennedy Round. Advance implementation on products of interest to developing countries should be ensured. Any new mechanism for negotiations between developed and developing countries should be established with a view to solving those problems to which developing countries attach greater importance, taking due account of the experience gained during the Kennedy Round. With regard to non-tariff barriers action should be taken immediately on those which had already been identified. This would not preclude the preparation of a catalogue of all existing barriers.

In so far as the trade of developing countries was concerned his Government considered that the GATT would have to evolve a new philosophy, permitting special commercial policy measures in favour of developing countries. His Government was in complete accord with the suggestion that the International Trade Centre put special emphasis in helping developing countries to exploit the new export possibilities open after the Kennedy Round. He believed that the suggestion to merge development plan studies with balance-of-payments consultations would not be suitable and could lend itself to misinterpretation. With regard to the expansion of trade between developing countries he agreed with the suggestion to set up a Trade Negotiations Committee whose rules and procedures would have to be set up without delay. He commended the pragmatic approach taken by GATT vis-à-vis countries with centrally-planned economies. Summing up he underlined the necessity of adapting commercial policies and of elaborating a programme of action in line with the needs of developing countries, within the framework of co-operation between GATT and UNCTAD.

Mr. KING (Barbados) said that the problem of removing obstacles to the trade of less-developed countries, and especially the question of access to the markets of developed countries with traditional trade relationships with developing countries, were matters of particular concern to his Government.

Historically, most less-developed countries had been linked with particular developed countries which had accorded them preferences. This system had, however, inhibited their individual development and agricultural diversification and had relegated them to the rôle of producers of raw materials because the markets of these developing countries had also been available on a preferential basis to the developed countries with their superior technology, capital availability and skilled manpower.

GATT having recognized the restrictive influence on trade of preferential systems, had outlawed introduction of any new preferences. Only now was it prepared to consider the generalization of preferences for all developing countries. This question required frank and uninhibited discussion by the CONTRACTING PARTIES. In his opinion, generalization of preferences would weaken the position of those developing countries who had enjoyed preferences in a particular market, for they would have to share their markets with other less-developed countries, and would get no compensation in return. Therefore, generalization of preferences would not, by itself, produce the desired effects for the expansion of trade of less-developed countries.

At the first UNCTAD conference the principle had been accepted that developed countries should provide access to their markets for the produce of less-developed countries. But the GATT rules did not permit a developed country to help a particular group of less-developed countries to protect and enhance their markets within its own boundaries.

Therefore, it should be considered whether the rules of the GATT should not be amended to permit a developed country to assist a particular developing country or a group of developing countries, by preferential or other treatment, without generalizing this assistance and without requiring reciprocity from the less-developed country. Any deflection of trade from other developed countries caused by the application of such a rule should be considered as irrelevant and as a contribution of the developed countries concerned towards the development of the developing country.

Mr. King urged that special attention should also be given to the more special problems of agriculture and of primary producers, with the view to improving the position of developing countries in this field. The economy of most developing countries was largely dependent upon agriculture. In Barbados, almost 100 per cent of domestic exports and over 50 per cent of total exports were based on a single crop. Since there were no adequately guaranteed outlets at reasonably remunerative prices for the main export crop, efforts towards diversification of the economy were seriously hindered.

It was particularly frustrating to see how little progress was being made towards finding solutions for the orderly marketing for a commodity such as sugar, so important to so many developing countries. An answer to this problem could be found if the parties concerned were prepared to be guided by the principles laid down in the first UNCTAD conference for the expansion of the economies of the less developed countries.

Mr. King suggested that special protective measures be devised to reduce the widening gap between the developed and the developing countries. He proposed consideration of the following points: (a) improved access to the markets of developed countries either by tax reductions, licensing or other action for certain specific products from less-developed countries; (b) regional protective arrangements under which one or more developed countries could provide special marketing arrangements for certain specific products from a particular country or group of countries, without reciprocity and without extending the arrangements to other developing countries, (c) examination of the impact of artificial substitutes on agricultural output and the steps to ensure that their adverse affects on primary production are eliminated.

Mr. King welcomed the proposals put forward by the Director-General in document L/2906 for effective consultations and the co-ordination of agricultural policies. He added that the particular proposal for moving towards a free trade area embracing as broad a sector of production as possible should be examined in the context of special non-reciprocal arrangements in favour of less-developed countries, for certain specific goods in which these countries had an interest. Certain protectionist practices of developed countries in the field of agriculture did adversely affect the exports of developing countries and seemed almost to be geared to defeat the principle of access as accepted by all developed countries in the first UNCTAD conference.

Mr. King then pointed out that action must be taken to bridge the technological gap between the rich and the poor countries. In his view, this problem required more positive and effective efforts in developing the human resources of the poor countries than had hitherto been made. Though the International Labour Office had given consideration to this matter in its 1967 session, the CONTRACTING PARTIES should include in their proposals a comprehensive programme for manpower training and for making modern technology and productive techniques available to poor countries on a larger scale. This would of course call for close co-operation and collaboration with the ILO and the Food and Agriculture Organization.

Closing his statement Mr. King said the poverty of poor countries was a danger to rich countries and a potential and real threat to world peace. He urged the CONTRACTING PARTIES to find effective answers for the problems of less-developed countries and to draw up guidelines for action.

The meeting was adjourned at 5.30 p.m.