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SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva
on Wednesday, 15 November 1967, at 2.45 p.m.

Chairman: Mr. K.B. LALL (India)

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1. Customs unions and free-trade areas:
 - (b) European Free Trade Area (L/2864, L/2865)

Mr. LANGUETIN (Switzerland) referred to the report made by the members of EFTA and Finland in implementing the Stockholm Convention and the association agreement with Finland. Further details could be found in the Sixth and Seventh Annual Reports of the EFTA countries. He noted that the EFTA countries were pleased to have been able to report the completion of internal tariff demobilization on industrial products as of the beginning of 1967, three years ahead of schedule, and the elimination of quotas on nearly all industrial products. The creation of a single market had stimulated trade both within the area and between the area and third countries, as could be seen from the average 8 per cent per year increase that had taken place in overall imports between 1959 and 1966. It was especially gratifying to note that trade with developing countries in the same years had risen from \$600 million to \$965 million. The value of trade liberalization to third countries was amply demonstrated by this considerably greater than average increase in a sector in which there was special urgency to

enhance the export earnings of trade partners. He drew special attention to paragraph 10 of the report, dealing with the agreement with Finland, where new tariff reductions which Finland had decided to put into effect on 1 January 1968 were reported; those reductions on the list of reserved items, on which Finland was entitled to retain duties against EFTA countries somewhat longer, would complete the free-trade area in industrial products among the countries concerned. Members of EFTA were also especially happy that the Kennedy Round had come to a successful conclusion, since it enhanced the prospects for further trade expansion at a time of special importance for them, when their own tariff demobilization had just been completed.

Mr. ALLEN (United States) expressed his Government's satisfaction that the EFTA countries, as confirmed by their report, intended to maintain outward-looking and expansionist policies. The one misgiving of the United States related to the bilateral trading arrangements of the EFTA countries, which might possibly limit the development of trade in agricultural products with third countries.

Mr. DONOVAN (Australia) welcomed the development of EFTA in so far as it was consistent with the provisions of Article XXIV. Australia's two concerns were the continuance of discriminatory quantitative restrictions and bilateralism in agriculture. He asked whether the new agreement between Denmark and Norway and the two new supplementary agreements reported in L/2864 were the only new developments in bilateral agreements. Certainly, with regard to these three agreements, Australia shared the concerns expressed by the United States, the more so as the arrangements for supplementing Norway's meat supply looked toward importation of fresh and chilled meats rather than the frozen products which Australia might be able to supply under freer competitive conditions. Also, the agreement between Denmark and Sweden seemed to envisage reduced quotas, nominally open to all, but in fact subject to allocations based on years which could result in one country obtaining 95 per cent of the available quota. Such an effect would certainly be adverse for other countries.

Mr. MARTIN (Argentina) referred to Argentina's earlier expressed opinion that more careful study should be given to the effects of associations such as EFTA on the trade of traditional suppliers. He did not believe a judgment should be made on the document before the CONTRACTING PARTIES on the basis of such a short discussion but that a working party to study the report might be in order.

Mr. SWARUP (India) thanked the EFTA countries, especially the Nordic members, for their action in reducing barriers to trade in tropical products of interest to developing countries and hoped they would continue to increase the tempo of their help to these countries. India's only concern about action contemplated by these countries related to the speeded-up removal of internal duties on cotton textiles, which might have adverse effects for trade of third countries such as India by increasing the tariff differential to which their goods were subject. This matter was being kept under careful review.

Mr. LANGUETIN (Switzerland) thanked the countries, which had spoken, for their statements and assured them that EFTA countries were much aware of their concerns and would continue to give attention to the problems mentioned. Regarding the apprehensions expressed concerning present and possible future effects of bilateral agreements, he noted that the agreements in question had been developed in conformity with the provisions of the Stockholm Convention and were being applied so as to provide reasonable reciprocity. Throughout the process, member countries had kept in mind not only their legal GATT obligations but also the interests of traditional exporters supplying their markets. Accordingly, maximum effort had been made to see to it that internal arrangements did not cause injury to third parties. It was always difficult to forecast, but the Stockholm Convention provided for annual trade development reviews in which it was usual to consider whether the convention was well adapted to continue to protect both internal and third-country interests. No major revisions were foreseen at this time, but members would continue to keep in mind and give all due attention to third countries' interests. Concerning specific effects of bilateral agreements, he felt that it would be appropriate to have more information from the countries involved before attempting to reply. He stated that no applications for new membership in EFTA were envisaged or had been formally submitted. The EFTA countries were ready to participate in a working party, should that be the wish of the CONTRACTING PARTIES, but would naturally reserve their right to review and if necessary correct or amplify the information which had been made available.

The CHAIRMAN suggested, and the CONTRACTING PARTIES agreed, that the establishment of a working party might be deferred until more information was available; he noted that the Council would be competent to establish such a working party. On behalf of the CONTRACTING PARTIES he thanked the members of EFTA and Finland as well as the President of the EFTA Council, for their informative and encouraging report.

2. Programme for expansion of international trade and
Trade of less-developed countries:
(a) Report of the Committee on Trade and Development (L/2912)

Mr. PAPIĆ (Yugoslavia) commenting on the post-Kennedy Round situation emphasized that the CONTRACTING PARTIES were challenged by even greater issues, particularly the stagnating trade of developing countries. The attitude of the major trading countries had not been very encouraging up to now and concern had to be expressed on the continuation of protectionist policies. The Yugoslav delegation attached great value to the pursuit of the programmes and decisions adopted in 1958 and 1963. The Kennedy Round was a successful undertaking; however, many areas such as the agricultural sector and the trade problems of developing countries were left unsolved. In the industrial sector, many products

of interest to Yugoslavia, such as cotton textiles, non-ferrous metals and products, iron and steel products, leather and leather products, paper and glass had not been covered by the negotiations. The results achieved in the agricultural sector were understandably disappointing since agricultural products accounted for 40 per cent of Yugoslav exports to industrialized countries; only one quarter of its agricultural exports were covered by the negotiations. Cattle, beef and other meat, canned meat, fruit and vegetables, maize and wine had not been covered. Moreover, trade in agricultural products was hampered by obstacles other than tariffs such as levies, compensatory taxes, etc..

In view of the fact that the trade of developing countries was expanding at a comparatively low rate, studies and analyses should be made to seek solutions to the problems concerned; attention should be paid to the advanced implementation of tariff reductions on products of specific interest to developing countries. Negotiations on meat, dairy products, non-ferrous metal manufactures, tobacco, textiles which were not covered in the Kennedy Round should be carried on under the auspices of the Committee on Trade and Development. The Yugoslav delegation would wish to participate in the work of the body set up to deal with agricultural questions. Consideration should also be given to regional co-operation among developing countries. This matter should be discussed in an appropriate body. Efforts for expanding trade among developing countries should not, however, be looked upon as a substitute for other measures. This was an area in which co-operation between GATT and UNCTAD could be usefully pursued. India, the United Arab Republic and Yugoslavia had been taking practical steps in attempting to expand mutual trade. Yugoslavia was ready to co-operate in any committee established for dealing with negotiations among developing countries.

The CHAIRMAN invited Ambassador Encinas del Pando (Peru) to present to the CONTRACTING PARTIES the report of the Committee on Trade and Development (L/2912), on its activities since the twenty-third session.

Mr. ENCINAS del FANDO (Peru) said that Section I of the report dealt with the implementation of Part IV and the Ministerial Conclusions and Resolutions. There had been a concentrated debate on the report of the Ad Hoc Group, in which the effects of the Kennedy Round on the trade of the developing countries had been evaluated. Repeated reference to this report was made in the report of the Committee on Trade and Development. Paragraph 6 of the Committee's report contained some suggestions made by various Committee members. Since the Committee had not been able to reach a unanimous opinion on these suggestions it had been decided to bring them to the attention of the CONTRACTING PARTIES.

Section II dealt with the question of tropical products. Here, it was suggested to reactivate the Special Group on Trade in Tropical Products. The new terms of reference suggested by the Committee were set out in paragraph 11.

The question of advance implementation of Kennedy Round reductions was covered in Section III. The information on advance implementation provided by governments of developed countries had been circulated separately by the secretariat in documents L/2862 and Add.1. Particular attention should be given to paragraph 19 in which it was suggested that the CONTRACTING PARTIES might wish to review the situation in the light of the comments made in paragraph 18 and the information submitted by developed countries.

Section IV contained suggestions and comments on procedures for dealing with import restrictions affecting the exports of developing countries. Of main concern had been the persistence of residual restrictions. The Committee had considered that the CONTRACTING PARTIES might continue to discuss this matter and advise the GATT Council to take further action.

Section V contained information on developments in the field of trade expansion among developing countries. Special attention should be given to the references, in paragraph 26, concerning the establishment of a negotiation committee to discuss ground rules for negotiations among developing countries.

Section VI referred to the economic problems of Chad. The work of the Committee had been based on the report of a special working party, COM.TD/44. It had been considered advisable to transmit to the CONTRACTING PARTIES some of the salient points of this report which were contained in paragraph 30. Particular attention was drawn to paragraph 31 which contained certain specific suggestions by the Committee.

Section VII dealt with other activities and future work of the Committee. The CONTRACTING PARTIES should give special attention to the final sentence of that Section.

The CHAIRMAN thanked Ambassador Lucinas del Pando for the presentation of the report and expressed on behalf of the CONTRACTING PARTIES appreciation for the work achieved by the Committee members and their Chairman, Ambassador Valenzuela.

With regard to the report of the Committee on Trade and Development he said that it contained a few specific points on which decisions could be taken and need be taken by the CONTRACTING PARTIES independently of the general discussion under Item 3 of the agenda. A number of suggestions might be taken note of, such as those set out in paragraphs 6-7, 11, 18-19, 21-23, 26, 30-31, and 32. On these suggestions, especially those relating to the adoption of new procedures on import restrictions (paragraphs 22-23), and the endorsement of suggestions concerning Chad (paragraph 31), formal decisions would have to be taken at a later stage in the context of the general programme of work of the CONTRACTING PARTIES.

The CHAIRMAN then invited the CONTRACTING PARTIES to comment on the report and to continue their discussion on Item 3 of the agenda.

Mr. AZEREDO DE SILVEIRA (Brazil) said that while developing countries had also benefited from the Kennedy Round, the major problems remained unsolved, viz. advanced implementation of reductions in favour of developing countries, trade in tropical products, commodity agreements and non-tariff barriers. Under the auspices of the UNCTAD, a system of preferences for exports of manufactures from developing countries should be set up, in parallel with efforts directed towards the continued liberalization of their trade. The Kennedy Round tariff cuts on manufactures from developing countries had been modest compared with reductions on products of interest to industrialized countries; the problem of tariff differentials was still acute. Many sectors had been neglected, for example, cotton textiles, iron and steel products. Results in the tropical products sector were also unsatisfactory. Parallel with regional integration schemes, sectoral studies should be undertaken after the Kennedy Round, as outlined by the Director-General. Trade in agricultural products of interest to developing countries and the question of non-tariff barriers particularly as it affected these countries, should be given special attention. GATT should reshape its rôle in regard to the trade requirements of developing countries.

Mr. SIQUEIRA FREIRE (Portugal) stressed that with the conclusion of the Kennedy Round GATT activities should not come to a standstill. The statement of the Director-General constituted a sound basis for further action. The results of the Kennedy Round could not be regarded as thoroughly satisfactory; the outcome in the agricultural sector was disappointing and further analyses of the questions involved were necessary. Committee II should be reactivated for this purpose. The suggestions made by the Director-General were ambitious but realistic. However, in order to attain the desired results, closer attention should be paid to the more immediate aims involved.

Mr. SOMMERFELT (Norway) said that in the first two decades the GATT had concentrated on tariffs; in the future trade problems could be the prevailing concern of the Organization. However, the CONTRACTING PARTIES should be aware that they still needed GATT in the tariff field. The Kennedy Round was not yet safely in harbour and its results could easily be unravelled if major trading countries should succumb to internal protectionist pressures. Not only in the agricultural sector had the results of the Kennedy Round been unsatisfactory, but also in the fish sector and in the sectors of non-ferrous metals and ferro-alloys the results had fallen far short of expectations. As it was not clear that low tariffs had only a nuisance value he welcomed the Director-General's proposal to make a detailed factual study of the level and protectiveness of tariffs after the Kennedy Round. Norway would also participate in an examination of various factors and aspects in possible free trade for certain products.

With regard to non-tariff trade barriers Mr. Sommerfelt said that his delegation strongly supported the establishment of an inventory. As a member of an established industrial free-trade area his country was experiencing the tendency of non-tariff barriers to replace the abolished tariff barriers. A small country like his had only limited possibilities to compete with greater and richer trading partners in the application of non-tariff measures such as State aid and export subsidies. Therefore, Norway was vitally interested in an international examination and possible control of such measures. However, GATT had many competitors in this field, and unnecessary overlapping should be avoided.

As for agriculture, he said that Norway supported the revitalization of Committee II and also welcomed the suggestion to include food aid provisions in the dairy arrangement and to establish a dairy council within the framework of GATT.

As regards the problems of developing countries Mr. Sommerfelt referred to the statement made by Ambassador von Sydow (Sweden) on behalf of the Nordic countries.

Mr. BESA LYON (Chile) expressed the view that agricultural policies would have to be revised in order to ensure an adequate consumer potential in regard to supplies from developing countries. Per capita consumption of certain products were still often below its potential level. Many problems of interest to developing countries remained unsolved after the Kennedy Round, for example, tariff differentials and preferences for manufactures from developing countries. Consultations on balance-of-payments restrictions should not only deal with the restrictions themselves, but also with their inherent causes, such as the trade

policies of other contracting parties. Chile would attach value to an agreement on manufactures of copper to be concluded with industrialized countries, similar to the convention recently achieved in the petrochemical sector between Venezuela, Colombia, Ecuador, Peru, Bolivia and Chile. Attention should be paid to the widening technological gap. Sectoral negotiations should, therefore, cover not only tariff questions, but also such issues as freight rates, import restrictions and technical assistance. Additional help for developing countries should be provided within the activities of the new joint Trade Centre.

Mr. KOTZENBERG (South Africa) said that the expansion and liberalization of world trade was of the utmost importance to his country. Although South Africa had made some progress toward industrialization and diversification of its economy it had not yet reached the advanced stage of development which some other countries in GATT had attained. Nevertheless her trading interests extended over a wide field covering raw materials, semi-manufactures, manufactures and, predominantly, agriculture. Therefore, his Government was in favour of exploring all avenues the Director-General had opened up by his statement.

As to the specific proposals of the Director-General, he said that, like others and for similar reasons, his Government could foresee difficulties for the further reduction or elimination of low tariffs. Nevertheless, it was prepared to explore this possibility in certain sectors. His Government subscribed also to the idea that trade in industrial raw materials should be free of all tariffs or other impediments.

Mr. Kotzenberg regretted that progress in the expansion of trade in agricultural products had been meagre, and in particular that the goals set for the removal of trade barriers and for improving the conditions of access in this field had not been achieved in the Kennedy Round negotiations. He hoped therefore that the studies which might be decided upon, whether in the context of a revitalized Committee II or in any other machinery which might be set up, would open the way to useful and meaningful negotiations, based not on a spirit of confrontation but of co-operation.

He did not wish to propose any priorities, although such priorities would have to be determined. He wanted, however, to stress the seriousness of the present situation in dairy products. This and other identified problems in the field of agriculture should receive urgent attention. He felt, however, that ad hoc solutions for these recurring problems offered neither a satisfactory basis for the countries concerned to stabilize their economies nor served to establish the confidence necessary for progress.

As to the trade of developing countries Mr. Kotzenberg said that his country viewed with great sympathy and understanding the aspirations of these countries towards more diversified economies and greater opportunities for exports at remunerative prices. South Africa would be prepared at any time to consult with any developing country which experienced difficulties in its exports to her market. She would also support any proposals to broaden the scope and to intensify the activities of the International Trade Centre.

Mr. SWARUP. (India) welcomed the proposals made by the Director-General for the future work programme. He said that attention should be paid to the fact that the trade of developing countries had not grown at the same rate as the trade of industrialized countries. The doubling of the present trade of developing countries should be a minimum target for 1970.

The questions left open after the conclusion of the Kennedy Round should be treated in the sense of the joint statement of the developing countries. An advance implementation of the negotiated tariff reductions would be highly desirable for products of interest to developing countries, possibly from 1 January 1968. Special consideration should be given to the problem of "peak" tariffs, possibly by an expert study. Tariff nomenclatures of industrialized countries should be restructured or readjusted with a view to facilitating entrance of products of developing countries. He proposed the establishment of a working party in this connexion. Trade of developing countries should further be promoted by a scheme of tariff preferences.

In connexion with further action by commodity sectors, special arrangements would be desirable to provide duty-free entry for hand-made products (hand-woven textiles) and other labour-intensive manufactures. The Indian delegate welcomed the proposal to establish working parties, as suggested by the Director-General. He proposed two further working parties to examine the trade of highly processed products, and to deal with simple manufactures and semi-manufactures.

A working party should also be set up to identify problems in the steel sector. The preparation of an inventory of non-tariff barriers, followed by negotiations for their removal, was highly desirable. The question of hard-core restrictions in developed countries should be dealt with by an expert group. In respect of Article XVIII consultations, a way should be found to increase the effectiveness of assistance given to developing countries for the implementation of their development plans. In the agricultural sector, further action was necessary in respect of products of predominant interest to developed countries, products of interest to both developed and developing countries and to products of outstanding interest to developing countries.

The future co-operation of GATT and UNCTAD in the field of export promotion should include import promotion in industrialized countries for products of special interest to developing countries.

Regional co-operation among developing countries deserved attention as an additional useful device for further action. A trade negotiations committee should be appointed to elaborate principles for trade negotiations, in the light of the interests of developing countries.

Mr. PAPOULIAS (Greece) said that Greece, like many smaller developing countries, was very much dependent on her foreign trade. Its expansion represented an indispensable condition to her economic development. She had always endeavoured to live up to the principles embodied in the General Agreement for the expansion of free trade, even while facing a very adverse balance of trade with exports covering only one third of her imports.

Having a vital interest both in a further expansion of international trade and in an improvement of the conditions under which it was carried out, his Government would support all efforts necessary to achieve implementation of measures which constituted the follow-up of the Kennedy Round, and the elaboration of a new programme with new ideas and new techniques, conceived to further, as far as possible, the requirements and legitimate requests of the developing countries.

Mr. Papoulias pointed out that the Association Agreement which Greece had concluded with the European Community in order to speed up her economic development, did not interfere with her trade relations with third countries and especially with developing countries. In fact, as could be seen from the figures given in the GATT report on International Trade, in 1965 Greek imports from developing countries had increased by 57 per cent and Greek exports to these countries by 33 per cent. The same pattern had been basically maintained in 1966.

In concluding his statement Mr. Papoulias announced that the Minister of Trade of Greece would attend the high-level meeting at the end of the session.

Mr. von SYDOW (Sweden) pointed out, that as a low-tariff country with many zero duties Sweden naturally hesitated to bind all these duties in compensation for the binding of far fewer zero duties maintained by other countries. It was difficult to see how reciprocity could be obtained in such a scheme.

Sweden's already weak bargaining position due to its low tariffs could thus be further jeopardized. Similar difficulties would arise if she tried to abolish very low duties. Even a low tariff could be of importance as a protective element with regard to certain types of products. The margin of protection was more relevant than the nominal level of a tariff as such. Therefore, a programme for the dismantling of low tariffs could not be worked out according to a simple formula. The question should, however, be studied as suggested by the Director-General. Further consideration should be given to the possibilities of eliminating duties on industrial raw materials. Furthermore, the CONTRACTING PARTIES should be aware that the unequal level of duties in different countries would continue to be an obstacle for world-wide liberalization and they should therefore devote their attention to this matter.

The ideas of the Director-General regarding a sector-by-sector approach should be carried further. Though it would probably not be realistic to expect any conspicuous results here in a very near future, the ground should be prepared for action at a later stage. It should be kept in mind, that, if such a plan were adopted, problems of reciprocity would arise.

Mr. Von Sydow said that high priority should be given to the dismantling of non-tariff barriers. For, as tariffs decreased, non-tariff barriers necessarily emerged in the foreground. Restrictive business practices should be taken up in this connexion. The proposed inventory of non-tariff trade barriers could be based on the lists already made up in the Kennedy Round.

Trade between State-trading countries and countries with market economies was another important area in which GATT might be a useful forum. However, the problems involved might better be handled for the time being in the GATT case by case, rather than by multilateral action.

With regard to the problems of trade of developing countries Mr. Von Sydow referred to the common Nordic statement.

Mr. OSMAN ALI (Pakistan), said that much remained to be done after the Kennedy Round, especially in the field of the trade problems of developing countries. Zero duty rates should be bound, existing low tariffs on products of interest to developing countries should be abolished, and advance implementation of Kennedy Round reductions should be achieved for the benefit of developing countries. Special attention should be paid to the problem of duty differentials, as well as to the incidence of trade barriers on products of developing countries. The question of preferential treatment for exports

from developing countries should be dealt with in both GATT and UNCTAD. In the discussion on non-tariff barriers, hard-core restrictions deserved special attention. On the question of cotton textiles, it might be useful to study the possibilities of structural adjustment in the textile industries of developed countries, with special regard to export possibilities for developing countries. As far as the problem of trade expansion among developing countries was concerned, the GATT and UNCTAD could make contributions to co-operation such as that which existed between Iran, Turkey, Indonesia and Pakistan. Mr. Osman Ali concluded by saying that the Trade Centre should assume an important rôle in helping the developing countries exploit the possibilities created by the Kennedy Round.

Mr. TALBAR (Israel) said that the Director-General's proposals to examine the objectives of free trade by progressive stages and by sectors of trade were of primary importance to Israel's future development. Israel would be glad to participate in the study of these suggestions. In this connexion he pointed out that more than 50 per cent of Israel's imports were duty free. Part of them had been consolidated. It would, however, not be possible to consolidate all duty-free items, such as chemicals and machinery, since the development of the country might demand production of these items which then would need a temporary measure of protection. The establishment of free trade in certain sectors of highly advanced industries raised similar problems.

Importing countries might now find it convenient to import such goods free of duty, in the future, when they would have become able to produce these goods themselves, they might then also need temporary measures of protection. In the field of non-tariff barriers the establishment of an inventory in every country, especially when made in co-operation with non-governmental bodies, would be of great value.

With regard to agriculture, he endorsed the proposal to negotiate agreements for other agricultural products similar to the one concluded on cereals. It would, however, be difficult to negotiate such agreements separately without countries being able to balance agricultural interest against advantages in the industrial field.

Furthermore, negotiations on agricultural products should include developing consumer countries which did not themselves produce these products and hence were interested in obtaining low prices. Prices agreed upon would then probably be lower than if they had been negotiated only between exporting producing countries and those importing countries which themselves produced these commodities and were interested in the maintenance of high prices. This would also favour consumption of these goods in the developing countries.

Turning to the problems of trade of developing countries, Mr. Talbar welcomed the Director-General's suggestions, contained in document L/2875, to establish a new system of consultations covering both balance-of-payments problems and other problems of individual developing countries. It was true, as the Director-General had outlined in document L/2906, that the economic development of developing countries placed great strain on their resources and subsequently led to their depriving themselves of imports through measures of import restriction or taxes. The Director-General's proposals could help to overcome these difficulties.

Mr. Talbar regretted that certain areas vital for developing countries had not been touched on or sufficiently dealt with in the Kennedy Round, such as cotton textiles, other textiles and light industries. As proposed by the Committee of Trade and Development, negotiations should be instituted within the framework of GATT on specific sectors. Israel would be particularly interested in negotiations on citrus fruits and fruit products. As for negotiations between developing countries, the CONTRACTING PARTIES should adopt the proposals of the Director-General and approve ground rules for such negotiations.

If the major industrialized countries had fulfilled the decisions adopted by their own Ministers in the GATT Ministerial Meetings probably the solution of the basic problems of the developing countries would have already been attained. Now it was hoped that at the second UNCTAD Conference results would be obtained with regard to preferences and other items of interest to developing countries. It would then be the task of GATT to execute and formulate these results since only GATT had the instruments in the form of contractual binding relationship between its members to enforce the decisions adopted.

In concluding Mr. Talbar expressed his concern that preferential arrangements envisaged for the future would probably be of temporary value only and not be on a consolidated basis. Furthermore, these preferences, as such, would not solve the problems of many of the small countries with small economies, whether they be industrially developed or developing countries. They needed in addition economic integration with larger groupings of countries. To this basic problem of small countries neither GATT nor UNCTAD had so far given their attention.

The meeting adjourned at 6 p.m.