

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Twenty-Fifth Session

Page 4/5

SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 13 November 1968, at 4.15 p.m.

Chairman: Mr. S.Chr. SOMMERFELT (Norway)

	<u>Page</u>
<u>Subject discussed:</u> 1. Expansion of Trade	4/5
(a) Presentation of reports	4/5
(i) Committee on Trade and Development	4/5
(ii) Special Group on Tropical Products	6
(iii) Trade Negotiations Committee of Developing Countries	7
(iv) Agriculture Committee	8
(v) Working Party on Dairy Products	9
(vi) Committee on Trade in Industrial Products	10
(b) Statement by the Director-General	11

1. Expansion of Trade (L/3102, SGTP/10, COM.AG/11, L/3083)

The CHAIRMAN recalled that at the twenty-fourth session a year ago, the CONTRACTING PARTIES had adopted a co-ordinated programme of work relating to industrial products, agriculture and the trade of developing countries. It was now proposed to review the progress made under this programme during the past twelve months and to make plans for the year to come.

(a) Presentation of reports

(i) Committee on Trade and Development (L/3102)

Mr. AGANAYE (Chad) presented the report of the Committee on Trade and Development (L/3102) and drew attention to various important points. Concerning Part IV of the GATT he pointed out that certain contracting parties had not yet accepted the Protocol. The Committee proposed that these contracting parties be urged to give consideration to this matter. Referring to Section I of the

Committee's report, he said that while the members from developing countries had expressed their appreciation for the positive measures taken by the developed countries to give effect to Part IV, there was some concern over the continued deterioration of the trade situation of the developing countries vis-à-vis the developed countries. A more comprehensive and vigorous application of the provisions of Part IV was required and the Committee had, therefore, considered a suggestion for setting up a working party to examine the application of Part IV, in order to find more effective ways to implement the objectives set out in Article XXXVI.

Regarding residual import restrictions affecting the exports of developing countries, the Committee had drawn attention to the fact that one important contracting party has not yet taken part in the work of the Group and that the Committee therefore was not in a position to discuss an important sector of the residual restrictions of particular concern to developing countries. The Committee intended to revert to this matter at a later stage in the light of the discussion on the New Zealand proposal (Item 14) at this session of the CONTRACTING PARTIES.

Section III of the report contained views expressed by various members on the principle of non-reciprocity in trade negotiations between developed and developing countries. Discussion of this topic would be continued at a later stage. The Committee agreed also that the Expert Group on Adjustment Assistance Measures should be reconvened to continue the examination of this question. The Committee would continue to explore, with the help of the secretariat, the question of reclassification or restructuring of customs tariffs to facilitate the liberalization of trade in the interest of developing countries. The Committee expressed the hope that the minimal programme recommended by the Advisory Group on the International Trade Centre would be given full endorsement by the CONTRACTING PARTIES.

Concerning its future work programme, the Committee had decided to await the results of the deliberations of the present session before it drew up a detailed work programme for itself and its subsidiary bodies.

(ii) Special Group on Tropical Products (SGTP/10)

The DIRECTOR-GENERAL, Chairman of the Special Group, pointed out that the CONTRACTING PARTIES had agreed at the last session that the Group was to be reactivated to study, inter alia, the incidence of internal charges and revenue duties on tropical products. It had been agreed in January 1968 that attention should be given on a priority basis to tea, coffee, cocoa, bananas, oilseeds, vegetable oils and spices. Other products would be taken up at a later stage. In July, the Group had considered government proposals concerning the scope and nature of its future work and had reached general agreement that full account should be taken of the relevant activities in other international organizations.

The secretariat had undertaken studies of problems relating to trade in tropical products and had arranged consultations with certain exporting and importing countries for the identification of specific issues arising from proposals presented for discussion at the request of the Group. It was suggested that the Group should be convened at an appropriate date to continue its work.

The secretariat document SGTP/10 contained a short account of the Group's activities and gave specific information on particular commodities.

(iii) Trade Negotiations Committee of Developing Countries

The DIRECTOR-GENERAL, Chairman of the Trade Negotiations Committee, recalled that the subject had been discussed at the twenty-fourth session of the CONTRACTING PARTIES. Satisfaction had been expressed at the initiative taken by developing countries towards the expansion of their mutual trade. At that session, the CONTRACTING PARTIES had taken note of the establishment of the Committee which had been created to prepare the negotiations, and had noted that they would be kept informed of its work.

Since then, the Committee had had several meetings at which a number of non-contracting parties to GATT, had participated at the invitation of the Committee. He pointed out that so far the main part of the work of the Committee had consisted of making arrangements for the exchange of information needed by the participating countries to define areas of interest, and of preparing indicative requests lists. Early this year, participating countries had been invited to submit their indicative lists of products and since last month there had been consultations with a view to exchanging information on trade patterns, tariff policies and import régimes, so as to facilitate the establishment of specific requests and offers of concessions.

The results of these bilateral and joint consultations had been reviewed at a general meeting of participating countries on 25 October 1968 at which it had been suggested that a second round of such discussions might be organized towards the end of January 1969. There had been general agreement that the exchange of information and the exploration of the best ways of conducting consultations should be continued and that arrangements should be made to enable negotiations to be started at an early date.

He emphasized that until now the Committee had focussed its attention on assisting participating countries in exploring the possibilities of an exchange of concessions and it was its intention to take up the question of establishing appropriate procedures and negotiating rules as soon as the participating countries were in a position to identify their specific interests in negotiations on particular products. He expressed the hope that more concrete results would be achieved in the coming year and indicated that the CONTRACTING PARTIES would be kept informed of the progress made, and, at an appropriate time, would be called upon to give consideration to the results achieved.

(iv) Agriculture Committee (COM.IG/11)

The DIRECTOR-GENERAL, Chairman of the Agriculture Committee, said that at the twenty-fourth session the CONTRACTING PARTIES had established an Agriculture Committee to examine the problems in the agricultural sector. The Committee had had a first meeting in January of this year at which it had established a programme for the implementation of its terms of reference (COM.IG/9). The Committee had agreed that this programme could be undertaken in three stages: (a) preparatory stage consisting of the assembly of documentation; (b) consideration by the Committee of the preparatory work in order to arrive at the identification of the principal problems; and (c) discussion of the means whereby mutually acceptable solutions could be achieved. The examination covered all agricultural products important in international trade. For practical reasons, the Committee had agreed to select certain products to which, in the preparatory stage, the information should relate, namely: dairy products, cereals, beef and veal, other meats and meat products, fruit and vegetables, vegetable oils and oilseeds, tobacco and wine. The possibility of including other products at a later date was left open.

On the basis of a questionnaire, members of the Committee had supplied the documentation considered necessary in the preparatory stage. This documentation related to all relevant elements of agricultural trade and production policies.

At its second meeting from 29 to 31 October, the Committee had noted that twenty-two of its members had sent in their replies to the questionnaire, most of them full and very comprehensive. Some further replies might still come.

The Committee had agreed that, with the assembly of the documentation, it had concluded the first stage of its programme of work and had moved into the second stage, that of identifying the principal problems in agriculture. This examination would, of necessity, entail reference to specific commodity problems. However, it was decided at that stage not to engage in an examination commodity-by-commodity but to focus on general classes of problems which characterized most of agricultural trade and production. The Committee had decided to address itself in particular to two broad areas, i.e. international markets and production policies.

In respect of the first, the Committee would examine the structure of international markets for the eight commodity sectors and would endeavour to identify the repercussions on international markets of the various measures and mechanisms influencing exports and imports. It would address itself to export subsidies, export pricing practices and non-commercial export transactions as well as to quantitative import restrictions, tariffs, levies or minimum import price requirements.

With respect to the second, the Committee would examine the general orientation of production policies, and the measures by which the orientation was effected, as well as the concept and level of overall support and the impact of production policies upon the markets.

The Committee would start this examination of the two areas in February so as to allow the secretariat time to do some further preparatory work on the basis of the documentation supplied. It would organize two working sessions, each of which would concentrate on one of the two tasks which the Committee had undertaken for the present stage. Both working sessions would, in due course, report to the full Committee. In its work the Committee would take into account the discussions held on particular commodity problems such as the discussions in the working parties on dairy products and poultry.

The Director-General called attention to a proposal made by Canada for the establishment of some kind of permanent machinery dealing with export subsidies and export pricing practices. This proposal had been made to the Committee, but in its October meeting the Committee had not considered it in any great detail. He said that the proposal was attached to the report of the Agriculture Committee (COM.AG/11).

(v) Working Party on Dairy Products

As Chairman of the Working Party on Dairy Products, the DIRECTOR-GENERAL recalled that the Working Party had been established by the Council at its meeting on 5 December 1967. It had been created to deal with the perturbed situation in international trade in these products. Severe disruption of trading conditions had occurred in certain markets as a result of widespread price cutting by various suppliers generally made possible by the use of export subsidies. The Working Party had had five meetings - the latest in July 1968.

Several members of the Working Party had put forward suggestions for dealing with different aspects of the problem. The suggestions concerned, in particular, a scheme of minimum prices in international trade; channelling of dairy products into food aid to meet the increasing food requirements of the developing countries; and measures to increase domestic consumption of dairy products in producing countries. After drawing up an agreed list of technical issues and carrying out its examination, the technical work could be regarded as having been completed.

The task now before the Working Party was to arrive at acceptable solutions to the urgent problems in this field of trade. Those members of the Working Party which had made proposals had been asked to make them available in writing and in as detailed and specific terms as possible. The Working Party had agreed that it would reconvene in order to undertake the negotiation of a multilateral arrangement on the basis of the discussion that had already taken place in the Working Party and taking into account the preparatory work carried out for this purpose in the meantime.

A detailed proposal had been tabled by the New Zealand Government. Other proposals were in preparation and would be made available to the Working Party in the near future. He, therefore, suggested that the Working Party meet on 11 December.

(vi) Committee on Trade in Industrial Products (L/3083)

Mr. G. STUYCK (Belgium) submitted to the CONTRACTING PARTIES an interim report of the Committee on Trade in Industrial Products (L/3083). The Committee had been charged to explore "the opportunities for making progress toward further liberalization of trade" and its first meeting in October 1968 had clearly shown that all participants were fully aware of the importance of finding a new approach to all questions concerning trade barriers.

The two specific tasks taken up by the Committee at its first meeting had been, on the one hand, the drawing up of an inventory of non-tariff and para-tariff barriers which were obstacles to international trade, and, on the other hand, the drawing up of an objective analysis of the tariff situation as it would be when all Kennedy Round concessions have been fully implemented.

With regard to the first task, it had been agreed to examine as a first step all trade barriers which had been notified. That examination would not be made country-by-country, which would involve very lengthy confrontations, but by types of barriers. This would be appropriate for an examination in the light of the long-term objective, which was the expansion and the liberalization of trade. All those barriers should be listed and grouped under a small number of headings. This procedure would facilitate the work of the Committee, which in its own opinion would probably require the active participation of technical experts. It had also been decided that corrections to the notifications, as well as rectifications, if submitted to the secretariat before 1 November, would be included in a revised version of the inventory. However, no time-limit had been set for additional communications. It had been recognized in this connexion that it would be particularly desirable if the developing countries provided further information to the secretariat. To be able to draw up the inventory rapidly, a number of delegates had requested the immediate establishment of working groups. They had regretted that the Committee had not been able to come to such a decision during its meeting, since a group of countries had asked for time to reflect before taking a decision on this question.

The developing countries had expressed much interest in the work of the Committee and would have liked to see priority given to work on barriers of special interest to their trade; it had been agreed that the Committee should devote particular attention to the consideration given to such barriers. At the same time it had been noted that due account would need to be taken of the fact that many developing countries had special need for restrictions and in some cases already consulted with the CONTRACTING PARTIES, about their use of such restrictions.

The study of the tariff situation, which was the second task of the Committee, was covered in paragraphs 15 to 19 of the report. That analysis attempted to determine the tariff situation as it would be when all concessions resulting from the Kennedy Round negotiations had been fully implemented. The secretariat, which had been responsible for preparing the basic documentation for this analysis, had submitted a report on the work which had already been carried out. The Committee had noted the report and had set up a group of technical experts to give advice on the presentation of the information collected. This group would meet in the course of the session. The secretariat would prepare the presentation of the basic information, taking into account the recommendations of the experts, and would submit it to the Committee as soon as possible after the beginning of next year.

The next step would be for the Committee to hold a meeting to decide on the analytical work which it wished to be undertaken. As could be seen from the report, the Committee had agreed that the Chairman should fix the date for the next meeting in consultation with delegations. He had proposed in the Committee that it should meet again in January, in the belief that at that time it would be possible to draw up concrete proposals for the conduct of the Committee's work. It was his hope that during the course of the present session delegations might exchange views in order to find such an agreed basis for the continuation of the work.

(b) Statement by the Director-General¹

The DIRECTOR-GENERAL said that, looking back over the period since the last session in November 1967, certain important elements could be discerned. Among the positive ones, was the fact that governments had carried through the tariff reductions of the Kennedy Round foreseen for 1968. It was true that the conditional agreement relating to chemicals had not yet come into force and this was to be regretted in view of the important additional degree of trade liberalization that was involved. It was encouraging that 1968 had so far unfolded without the widespread application of further measures of protection and reprisals that at times seemed possible as countries grappled with their internal difficulties. All knew that protectionist pressures were being applied here and there and that major trading nations were engaged on the task of overcoming their balance-of-payments problems and other economic difficulties. But such difficulties should spur the CONTRACTING PARTIES to greater efforts.

¹The full text of the statement appears in L/3116.

The essential aims of the CONTRACTING PARTIES in the present international economic situation should be: to ensure that what had been secured in twenty years of trade liberalization, and particularly in the Kennedy Round, was preserved so that solid long-term benefits would not be sacrificed for the sake of short-term advantages; to pursue the serious preparatory work that was already under way so as to permit negotiations, whether on a broad or on a more limited basis, whenever the moment would be politically right; and to be constantly seeking for new and imaginative ideas that would permit the best exploitation of possibilities for negotiation, whenever these might arise.

An essential first task was to ensure the full implementation of the Kennedy Round results and to be vigilant against the impairment or nullification of these results through the adoption of restrictive measures of one kind or another. Above all, resistance to protectionist demands should be vigorously maintained. Solutions should be sought to the problems that confronted the international trading community by expanding, and not by contracting trade. Looking towards the future, the Director-General said that one of the best ways of ensuring the full implementation of the Kennedy Round results was to push ahead at the same time with preparations for further progress. The objective must be to progress even further along the path of trade liberalization.

In his view, it was essential that the Committee on Industrial Products and the Agriculture Committee move out of the stage of study into that of preparation for action as soon as possible in 1969. Both Committees' mandates required them "to explore the opportunities for making progress, etc.". They should, therefore, indicate these possibilities and it seemed reasonable to expect this stage to be reached within a period of two years from the initiation of the work programme in 1967 - that was to say, in 1969.

The Committee on Industrial Products, while continuing to examine the far-reaching problems within its purview, should not be afraid to search at the same time for possibilities of negotiating, in a more narrow field, on tariff or non-tariff barriers or groups of barriers, whenever these occurred in the course of its examination. This more limited approach was certainly worth pursuing for the real and potential benefits in trade terms it might offer and for the forward movement it would represent in the relatively near future.

It was accepted that it would take time for the considerable tariff reductions negotiated in the Kennedy Round to be assimilated. But this should not lessen the urgency of preparations for future progress. It was his hope that during the next year, as the secretariat's tariff study and analysis became progressively available, the Committee would in terms of its mandate be actively engaged on the concrete task of seeking out possibilities in the tariff field - and that it would report its provisional findings to the Council before the twenty-sixth session of the CONTRACTING PARTIES.

The Director-General proposed some tentative ideas in this direction. One was the possible reduction of certain remaining high tariffs combined with the elimination of low tariffs in the same or other product categories; another was whether there might be scope for a sector approach, i.e. tariff reduction in certain sectors. The question of differential duties between raw materials and semi-manufactured or manufactured products was of considerable importance, particularly to developing countries, and had frequently been under discussion. Serious attention would be needed to find the best ways of dealing with this question.

With the progressive reduction of tariffs, governments would be under growing domestic pressure to use non-tariff barriers. It seemed to him that governments would find it easier to contain demands for new non-tariff barriers restrictive of trade if the CONTRACTING PARTIES could be seen to have embarked on work leading to new negotiations. The range and variety of non-tariff measures that had been notified in the inventory, and the concern of many countries over measures maintained by their trading partners, made it clear that there was scope for meaningful action in this area. In his view, one should have the political courage to adopt a positive approach to the whole question of non-tariff barriers. Adequate preparation was essential to this task, but the detailed examination of documentation and statistics should not be allowed to become an excuse for procrastination and delay. He wished to suggest for the consideration of the CONTRACTING PARTIES that in due course the Committee on Industrial Products be directed to examine, with a view to a report being submitted to the Council before the twenty-sixth session, the feasibility of multilateral non-tariff negotiations and the kind of negotiating techniques that might be employed. He recognized that for some there might be difficulties of timing but felt that these difficulties were surely outweighed by the risks that would result from inaction.

As for residual import restrictions, which would be discussed under a separate item of the agenda, he wished to observe that there was something inequitable and anomalous about a procedure whereby contracting parties invoking Articles of the GATT as justification for certain restrictions had to submit to consultation and examination, while contracting parties applying restrictions inconsistently with GATT seemed to be treated more tolerantly.

Turning to trade in agricultural products the Director-General said the imperative of the present international economic situation was the need for the creation of some order and logic in this trade. The circumstances were not entirely unpropitious, for governments were now seriously groping for some way out of the dilemma in which they found themselves. Despite the efforts that had been made in the Kennedy Round, agriculture had continued to fall behind in the general efforts of trade liberalization characteristic of the past twenty years. It was to the task of closing this gap that the Agriculture Committee had begun to apply itself. It seemed to him that the work of the CONTRACTING PARTIES in this area should be pursued in two principal directions. First, was the attempt to find solutions to trade problems that

arose in a particularly urgent and acute manner in limited sectors of agricultural trade: dairy products and the poultry sector were two current examples. The existing groups were trying to define interim solutions to the disorder that existed in trade in these products through an attempt to re-establish trade on a less artificial basis, and possibly through setting up the terms and conditions of food aid for those countries that were in need of it. Secondly, in the longer term, was the need to deploy efforts in a number of directions that embraced the essential problems of agricultural trade: agricultural price and support policies; establishment of real conditions of access to the main markets across the innumerable non-tariff barriers; evaluation of policies of export subsidization in both their short- and long-term consequences and the search for acceptable compromises as regarded competition.

A principal aim in the Agriculture Committee should be to forestall, through the establishment of early, accurate diagnosis and the formulation of proposals covering a range of possible multilateral, co-operative action by contracting parties, the kind of calamitous situations to which the dairy and poultry groups had been trying to bring some remedy.

The urgent problems were now identified; the procedures existed both with respect to the work in depth and critical sectors; work programmes had been adopted in broad outline and proposals for the settlement of disputes were beginning to emerge from the discussions; in brief the appropriate mechanisms were in place. What was required to enable the CONTRACTING PARTIES to bring these activities to a satisfactory conclusion was the political will to unravel the continually re-emerging difficulties which impede the development of international trade.

As for the developing countries the trade figures for 1967 were an illustration of the fact that any recessionary trends in world trade and economy had particularly severe effects on their vulnerable economies. Thus it was vitally important for these countries that the world economy continued to expand and prosper. It was also important that the CONTRACTING PARTIES give priority attention to the specific difficulties with which the developing countries were faced. The fact that the Committee on Industrial Products, in its examination of non-tariff barriers, had agreed to give special attention to barriers affecting the exports of developing countries was an example of the kind of approach that was necessary. The problems confronting developing countries that were exporters of agricultural products should also receive prominent attention.

A potentially valuable initiative taken at the last session of the CONTRACTING PARTIES was the decision to expand the programme of consultations with developing countries on their balance-of-payments and development problems. The pilot consultation with Ghana had been sufficiently encouraging to support that as many of the coming Article XVIII consultations as possible should be carried out on this new basis. Action on other GATT activities that were specifically directed towards furthering the interests of the developing countries needed to be pursued with greater vigour and imagination. Residual restrictions were an important case in point. It was especially important and necessary that the remaining restrictions on the exports of less-developed countries be done away with.

The Director-General said he attached particular importance to the trade negotiations among developing countries. At some time in the future the CONTRACTING PARTIES would be called upon to consider the manner in which whatever results were achieved were to be accommodated in relation to the General Agreement. In this context, there was a broad consideration that he wished to make. If and when the trade negotiations - or any comparable initiative on behalf of the developing countries - were nearing successful completion it would be desirable that the CONTRACTING PARTIES demonstrate, in the general interests of the international economy, a constructive forward-looking approach in their consideration of these matters. Further, contracting parties would have followed with sympathetic interest the discussions underway in the OECD and in UNCTAD on proposals for granting special tariff treatment to exports of developing countries. The CONTRACTING PARTIES would, he was sure, wish to play in due course a constructive rôle in this important matter.

The specific activities of the GATT on behalf of the developing countries were directly relevant to the task of increasing the export earnings of these countries. Theoretical debates should be avoided and the contracting parties should continue with a pragmatic, practical approach to the solution of the problems that confronted the developing countries. But what was most needed was the political impetus that comes from a willingness on the part of contracting parties to see real progress made. He hoped that at this session they would see some evidence of this willingness and suggestions for its realization.

In conclusion, the Director-General said that in an area of human activity as changing as world trade, it was dangerous to stand still. In actual fact, one either moved forward or one retreated and incurred the risk of losing all or part of what had been secured with such difficulty. It was therefore, his firm belief that a new impetus to GATT's activities under the programme for expansion of trade should come out of this session.

The meeting adjourned at 6.30 p.m.