

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

## RECORD OF THE MEETING HELD ON 7 AND 8 JUNE 1966

### General

1. The Committee met on 7 and 8 June 1966 to consider arrangements for giving effect to the decisions taken by the CONTRACTING PARTIES at their twenty-third session (cf. SR.23/10) on the findings and recommendations set out in the Committee's latest report (L/2614).
2. H.E. Mr. C. Valenzuela, Ambassador of Chile, the Chairman of the Committee, recalled the major objectives of the work of the CONTRACTING PARTIES in relation to Part IV of the General Agreement. He stressed the need for governments to keep the trade and development requirements of the less-developed countries prominently in mind, particularly in view of the fact that on a wide range of trade and development issues final decisions would have to be taken in 1966 and 1967. He expressed the hope that, by concentrating its efforts on concrete points of particular concern to the developing countries, the Committee would be in a position to contribute significantly to a better understanding of the problems involved and to the effective implementation of the commitments undertaken by contracting parties under Part IV. He urged that contracting parties which had not yet been able to ratify Part IV do their utmost to speed up the necessary legislative action, so that when the Committee met again in September, Part IV of the General Agreement will have entered into operation also on a de jure basis. The full text of the Chairman's statement was circulated in document COM.TD/W/25.
3. The members of the Committee congratulated Ambassador Valenzuela on his election as Chairman and expressed their full support for his approach to the tasks before the Committee.
4. The annotated provisional agenda for the June meeting, submitted by the secretariat in document COM.TD/W/23, was adopted. The Committee also took note of a paper by the secretariat reviewing the present stage of work and developments in relation to other matters on the Committee's work programme, not included in the provisional agenda (COM.TD/W/24).

PART IImplementation of Part IV of the General Agreement

5. Several delegations joined in the appeal made by the Chairman to contracting parties which had not yet either ratified or accepted Part IV to do so at the earliest possible date.<sup>1</sup> The representative of Austria indicated that Austria had subscribed to the Declaration on the de facto application of the protocol amending the GATT to introduce Part IV into the General Agreement, but that the general election held recently and the formation of a new Government had delayed the parliamentary action required to ratify the protocol. His Government, however, attached great importance to an early acceptance and hoped that it would soon be in a position to ratify the aforementioned protocol. The representative of Brazil indicated that most of the legal formalities involved in the process of ratification had been completed in his country and it might be expected that Brazil would soon be in a position to ratify Part IV. In the meantime his Government would continue to apply Part IV on a de facto basis. The representatives of Chile and Uruguay said that the necessary legislative action aimed at securing ratification of Part IV had been initiated by their respective Governments. The representatives of Belgium, the Federal Republic of Germany and the Netherlands pointed out that Part IV covered matters which fell within the competence of the EEC and its acceptance would thus require approval by the Community as a whole. They stated, however, that it was the firm intention of their respective Governments to continue to give full effect to the provisions of the new Chapter. The representatives of the Federal Republic of Germany and of the Netherlands further indicated that, notwithstanding the practical difficulties mentioned above, their authorities had already taken the necessary steps for obtaining the required legislative approval.

6. Members of the Committee recognized that what was important was the will of governments to give effect to the provisions of Part IV. At the same time they expressed the hope that, especially in view of the importance of the EEC countries in world trade, the difficulties which until now had prevented these countries from ratifying Part IV would soon be overcome so that all the EEC member States would be in a position to give juridical application to the new Chapter on Trade and Development.

7. During the discussion it was clarified that, in accordance with the provisions of paragraph 1 of Article XXX, Part IV would enter into force on a de jure basis when it had been accepted by two thirds of the contracting parties, but would be legally applicable only to those countries which had formally accepted the amending protocol containing the text of the new Chapter.

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<sup>1</sup>A note showing the current status of the protocol amending the GATT to introduce a Part IV into the General Agreement was before the Committee in document L/2658.

8. The Committee also discussed the operation of the reporting procedures relating to the implementation of Part IV adopted in March 1965 (L/2410, paragraphs 11-13). It was noted that certain recommendations regarding the improvement of these procedures were made by the Committee at its previous meeting. These recommendations which are set out in paragraph 9 of L/2614 had been adopted by the CONTRACTING PARTIES at their twenty-third session.

9. It was pointed out by several members that, in the light of the Committee's recommendations, it might be expected that future reports by governments under Part IV would be more comprehensive and more comparable than hitherto. It was, nevertheless, felt that there might be merit in establishing specific guidelines for the preparation of reports on the implementation of Part IV.

10. The Committee therefore agreed on the following guidelines for the submission of notifications, the preparation of reports and the carrying out of reviews on the implementation of Part IV:

Notifications made by governments in pursuance of the reporting procedures for the review of the implementation of Part IV (see paragraph 11, page 79, BISD 13th Supplement) should be as exhaustive and comprehensive as possible. They should relate both to measures specifically mentioned in paragraphs 1 and 3, or paragraph 4, as the case may be, of Article XXXVII, and to all steps and measures which are of interest to the CONTRACTING PARTIES in relation to the objectives and provisions of Part IV. For example, information should be included on any action falling within the scope of paragraph 3 of Article XXXVII (such as those mentioned in the note Ad Article XXXVII:3(b)), any special facilities made available for trade promotion, adjustment assistance measures, etc.

With respect to the standstill provisions set out in paragraphs 1(b) and (c) of Article XXXVII, governments should adequately describe any action, measures or changes in their commercial policies which affect exports of less-developed contracting parties.

In order that reviews of the implementation of Part IV are as complete and meaningful as possible, the Committee will undertake, at least once a year, a full review on the basis of an exhaustive report prepared by the secretariat, consolidating the notifications submitted by governments. Apart from the report to be made available for the major annual review, the secretariat shall circulate information concerning any developments or changes relevant to the implementation of Part IV as soon as such information is received, and supply the Committee for each of its meetings with a paper showing all such developments which have come to its notice since the preceding meeting of the Committee. The implementation of the

provisions of Part IV should appear as an item on the agenda of all meetings of the Committee on Trade and Development to permit governments to take note of any problems and developments of an urgent character.

The Committee agreed that the appropriate reports should be requested from both developed and less-developed contracting parties.

11. As regards the suggestion made in paragraph 9 of L/2614, that future notifications should also contain detailed trade statistics, several representatives from less-developed countries felt that the availability of such data would be useful in judging the effectiveness of the operation of Part IV. A representative from a developed country questioned the usefulness of such statistics, pointing out that data on trade developments and trends obtained from different sources were often not comparable so that it would be difficult to judge on the basis of such statistical data whether or not Part IV was being implemented effectively and that a variety of other factors could affect the statistics.

## PART II

### Quantitative restrictions

12. In the light of the decisions taken by the CONTRACTING PARTIES at their twenty-third session, it was suggested in document COM.TD/W/23 that the Committee might wish to set a date for a meeting of the Group on Residual Restrictions to hold discussions with contracting parties concerned on quantitative import restrictions applied by them on products notified as being of export interest to less-developed countries in the context of the Kennedy Round and not examined earlier by the Group. In regard to the recommendation adopted by the CONTRACTING PARTIES (SR.23/10, pages 155 and 156) that governments supply information on the steps they have taken or propose to take for the early removal of restrictions on products notified earlier to Committee III as being of export interest to less-developed countries, it was suggested that the Committee might make arrangements for considering the reports received in compliance with the recommendation. These reports are to be submitted by 30 June 1966.

13. The Committee noted that data concerning restrictions applied on products notified in the context of the Kennedy Round had been made available by some developed contracting parties (COM.TD/B/W/5 and Addendum 1) and invited those governments which had not so far supplied such data to make the necessary information available. The Committee agreed that the restrictions maintained by developed countries on such items should be the subject of country-by-country discussions with a view to exploring the possibilities of liberalization. The hope was expressed that all developed contracting parties concerned would co-operate with the Group in its efforts to explore the possibilities for the early elimination or relaxation of these restrictions.

14. As regards the arrangements to be made for considering the reports received from contracting parties on compliance with the recommendation of the CONTRACTING PARTIES in relation to restrictions on products notified to Committee III, it was suggested that the Committee could either undertake a review of these reports itself or entrust it to the Group on Residual Restrictions. Representatives of developing countries recalled the need for giving continuing consideration to the problem of restrictions applied inconsistently with the GATT and the need for effective consultation on measures aimed at securing the early elimination of such restrictions. In this connexion some representatives referred to certain proposals made at the twenty-third session of the CONTRACTING PARTIES (see SR.25/6, pages 86 to 91) for establishing procedures aimed at the elimination of remaining quantitative restrictions which are inconsistent with the General Agreement and not covered by waivers. They proposed that, basing itself on such material as might by then be available, the Group on Residual Restrictions should, at its forthcoming meeting, give consideration to these proposals and in particular to such matters as the appropriate use of adjustment assistance measures for accelerating trade liberalization or the exploration of the possibilities of providing compensation to less-developed countries for the loss of trading opportunities resulting from the maintenance of residual restrictions. Other members of the Committee felt that the information furnished by governments in compliance with the CONTRACTING PARTIES' recommendation should be reviewed in the first place and that the Committee would, thereafter, establish appropriate procedures for further action.

15. The Committee agreed to convene the Group on Residual Restrictions from 13-15 July to carry out the country-by-country discussions on the restrictions affecting products notified in the context of the Kennedy Round as of export interest to developing countries (COM.TD/B/W/5 and Addendum 1). The Committee further agreed that the Group, having regard to the reports furnished by contracting parties in accordance with the recommendation adopted by the CONTRACTING PARTIES at the last session, should also address itself to the question of restrictions covered by this recommendation so that the Committee, at its next meeting, may be in a position to take further appropriate action.

16. The Committee noted that under Part IV of the General Agreement the CONTRACTING PARTIES had agreed to give high priority to the reduction and elimination of barriers to products currently, or potentially, of particular export interest to less-developed contracting parties. The Committee also noted that in an examination of the problem of restrictions, a distinction should be made between restrictions applied inconsistently with the GATT and those permitted under GATT provisions.

### PART III

#### Expansion of trade among developing countries

17. At its meeting in January/February 1966, the Group on Trade Expansion Among Developing Countries took note of, and had a first exchange of views on, some specific points put forward by the representative of a developing country with the aim of facilitating the expansion of trade among developing countries. While recommending certain steps which might immediately be taken in relation to some of the points made, the Group agreed that the issues involved in other points might best be taken up at a subsequent meeting. The points placed before the Group, and the discussion relating thereto, are summarized on pages 3-5 of document CCM.TD/D/3.

18. The Committee decided to convene the Group during the period 25-29 July to examine possibilities for action on the specific points suggested for consideration by the Group and not yet dealt with, in particular, possibilities for action in respect of non-tariff barriers affecting trade between less-developed countries. It was suggested by some members of the Committee that, in its deliberations, the Group should take into account the comments and findings set out in the report prepared by the UNCTAD Expert Committee on Trade Expansion and Economic Co-operation between Developing Countries (UNCTAD document TD/B/68), which had become available since the Group last met. The hope was also expressed that the Group would be able to give specific consideration to the problem of reducing or removing non-tariff barriers affecting trade among developing countries so as to give practical support to the efforts of these countries to expand their mutual trade in the context of the Kennedy Round.

### PART IV

#### Participation of less-developed countries in the Kennedy Round

19. This matter was included in the Committee's agenda so as to enable it to keep developments in the Kennedy Round under close review with the object of assessing that the objectives and specific provisions of Part IV relating to the reduction of tariff and other barriers are met to the greatest possible extent. In accordance with the provision made in the reporting procedures under Part IV for receiving reports on the activities of the Trade Negotiations Committee and its sub-committees, the Chairman of the Committee invited the Deputy Director-General to apprise the Committee on the present state of the Kennedy Round negotiations.

20. In his statement the Deputy Director-General explained that, the preparatory work for the negotiations having been largely completed, the pace of work in the Kennedy Round had considerably quickened over the recent months. The Kennedy Round had now entered the stage where countries or groups of countries were actually negotiating on matters of major concern to them. This made it obviously somewhat difficult to attempt, at this time, an evaluation of the direction in which the negotiations were going and where the concerted efforts by bodies such as this Committee should be brought to bear. At the same time, it was evident that the time factor in the negotiations was becoming increasingly more important, particularly if one took into account that in certain areas some countries still had to table their offers, notably in relation to agricultural and tropical products. Reiterating an appeal which he had made in another context, in his capacity as Chairman of the Sub-Committee on Participation of Less-Developed Countries, the Deputy Director-General stressed that it was of the utmost importance that work which can be undertaken on the basis of the material presently available, be done now, and that active bilateral or group negotiations be undertaken without delay.

21. As regards the work of the Sub-Committee on Participation of Less-Developed Countries, the Deputy Director-General outlined three issues of a broad nature which had still to be dealt with, namely: (i) the request for tariff cuts of more than 50 per cent on products of export interest to less-developed countries; (ii) a more rapid implementation of tariff cuts on such items than otherwise foreseen in the overall plan; and (iii) compensation to less-developed countries for the reduction or loss of preferences as a consequence of the negotiations. He emphasized that, in order to facilitate more rapid headway on the matters listed under (i) and (ii), it would be helpful if the developing countries would present, preferably in relation to specific issues or products, as was customary in trade negotiations, the necessary supporting evidence. This work which could be undertaken now, and the secretariat stood ready to give technical assistance in this regard, would be of value not only at the present stage but also in the final phase of the negotiations. As regards the question of compensation, it would be impossible to make a precise assessment before the conclusion of the negotiations, since the reduction or loss of preferences for certain countries had to be seen in relation to increased trade opportunities in other markets.

22. With respect to the question of negotiations for the exchange of trade concessions between less-developed countries, the Deputy Director-General advised that, in dealing with this matter in the Group, it might be most profitable to proceed on the basis of the conclusions agreed upon by the CONTRACTING PARTIES at their twenty-third session, rather than to revert to an academic treatment of the issues involved. In concluding, he informed the Committee that it was intended to schedule a meeting of the Trade Negotiations Committee early in July so as to afford an opportunity to all participating contracting parties to take stock of the state of the negotiations and to determine the further work required to be done during the summer.

23. The members of the Committee thanked the Deputy Director-General for his clear and concise statement which was circulated in extenso in document COM.TD/W/26 at the Committee's request.

24. Representatives from less-developed countries emphasized the expectations attached by them to the Kennedy Round and their hope that during the negotiations the pressing trade needs of developing countries would be kept prominently in mind by the major trading countries. It was a matter of concern to them that in important areas, notably in the agricultural sector and on tropical products, full offers by certain important industrialized countries were still outstanding and that many items of export interest to developing countries continued to appear on the exception lists of industrialized countries. Moreover, it had to be remembered that many of the offers tabled by developed countries were conditional upon equivalent offers from other developed countries. There was therefore little indication of the extent to which the developing countries would stand to gain from the trade negotiations or how any action on their part could influence the results. They also felt that progress in dealing with the three major issues before the Sub-Committee on the Participation of Less-Developed Countries, referred to in the statement by the Deputy Director-General, had been slower than could have been hoped for. Indeed, in some cases developing countries had had some difficulty in obtaining relevant information on developments in the work of different sub-committees of the Trade Negotiations Committee or of the informal groups formed in the context of the negotiations. Thus they had been left with the impression that the negotiations were being conducted by the developed countries primarily to serve their own mutual interests and purposes. They expressed the hope that the negotiations would not end in the developing countries being confronted by a fait accompli arrived at without regard to their needs and concerns.

25. Some representatives of developed countries pointed out that the slow pace of the negotiations was linked with the complexity of the issues under examination and did not result from any deliberate disregard of the interests of developing countries. Their respective countries had not lost sight of the commitments assumed under Part IV. However, the developing countries could also help to advance the negotiations by presenting supporting data for their requests. One delegation, in stressing its readiness to engage in concrete negotiations with developing countries, indicated that it would be helpful in the course of their bilateral talks to have a clearer statement of the contribution that the developing countries were prepared to make.

26. Replying to some of the points made in the discussions, the Deputy Director-General explained that it was open to all less-developed GATT countries to seek participation in any of the formally established sub-committees of the Trade Negotiations Committee. As regards the informal groups which had come into existence for negotiations on certain industrial products, it had to be remembered that these groups had not been established by the Trade Negotiations Committee or

its subsidiary bodies. These groups consisted of countries which had a significant trade interest in the products concerned, meeting together to discuss and negotiate on problems which could not effectively be dealt with on a bilateral basis. The groups themselves decided which countries should be invited to participate on the basis of the offers tabled and the trade interests of the countries concerned. As experience had shown, less-developed countries with an interest in the subjects dealt with by such groups have also been invited to participate. With respect to the dissemination of information on developments in the formal sub-groups and sub-committees dealing with trade negotiations, the Deputy Director-General extended the assurance that this would be done as far as the nature of the information permitted.

27. Some members of the Committee suggested that, taking into account the status of work on various items of interest to less-developed countries in the current trade negotiations, the Chairman of the Sub-Committee on the Participation of Less-Developed Countries should examine the possibility of convening the Sub-Committee before the next meeting of the Trade Negotiations Committee, tentatively scheduled for early July. The Deputy Director-General said that he would deal with this suggestion in the light of the progress made in clarifying, in the course of negotiations, the points outlined in his statement.

28. The Committee agreed that, in view of the relatively short time remaining for the completion of the Kennedy Round, it would be necessary for all countries participating in the negotiations to use the coming months to the best advantage in resolving the outstanding issues. The Committee further agreed that the participation of less-developed countries in the Kennedy Round should appear as an item on the agenda of the Committee's next meeting.

#### PART V

#### Montevideo meeting of the Committee on Trade and Development

29. At its meeting in March, the Committee had recorded its appreciation of the invitation from the Government of Uruguay to hold a meeting of the Committee in Montevideo (see COM.TD/20). At their recent session, the CONTRACTING PARTIES agreed to accept the invitation in principle, leaving it to the Committee to decide on the date and agenda for the Montevideo meeting. The Committee noted the work programme before delegations both in the trade negotiations and in other international organizations. It was also recalled that a meeting in Montevideo should serve as an occasion for a significant appraisal of the activities of contracting parties in relation to Part IV of the General Agreement. In view of these considerations and after listening to a statement from the representative of Uruguay that a meeting at this time would be acceptable to his Government, the Committee agreed that unless there were any major problems warranting reconsideration of the decision at the Committee's meeting in September, a meeting should be scheduled in Montevideo during the first part of January 1967. It was also agreed that the agenda for the session in Montevideo would be considered at the Committee's meeting in September at which time it should also be in a position to decide on the exact date of the meeting.