

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

DRAFT NOTE BY THE SECRETARIAT ON THE JULY  
MEETING OF THE COMMITTEE<sup>1</sup>

1. The Committee held its third meeting on 8 and 9 July 1965. Set out below under four major headings is a summary of the points made in relation to the different items on the Committee's agenda (COM.TD/W/15). For a full list of the documents before the Committee see COM.TD/W/16.
  1. Review of developments relating to the implementation of Part IV of the General Agreement
  2. In GATT/AIR/452, attention was drawn to the reporting procedures adopted by the Committee at its meeting in March with a view to ensuring effective implementation of the provisions of the new Part IV of the General Agreement. In that document governments were asked to submit reports under points (i) and (ii) of the procedures set out in paragraph 11 of document L/2410. Reports received from governments in this regard were circulated in document COM.TD/8, which also contains other relevant information in the context of the reporting procedures.
  3. The Committee took note of the reports submitted by Austria, Finland and the United States, reproduced in document COM.TD/8. During the course of the meeting, the Committee also heard statements by the representatives of Canada, the Federal Republic of Germany, and the United Kingdom regarding reports they had submitted, or would soon be submitting, for information of contracting parties, regarding relevant developments in the context of Part IV of the General Agreement. The Committee also heard a statement by the representative of Czechoslovakia, the full text of which has been circulated in document COM.TD/9.

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<sup>1</sup>Any comments and suggested amendments should reach the secretariat by 24 August.

4. Members of the Committee expressed appreciation for the reports submitted by governments. Noting that this was the first time that such reports had been called for, and that the implementation of the reporting procedures was still at an early stage, members of the Committee expressed the hope that countries - including, where appropriate, less-developed countries - which had not yet submitted reports, would do so in preparation for the next meeting of the Committee.
5. It was agreed that the next report should cover the period since the de facto adoption of the new Part IV, up to 30 October 1965. The Committee also agreed that it would be desirable if, in the summary to be prepared by the secretariat on the basis of reports received from governments, any changes in regard to the application of tariff and non-tariff barriers on products of export interest to less-developed countries were to be identified. Similarly, the reports should indicate whether or not the standstill had been adhered to.
6. Several delegations referred to the indications given in some of the reports that it was intended to take action for the removal of barriers on products of export interest to less-developed countries in the Kennedy Round negotiations. They thought that, as it may be some considerable time before the Kennedy Round negotiations were completed, and that therefore, more urgent action should be taken to satisfy the provisions of Article XXXVII:1(a) which specified that high priority should be accorded to the reduction and elimination of barriers to products of export interest to less-developed countries. To this end, tariff reductions on items of interest to less-developed countries should be effected ahead of the conclusion of the negotiations. Further, the tariff on such items should be cut by more than 50 per cent.
7. Representatives of less developed countries expressed disappointment at the slow progress in dismantling remaining quantitative restrictions. They pointed out that, in respect of products covered by the Action Programme, the

final target date for liberalization, envisaged in the Ministerial Conclusions, was 31 December 1965, but that no indications had been given by the contracting parties concerned that the restrictions still maintained on a number of such products would be eliminated by that date.<sup>1</sup> The hope was expressed that every effort would be made to meet this target date, and - where this was not possible - to agree on revised target dates and specific programmes for progressive import liberalization.

#### Assistance in export promotion

8. A number of representatives commented on the summary given in the secretariat paper COM.TD/8 on developments in relation to assistance in export promotion. They noted with satisfaction that a few developed countries were planning to set up within their export promotion bodies, units intended to search out import opportunities for products from developing countries. The hope was expressed that other developed countries would also find it possible to establish such services. It was pointed out that efforts by governments along these lines would greatly assist the work of the Centre. It was further suggested that in their reports contracting parties might also indicate action they had taken in this regard.

#### Developments in commodity trade

9. The Committee also discussed certain points regarding the information on developments in commodity exports, summarized in an annex to document COM.TD/8. Several representatives pointed to the usefulness of such information and suggested that a continuing review, showing the percentage share of less-developed countries in world trade, and in international trade in commodities of interest to such countries, might be helpful in assessing the effectiveness of measures taken in implementation of the commitments in Part IV of the General Agreement. Several suggestions were made on how other information relating to developments in international trade in commodities, and to international action in this regard, should be supplemented and set out in future reports.

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<sup>1</sup> Relevant statements were made later in the meeting by representatives of Austria, the Federal Republic of Germany and Japan in the discussion of the report of the Group on Residual Restrictions (paragraph 22 below).

10. With reference to Section III(c) of document COM.TD/8, some representatives noted with regret that, so far, it had not been possible to convene the Working Group on International Commodity Problems established at the March meeting of the Committee. It was recalled that the terms of reference for this Group provided inter alia that the Group would base its examination on specific proposals. The Committee noted that to date no such proposals had been submitted and recommended that the delegations particularly interested should consult with the secretariat with a view to evolving specific proposals for consideration by the Group, where practicable, in the light of discussion in other organizations.

II. Consideration of reports by groups established by the Committee on Trade and Development

A. Ad Hoc Group for the examination of Products of Export Interest to Less-Developed Countries

11. The Committee had before it COM.TD/A/2, the report of the Group, and COM.TD/A/W/3, a Survey of Trade Flows and Trade Measures in Respect of Selected Products of Export Interest to Less-Developed Countries.

12. The Committee focussed its attention on the specific recommendations presented in the report, and on those points in respect of which the Group had requested further guidance, in particular the points set out in paragraphs 11-17. In respect of paragraph 17(iv), the delegate of Sweden - who had presented the report on behalf of the Chairman, Mr. Rydfors - informed the Committee that, although the text in the report had been adopted by the Group, it still presented certain difficulties for less-developed countries. In this connexion attention was drawn to the statement in the introductory part of paragraph 17 which made it clear that the recommendations were without prejudice to the points of interpretation set out in paragraphs 10-16 of the report. Some representatives explained that they could not accept the suggestion in paragraph 17(iv) that the list of products should be used only as a reference document.

13. In discussion on the status of the list in the context of Part IV, it was recalled that the product-by-product examination had been undertaken with a view to assisting contracting parties in fulfilling their obligations in relation to Part IV. Any lists emerging from this examination could not, however, limit the scope of the commitments which contracting parties had accepted under Part IV. In this connexion, representatives of less-developed countries pointed out that, in implementing their commitments under Part IV, contracting parties should take into account not only the products notified to Committee III, but also those notified as of interest to less-developed countries in the context of the Kennedy Round. It was felt that, in the practical implementation of the commitments under Part IV, account should be taken of all products of interest to less-developed contracting parties, and of any information which may be supplied in respect of these products which would illustrate the present, and potential trade interest of these countries. At the same time, the examination of a list of products in the Ad Hoc Group, while providing guidance to contracting parties in their consideration of the action they could take under Part IV, would not create any legal obligations in respect of such items which did not exist in respect of other items of interest to less-developed countries not so examined.

14. In the light of discussion on this point, the Committee recommended that paragraph 17(iv) in document COM.TD/A/2, should be amended to read as follows:  
...(iv) "the list examined by the Group, to which additional items may be added, could be used for providing guidance to contracting parties with respect to their work under Part IV of the General Agreement; it being understood that the inclusion or exclusion of any item in the list carried ipso facto no juridical implications".

15. As regards the fact-finding part of the Group's work, the Committee felt that, in respect of the thirty-eight product groups so far examined by the Group, this task had essentially been completed, it being understood, however, that corrections to the data, and any other amendments and supplementary information would be brought to the notice of contracting parties by the secretariat.

16. One delegation suggested that it would be useful if the secretariat would prepare an excerpt from document COM.TD/A/W/3, indicating the countries which had notified interest in exporting the different items concerned. Further, it would be helpful to have a list of the countries included, for statistical purposes, in the different country groupings appearing in the paper.

17. Having in mind that certain other aspects of the work envisaged by the Group would be dealt with under the work programme of the Group on Residual Restrictions, and in view of the work already done in respect of the first list of products submitted to the Group for examination, the Committee agreed that it might not be necessary to schedule another meeting of the Group for the near future. The Committee agreed, however, that it should be open to contracting parties desiring information on the lines of document COM.TD/A/W/3 for other products of interest to less-developed countries, to notify the GATT secretariat so that the necessary work may be undertaken.

B. Group on Residual Restrictions

18. The Committee had before it document COM.TD/B/2, the report of the Group on Residual Restrictions on its meeting from 28 to 30 June. In introducing the report, the Chairman of the Group - Mr. Amaratunga, Ceylon - drew the attention of the Committee to paragraphs 7 to 9 and 12 to 15, containing the suggestions of the Group regarding procedures aimed at reducing, or eliminating restrictions maintained inconsistently with the GATT on products of export interest to less-developed countries, and the views expressed by delegations in relation to the proposal for the establishment of a compensation scheme for less-developed countries for the loss of trading opportunities sustained by them during the continuance of such restrictions.

19. Members of the Committee recalled that the obligation to remove residual restrictions arose not only from Part IV, but even more directly from the more general obligations of contracting parties under the General Agreement to eliminate quantitative restrictions other than those maintained for balance-of-payments reasons. In view of the importance of many of the products still subject to restrictions to the trade of less-developed countries, the Committee agreed that, for practical purposes, the work aimed at the removal of quantitative restrictions on such products should be undertaken under the aegis of the Committee on Trade and Development, thus following-up work initiated in Committee III and the Action Committee.

20. The Committee agreed, therefore, to the proposals for dealing with such restrictions, set out in paragraph 7 of the report, suggesting discussion in the Group on a country-by-country basis with contracting parties maintaining such restrictions. The Committee also agreed that countries which were not members of the Group, but maintain such restrictions, be invited to consult in the Group.

21. Several delegations pointed to the slow progress in removing the remaining restrictions. They expressed the hope that these restrictions would be removed immediately, and where this was not possible, by agreed target dates. Members of the Group pointed to the importance they attached to the establishment of programmes for progressive import liberalization, and the establishment of target terminal dates for the restrictions in respect of products for which such programmes, or target dates, had not yet been established.

22. In relation to the removal of quantitative restrictions affecting products examined by Committee III, the representatives of Austria and Japan recalled the reservations which their Ministers had made at the time the Ministerial Conclusions were adopted (see paragraph 4 of MIN(65)7). They further stated that efforts by their respective Governments for the removal of these restrictions were continuing. The representative of Austria further informed the Committee that his Government intended to announce shortly further import liberalization measures. The representative of the Federal Republic of Germany also announced that further import liberalization of certain products would soon be announced, while for other products significant quota increases would be put into effect.

23. In relation to the future work of the Group, several representatives pointed to the need to have fuller reports from contracting parties regarding changes in import control measures, and, where appropriate, an indication of differences in treatment for imports from different sources, and indications of plans and targets for the removal of these restrictions.

24. The Committee also took note of the views expressed by representatives of less-developed countries, regarding proposals made earlier for compensation for trading losses, arising from the maintenance of quantitative restrictions on products of export interest to them. These representatives felt that the provisions of

Articles XXII and XXIII had been largely ineffective in enabling less-developed contracting parties to secure elimination of residual restrictions applying to their trade, partly because for reasons of goodwill those countries were reluctant to use the formal multilateral machinery of complaint and conciliation for settling problems with individual developed countries, and partly because their capacity to take retaliatory action was limited. A provision for compensation was, therefore, essential for ensuring that less-developed countries do not continue to be deprived of their rights under the General Agreement. It was recalled that some aspects of this question were also relevant to the work of the Group on Legal Amendments to the GATT (see paragraph 40 below).

III. Discussion on notes submitted by other Working Groups for information of the Committee

A. Ad Hoc Group on the Expansion of Trade (including preferences) among Less-Developed Countries

25. The Committee had before it document COM.TD/D/2, containing the record of discussion at the Group's first meeting, and document COM.TD/D/W/1, a pilot study of trade flows between less-developed countries, prepared by the secretariat.

26. While recognizing that the work of the Group was still at an early stage, several delegations pointed to the importance they attached to having, in addition to the examination of preferences, discussion on possibilities for other action in this field. For instance, the Group should also examine what measures could be taken in regard to the dismantlement of quota restrictions, and to the development of appropriate payments arrangements, so that trade exchanges between less-developed countries may be facilitated.

27. On the question of tariff preferences among less-developed countries, most representatives of less-developed countries felt that, on balance, it would be desirable if such arrangements were not to be limited to regional arrangements. One delegation pointed out, however, that it might be more realistic to introduce



a general scheme by first negotiating arrangements in respect of a limited number of products and for a limited number of countries. Such a system could then gradually be extended to other products and other countries.

28. Commenting on the pilot study on trade flows between less-developed countries (COM.TD/D/W.1), one representative suggested that, in any enlargement of the study, primary products should also be covered, as these products continued to be of great trade interest to many less-developed countries.

29. Reference was also made to the limiting effect of tied loans on possibilities for trade expansion among less-developed countries. Representatives of less-developed countries emphasized that if loans were not tied to purchases from the donor country it would be possible to use them for imports from other less-developed countries, and thus to set up a multiplier effect in trade among developing countries. Eventually this would reflect itself in higher purchases by developing countries from donor countries. This would inter alia, because of the time lags involved, also mitigate any inflationary effects which tied loans might conceivably entail for the "overheated" economies of some developed countries.

30. The Committee agreed that, apart from a further examination of the question of tariff preferences, it would also be desirable for the Group to explore the transitional arrangements which would enable less-developed countries to overcome some of the limitations on their import capacities created by their foreign exchange difficulties; for example, through encouragement of regional payments arrangements providing for a system of multilateral compensation of trade exchange and for extended credit facilities to countries with negative trade balances.

31. It was also suggested that the Group should address itself to drawing up a specific programme of action aimed at trade expansion among less-developed countries. It was recognized that, if such a programme were to be implemented, it might need to be limited in scope and character to begin with, but that it could be extended later. It was recognized that the drawing up of such programmes might take some time. The hope was expressed, however, that the Group would be in a position to draw up at least some concrete proposals in this regard for consideration by the Committee at its next meeting.

C. Working Group on Preferences

32. The Committee took note of the record of discussions contained in document COM.TD/E/2. It was clarified by the Deputy Director-General that the observations made by him at the meeting of the Group, concerning the rôle of the GATT in relation to the question of preferences, were of general application and were not limited to the specific proposals under consideration in the Group, so that the last sentence of the summary of his statement at paragraph 1 of document COM.TD/E/2 could be amplified as follows:

"This did not detract from the general responsibilities of the CONTRACTING PARTIES, an autonomous body, which is competent to deal with the principles, the scope, and the content of the matter of granting of preferences, whether by industrialized countries to developing countries, or preferences among developing countries."

33. Several representatives pointed out that it had not been possible to take up all the relevant aspects of the question of preferences at the last meeting, partly because at that time the annexes to the report of the UNCTAD Special Committee on Preferences, setting out the position of the less-developed countries and some developed countries on the question of preferences, had not been available.

34. Representatives of a number of less-developed countries expressed the hope that, as a complement to the efforts being made for the establishment of preferences, other measures for the benefit of less-developed countries should also be considered by governments. They also suggested that those delegations which were not convinced of the advantages of preferences should put forward proposals on other measures which they considered better suited to achieve the objectives which the granting of preferences in favour of less-developed countries was intended to attain. These delegations felt that, even prior to the conclusion of the Kennedy Round negotiations, there existed opportunities for putting into effect tariff reductions on products of interest to less-developed countries, and also that tariffs on such products could be reduced by more than 50 per cent. They expressed the hope that the Group on Preferences would have before it specific proposals on other alternative measures when it next meets.

35. Some representatives of developed countries indicated that, while they would give serious consideration to the possibility of suggesting other appropriate measures for expanding export earnings of less-developed countries in the interests of their economic development, the appropriate forum for doing so may be other committees of the GATT, such as the Trade Negotiations Committee, rather than a body which was concerned only with the question of preferences. It was, nevertheless, pointed out that an indication in the Group on Preferences of other appropriate approaches would be of direct relevance to its discussion on preferences.

36. The Committee did not enter into a more detailed discussion of the various aspects of the question of preferences in view of the preliminary stage of the discussions in the Working Group. The hope was expressed, however, that significant and rapid progress would be made by the Group in dealing with this matter to which many less-developed countries attached great importance and that the Group's work would enable the Committee at its next meeting to address itself to some concrete proposals.

D. Ad Hoc Group on Legal Amendments to the General Agreement

37. The Committee took note of the record of discussions submitted by the Ad Hoc Group. (Document COM.TD/F/2.)

38. In view of the preliminary nature of the views set out in the record, the Committee did not enter into a detailed discussion. The representative of the Netherlands - speaking on behalf of Mr. Kaufmann, the Chairman of the Group - explained that all members of the Group had shown great interest in the proposals for further amendments to the General Agreement for the benefit of less-developed countries.

39. With regard to the proposal for amending Article XXIII, a number of delegations, which supported the amendment of the Article, noted that very little progress had been made. They pointed out that what really mattered was provision for the practical implementation of the substance of the Brazil/Uruguay proposals. If it were not possible to amend Article XXIII on the lines proposed, they would be prepared to consider alternative approaches which would achieve the same objectives. For example, it had been suggested in the Group that some aspects of the proposals could be dealt with by Decisions of the CONTRACTING PARTIES.

With this consideration in mind, representatives of less-developed countries invited these countries which had so far found it difficult to accept the proposals put forward for the amendment of Article XXIII, to suggest alternatives for achieving the general objective which had prompted these proposals.

40. One representative felt that Article XXIII, as it now stood, could adequately serve the needs of the less-developed countries if it were supplemented by the insertion of an interpretative note, containing a deadline for the completion of consultations under the Article, and a cross-reference to Article XXXVII, to the effect that consultations held under Article XXXVII:2 would be regarded as a substitute for prior consultations under Article XXII, or Article XXIII.

41. Some representatives re-emphasized the importance attached by their delegations to the proposals for compensation which, as pointed out in the discussion on the question of residual restrictions, was primarily intended to permit less-developed countries, which were normally in a weak bargaining position, to secure more effective protection of their rights under the General Agreement. In this connexion it was pointed out that following the provisions of Article XXIII, less-developed countries could expect compensation in respect not only of restrictions on the trade of less-developed countries, maintained inconsistently with the GATT, but all other measures - whether or not these were incompatible with the General Agreement - which had the effect of injuring the trade of these countries.

42. In respect of the proposal on the use of import surcharges by less-developed countries, the representatives of less-developed countries pointed out the need for an extra element of flexibility, such as import surcharges might offer, in the policy measures available to them for protecting their balance of payments in accordance with the needs of their development. For this reason, it was also necessary that less-developed countries be able to use import surcharges, where required in conjunction with quantitative restrictions. Where quantitative restrictions and import surcharges were applied to the same items, it was to be expected however, that the quota restrictions would be less severe than might otherwise be the case.

43. Attention was also drawn to the specific points for consideration at the Group's next meeting, set out in paragraph 10 of the record. The hope was expressed that these points would be given due consideration by governments in preparation for the next meeting.

E. Expert Group on Adjustment Assistance Measures

44. Mr. R.M. Allott, the Chairman of the Group, briefly highlighted some of the major points made in the discussions of the Group, as set out in the note by the secretariat on the Group's first meeting (document COM.TD/H/2).

45. With reference to paragraph 8 of COM.TD/H/2, and in particular to the concept of non-differentiation as to the cause of dislocation, in providing adjustment assistance, several speakers pointed out that this consideration did not affect the exploration of possibilities for facilitating measures which will increase import opportunities for less-developed countries. They also felt that it might be inadvisable to seek strict conformity with principles which had been adopted in relation to adjustment assistance measures generally, and in different contexts, elsewhere.

46. It was further pointed out by one delegation that the text of paragraph 11 of COM.TD/H/2 should not be understood to imply that it was the opinion of the experts from less-developed countries that imports from less-developed countries had caused, or might cause, disruption in importing countries, as the levels of trade involved could hardly have such effects.

47. A number of delegations also pointed out that, in some instances, the adjustment assistance measures put into effect - instead of improving possibilities for exports of less-developed countries, by shifting resources in developed countries to other lines of production - had tended to expand production of the product facing import competition. Such developments were particularly noticeable in regard to the so-called sensitive industries, so that, in future, special attention might have to be given by the Group to the use of adjustment assistance measures in such industries, so that practical conclusions - helpful to the trade of developing countries - might be evolved at an early date.

48. Commenting on the Group's first meeting, several representatives felt that it would be desirable if, in future, the Group were to address itself to the possibilities for contracting parties taking practical measures aimed at increasing import opportunities in their respective countries for products coming from less-developed countries. The Group would also need to consider how far the kind of problems, which had led countries to exclude certain products from the offer of tariff reductions within the framework of the Kennedy trade negotiations, could be dealt with through the use of adjustment assistance measures. While it might be useful to compile additional data, it had to be remembered that this was a new field, so that not too much additional material might be forthcoming. In any event, the further compilation of material should not delay practical work on these points. It was also suggested by one representative that the work of the Group should not be limited to consideration of measures affecting manufactured items, but should also be related to measures affecting agricultural products of export interest to less-developed countries, of which an admittedly difficult example were the policies affecting sugar.

F. Expert Group on Trade and Aid Studies

49. The Committee also had before it, for information, a short note by the secretariat on the meeting of the Expert Group on Trade and Aid Studies, held immediately prior to the meeting of the Committee. The note, document COM.TD/G/2, contained a short summary of major points made during the discussion of the development plans of Nigeria and of Uganda. A fuller record of the discussions of the Group will shortly be circulated.

50. Pending the circulation of the more detailed record of the discussions of the Expert Group, the representative of Uganda referred to a number of points made by him in the course of the examination of the Uganda Development Plan so that the Committee might have a more balanced picture of those discussions than was presented in the very short summary in paragraph 10 of the secretariat note. In particular, he recalled the indications provided by him during the discussion of the Uganda Plan regarding the various steps taken by the Uganda Government to bring about the diversification of the

agricultural sector and an expansion of the manufacturing sector. The Uganda Government was, of course, aware of the problems arising from its reliance on revenues derived from export taxes, but here again, the Government had attempted to remedy the situation. He would also have wished to see a reference in paragraph 10 to the difficulties the Uganda Government was experiencing in obtaining external finance on suitable terms, and the problems posed by the tying of aid to offshore costs. Further, it was necessary to mention the importance Uganda attached to markets other than those of her East African partners. As regards the last sentence of the note, dealing with a number of subjects, each of which was of some considerable importance and scope, he expressed the hope that a fuller record of discussion on these matters would be made available.

51. Several delegations felt that at future meetings it might be profitable for the Group to focus more specific attention on the external aspects of the development plans being examined, in particular the trade and payments aspects. Work in this field by the Group might be particularly relevant for decisions by individual governments in relation to measures for assisting trade expansion of the country, or countries concerned, and also in relation to work to be done by the CONTRACTING PARTIES.

#### IV. Future work of the Committee

52. The Committee also considered arrangements for its future work. In this connexion it took note of a statement by the Director-General, in which he expressed the view that it might be more productive for the effective implementation of the important responsibilities with which the Committee was entrusted, if the discussions in the various Groups were based, to the largest extent possible, on concrete proposals by governments, and were preceded by adequate preparations and intergovernmental consultations directed towards achieving practical results. It followed that the Groups should also give themselves adequate time to ensure that policy issues were considered in detail, both by delegations and governments and that final conclusions were reached. The GATT procedure had always been directed towards practical negotiations on specific issues.

In this important field of trade and development, the practical discussions in the GATT would, no doubt, benefit from the broader discussion of principles in other bodies, such as the UNCTAD. These suggestions would have some implications for the work programme established by the Committee on Trade and Development which would need to be less crowded, but should aim at more sustained consideration of some well identified propositions.

53. The Committee agreed on the need for adequate preparation of the work entrusted to the various groups and decided that it should meet again late in the year. The sub-groups of the Committee would meet in accordance with a time schedule to be agreed upon by the Chairman of the Committee, in consultation with the chairmen of the sub-groups, and the Director-General.

54. In discussion of the future work programme, several delegations also expressed the hope that governments who had not so far notified action taken by them, or developments, in relation to the implementation of Part IV of the General Agreement, would do so in the near future, as this would considerably facilitate the work of some of the Groups.