

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Nineteenth Session

## MEETING OF MINISTERS

(Conclusions adopted on 30 November 1961)

At their eighteenth session in May 1961 the CONTRACTING PARTIES approved a recommendation of the Council that there should be a meeting of Ministers at the time of the nineteenth session of the CONTRACTING PARTIES. The meeting was held from 27-30 November 1961 and Ministers or ministerial representatives from forty-four countries participated. Ministers were invited by the CONTRACTING PARTIES to address themselves to the main problems of international trade which had been identified by the committees set up under the Programme for the Expansion of International Trade; this Programme was inaugurated by the ministers at their meeting in November 1958. The Ministers' discussions thus covered the question of reduction of tariff barriers to trade, trade in agricultural products and obstacles to the trade of less-developed countries. In addition to these main subjects, the question of the application of Article XXXV to Japan was raised by a number of Ministers. The CONTRACTING PARTIES sought guidance and direction from the Ministers, so that the necessary decisions could be taken by the CONTRACTING PARTIES to enable them to deal effectively with the problems that had been identified under the Programme for the Expansion of International Trade.

The following conclusions were reached by the Ministers during their meeting.

### 1. GENERAL

The Ministers reaffirmed their confidence in the General Agreement as the basis for the trading relationships of their countries and agreed that steps should be taken to increase its effective application in the three fields of action which were submitted to the Ministers for their consideration.

## 2. REDUCTION OF TARIFF BARRIERS TO TRADE

The Ministers agreed that the reduction of tariff barriers on a most-favoured-nation basis in accordance with the terms of the General Agreement should be continued. They recognized, however, that while the traditional GATT techniques for tariff negotiations on a commodity-by-commodity and country-by-country basis had produced substantial results, both in the past and during the present tariff conference, they were no longer adequate to meet the changing conditions of world trade. Consideration should, therefore, be given to the adoption of new techniques, in particular some form of linear tariff reduction. The Ministers agreed to request the CONTRACTING PARTIES to establish machinery to examine this question in the light of the views and proposals put forward during the Ministers' discussions. This examination should be undertaken as soon as possible with a view to the early application of the recommendations resulting from such an examination.

The Ministers recognized that, in working out new procedures, such as linear tariff reductions or specific programmes of phased reduction over a period of years, full account would have to be taken of the differing characteristics of the trade, tariff levels and economic structure of contracting parties and the problems which arose for countries exporting only a few commodities. Ministers of countries which were not primarily exporters of industrial goods, including less-developed countries, expressed the willingness of their governments to consider participation in any future endeavours to reduce tariffs on a most-favoured-nation basis, provided they were able to obtain real trade benefits, *inter alia* through the negotiation of other barriers to trade.

On the lines of recommendations made by Committee III and of the procedures contemplated for the present tariff conference, the Ministers agreed that, in view of the stage of economic development of the less-developed countries, a more flexible attitude should be taken with respect to the degree of reciprocity to be expected from these countries.

Quite apart from the considerations referred to in the preceding paragraphs, a number of contracting parties had found that recent negotiations had been disappointing, as they had produced no substantial results in respect of agricultural products, because no significant concessions had been offered on these products in these negotiations.

### 3. TRADE IN AGRICULTURAL PRODUCTS

The Ministers had before them the third report of Committee II, which contained the general conclusions of the Committee resulting from its extensive examination of the situation in the agricultural sector of international trade. Ministers expressed great concern about the degree and extent of agricultural protectionism and about widespread resort to non-tariff devices and the serious effects which these devices had on international trade in agricultural products.

The Ministers requested the CONTRACTING PARTIES to adopt procedures designed to establish the basis for the negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities. They requested specifically that:

- (a) progress of the work in this regard be supervised and co-ordinated through the GATT Council of representatives;
- (b) the Council be authorized, inter alia, to establish such preparatory groups as may be necessary;
- (c) a beginning be made early in February 1962 with a preliminary examination of possibilities for solution of the problem of cereals and that for this purpose a group be established initially composed of

Argentina  
Australia  
Canada

European Economic Community  
United Kingdom  
United States

- (d) as soon as possible thereafter, namely at its February session, the Council should initiate discussion of the problems in other commodities with differing characteristics, for example meat;
- (e) the CONTRACTING PARTIES be invited to arrange the continuation of the work of reporting and consultation of Committee II.

#### 4. OBSTACLES TO THE TRADE OF LESS-DEVELOPED COUNTRIES

The Ministers had before them the special report of Committee III which has carried out an extensive examination of the trade problems of the less-developed countries. The report, which has been adopted by the CONTRACTING PARTIES, sets out the Committee's findings and specific recommendations for meeting these problems. The Ministers also had before them a United States proposal for the adoption of a joint "Declaration on Promotion of the Trade of Less-Developed Countries" and a proposed "Programme of Action", submitted by a group of less-developed countries, both of which were based largely on the recommendations of Committee III. Ministers also considered a paper submitted by Nigeria proposing duty-free entry for tropical products.

The Ministers adopted the Declaration which is contained in the Annex hereto and decided that it be communicated to the CONTRACTING PARTIES and taken by them as a basis for their future work in this field. They also agreed that their governments would undertake to observe the guiding principles embodied in the Declaration to the fullest extent possible with the object of reducing in the near future obstacles to exports of less-developed countries.

Ministers also agreed that the CONTRACTING PARTIES should take immediate steps to establish specific programmes of action, and where feasible target terminal dates, for progressive reduction and elimination of barriers to the exports of less-developed countries. In this connexion, most Ministers agreed that the proposal for duty-free entry for tropical products should be given careful consideration. The Ministers further agreed that the CONTRACTING PARTIES should be requested to draw up procedures for notifying and reviewing action taken by contracting parties in accordance with the programmes so established, or otherwise taken by contracting parties to improve market opportunities for the exports of less-developed countries.

#### 5. APPLICATION OF ARTICLE XXXV TO JAPAN

Some Ministers expressed the hope that early action could be taken to enable Japan to participate fully in the General Agreement. These Ministers noted that certain contracting parties, by invoking Article XXXV, were not applying the General Agreement in their relations with Japan. They heard with pleasure that several of these contracting parties might soon disinvoke Article XXXV, and they agreed that early action of this kind would add greatly to the effectiveness of the General Agreement.

ANNEX

DECLARATION ON PROMOTION OF THE TRADE OF LESS-DEVELOPED COUNTRIES

1. The CONTRACTING PARTIES recognize that there is need for rapid and sustained expansion in the export earnings of the less-developed countries if their development is to proceed at a satisfactory pace. They recognize the magnitude of the task before the governments of those countries in increasing per capita incomes and raising the standard of living of their peoples. To achieve these ends, increasing amounts of foreign exchange will be required for financing the imports needed to sustain and develop the economy. Although international aid is now and will continue to be essential in covering these needs, aid can be no substitute for trade. In the final analysis, economic development will have to be paid for from the earnings of the countries concerned.
2. The export trade of the less-developed countries is not growing at a pace commensurate with the growth of their foreign exchange needs or with the growth of world trade generally. The CONTRACTING PARTIES accordingly recognize the need for a conscious and purposeful effort on the part of all governments to promote an expansion in the export earnings of less-developed countries through the adoption of concrete measures to this end. The success of the efforts of developing countries will depend to a great extent upon their ability to find the necessary markets. Accordingly, contracting parties should reduce to a minimum restrictions inhibiting access to markets for the export products of the less-developed countries. The governments of the major industrialized areas, on whose markets the less-developed countries must necessarily largely depend, recognize a particular responsibility in this respect.
3. The CONTRACTING PARTIES agree that, if the needs of the less-developed countries for enlarged and diversified export trade are to be met, these countries must develop trade in other than traditional products. They note that some developing countries already have the investment and technological resources for the processing of raw materials and are able to produce efficiently some manufactured goods. They recognize that it is desirable that these countries and others possessing the necessary materials and skills be provided with increased opportunities to sell in world markets the industrial goods which they can economically produce, and urge that governments give special attention to ways of enlarging these opportunities.

4. The CONTRACTING PARTIES recognize that governments can contribute to the general objectives outlined above by observing the following principles and taking into account the following facts regarding tariff and non-tariff measures affecting access to markets.

- (a) Quantitative restrictions. Governments should give immediate and special attention to the speedy removal of those quantitative import restrictions which affect the export trade of less-developed countries. Where it is necessary for a government to maintain such restrictions under appropriate provisions of the GATT, it should apply them in a non-discriminatory manner causing the minimum hindrance to international trade, pursue policies designed to remove the underlying conditions requiring the use of such restrictions and, pending their elimination, give careful and sympathetic consideration to progressive increases in quotas. Contracting parties which are in process of moving out of balance-of-payments difficulties should take particular care that liberalization benefits are extended in the fullest measure to the trade of less-developed countries, having regard to the urgent need for helping these countries attain rapid, self-sustaining growth.
- (b) Tariffs. Governments should give special attention to tariff reductions which would be of direct and primary benefit to less-developed countries. In this connexion, they should consider the elimination of tariffs on primary products important in the trade of less-developed countries. They should also consider reducing those tariffs which differentiate disproportionately between processed products and raw materials, bearing in mind that one of the most effective ways in which less-developed countries can expand their employment opportunities and increase their export earnings is through processing the primary products they produce for export.
- (c) Revenue duties. Fiscal charges, whether imposed as tariff duties or internal taxes, may inhibit efforts directed towards increasing consumption of

particular products important in the trade of less-developed countries and, even where applied equally to imports and to competing domestic products, can be a serious obstacle to the expansion of trade. The CONTRACTING PARTIES appreciate that adjustments in a fiscal system may be a complex matter, with important financial, economic and other consequences which have to be taken into account. Bearing in mind, however, the urgent development needs of less-developed countries and the current financial and economic situation in the industrialized countries mainly concerned, they agree that the removal or considerable reduction of revenue duties and fiscal charges in industrialized countries would be a useful contribution to the foreign exchange earning capacity of less-developed exporting countries.

- (d) State trading. Access to markets for products of the type studied by Committee III should not be unnecessarily impeded through the operations of State import monopolies or purchasing agencies. For many products exported by less-developed countries, the prices charged on resale by some State monopolies, whether in countries with centrally-planned economies or in others, involve an implicit heavy taxation of imports. Countries operating State import monopolies or purchasing agencies, should endeavour to improve access to their markets for products of less-developed countries by decisions to import larger quantities of the products concerned and, if necessary, by reductions in the difference between import and sales prices.
- (e) Preferences. Some less-developed countries benefit neither from the preferential tariff systems which were in operation when the GATT came into being nor from the preferential treatment being established in the new customs unions or free-trade areas. The CONTRACTING PARTIES appreciate the concern of these less-developed countries whose export trade in certain products may be placed at a competitive disadvantage by the preferred treatment given to certain less-developed suppliers. They note, however, that the benefits afforded participating less-developed countries may include not only tariff preferences but other forms of assurances in the marketing of the products concerned. While it was important that these various advantages should not operate to the detriment of other less-developed countries, it was also necessary that action to deal with this problem should be on a basis that meets the marketing needs of supplying countries now enjoying preferred access to markets.

- (f) Subsidies. The subsidization of either the production or export of primary products may restrict the market opportunities of less-developed countries. Where this is so, the governments concerned should seek to limit the use of the subsidies in question with a view to avoiding injury to the export earnings of less-developed countries.
- (g) Disposal of commodity surpluses. Governments disposing of commodity surpluses should bear in mind that the products concerned are generally important in the export trade of one or more less-developed countries, and that this is an added reason for careful observance of the principles and guidelines regarding such disposals accepted in the GATT Resolutions of 4 March 1955 on the Disposal of Commodity Surpluses and on the Liquidation of Strategic Stocks and in the FAO's Principles of Surplus Disposal.

5. In negotiations for reductions in barriers to the exports of less-developed countries, contracting parties should adopt a sympathetic attitude on the question of reciprocity, keeping in mind the needs of these countries for a more flexible use of tariff protection. In making arrangements to bring about a general reduction of tariffs, account should also be taken of the special needs of less-developed countries.

6. An important contribution to the expansion of export earnings can also be made by intensified efforts to improve the production and marketing methods of the less-developed countries. The efforts of the less-developed countries along these lines would be greatly assisted if the industrial countries would give greater attention to this matter in the framework of their technical and financial assistance programmes.

7. Efforts to expand the export earnings of the less-developed countries and efforts to lessen the instability of such earnings which results from fluctuations in primary commodity markets should proceed concurrently. Progress towards reducing market instability, or towards offsetting its effects on foreign exchange receipts, is essential if the maximum benefits of the trade expansion effort are to be realized; at the same time, progress towards a diversified export trade will reduce the vulnerability of primary exporting countries to market fluctuations.

8. Finally, it is recognized that there are important possibilities for encouraging sound economic development in the less-developed countries through increased trade among themselves and that these countries should keep this in mind in formulating their tariff, commercial and economic policy measures. Lest the development of this important trade potential be prevented or unduly delayed, they should strive to attain and preserve liberal access to one another's markets in the same manner as they now seek to secure improved access to the markets of the economically advanced countries.