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REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT

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Introduction

1. The last report of the Committee (L/2614) was drawn up in March 1966 and was submitted to the CONTRACTING PARTIES at the twenty-third session. In the ensuing period the Committee held five sessions, in July and October 1966 and in January, July and November 1967. The conclusions adopted by the Committee at the first four of these meetings, and the secretariat notes on the proceedings may be seen in documents COM.TD/24, COM.TD/30, COM.TD/42 and COM.TD/47. The present report reviews important elements in the work done by the Committee and its subsidiary bodies during this period and presents certain recommendations and suggestions for consideration by the CONTRACTING PARTIES at the twenty-fourth session.

I. Implementation of Part IV of the General Agreement and the Ministerial Conclusions and Resolutions

2. At its eighth session, in Punta del Este in January 1967, the Committee reviewed developments in the Kennedy Round against the background of the affirmation of developed countries that in the trade negotiations every effort would be made to reduce barriers to the exports of developing countries.

On the basis of this review the Committee made certain suggestions and recommendations on various points relating to the interests of developing countries in the trade negotiations. The Committee also agreed that, after the completion of the Kennedy Round, an analysis of the results of the negotiations for developing countries should be undertaken.

3. In July, the Committee established an Ad Hoc Group to carry out an assessment of the results of the Kennedy Round for developing countries. The Committee has received the Group's report, which is attached as Annex I to the present report.

4. The Group's terms of reference are set out in the opening paragraphs of its report. In carrying out the assessment, the Group based itself mainly on a study prepared for it by the secretariat. This study, circulated as COM.TD/48 and Add.1, analyzed tariff rates before and after the Kennedy Round as well as the depths of cuts made in the negotiations both in terms of the tariff item numbers and in terms of the volume of trade affected in respect of six selected developed contracting parties participating in the negotiations, the trade volume being measured by the amounts of imports of each product into these markets from developing countries excluding preferential suppliers. The six selected countries accounted for more than 90 per cent of all imports by all developed countries from developing countries.

5. The Committee noted that, although the secretariat's background paper (COM.TD/48)¹ was not intended to provide any analytically complete evaluation of the results of the Kennedy Round, useful information had, nevertheless, been presented therein which enabled a preliminary assessment to be made; this was contained in Part I of the Ad Hoc Group's report. From this starting point, the Ad Hoc Group had been able to identify, in Part II of its report, the major specific problems which, in its view, prevented fuller action in the negotiation on products of interest to developing countries. This identification had been followed, in Part III, by a series of suggestions by members of the Group bearing on future work in the field of trade expansion for developing countries.

6. Some members of the Committee stressed their view that the Kennedy Round had provided substantial new opportunities for the exports of developing countries. Other members of the Committee considered, however, that the most important problems of most of the developing countries in the field of trade taken up within the framework of these negotiations still remained

¹ A revised version of this paper to take into account certain factual comments made in the Group on assessment of Kennedy Round Results and other information supplied by governments, is being issued separately.

unresolved and urged that these be given serious attention by the CONTRACTING PARTIES on an urgent basis. They recalled the enumeration of such tasks in the joint declaration of participating developing countries at the conclusion of the negotiations, viz. advance implementation of concessions in favour of developing countries, reduction or elimination of duties on products of particular export interest to developing countries, tropical products, commodity agreements, compensation for loss of preferences and removal of non-tariff barriers. They suggested that future work should be continued on these problems and that for some of the products concrete results should be achieved by the end of the year. It was suggested by certain members of the Committee that the CONTRACTING PARTIES should initiate consultations as soon as possible through the available GATT mechanisms with a view to eventual negotiations in important sectors so far not benefiting sufficiently or not at all from the Kennedy Round. These sectors might include meat, dairy products, citrus and other fruits, fruit products, non-ferrous metal manufactures, tobacco, textiles and tropical products. A number of other delegations did not share this view. They suggested that the normal machinery of GATT, in particular Part IV of the Agreement, should be used to deal with outstanding issues.

7. While there was general agreement that the results of the Kennedy Round should be put into effect and followed by further action in the interest of developing countries, it was considered that the formulation of guidelines for future activities leading towards such action could best be left to the CONTRACTING PARTIES. The Committee was aware that, at the forthcoming session, the CONTRACTING PARTIES would be engaged in a comprehensive review of their activities and would examine a general programme of future work covering all aspects of international trade relations. The Committee agreed to bring the suggestions noted in the preceding paragraph to the attention of the CONTRACTING PARTIES, who would undoubtedly take them into account in their consideration of the future work programme. The Committee has reported separately on its considerations of problems in the field of tropical products (see Section II below).

8. The Committee also noted the suggestions made by members of the Group relating to further studies by the secretariat that might focus attention on areas for further action, including: (a) the identification of products on which serious tariff problems persist after the Kennedy Round, particularly those relating to tariffs which disproportionately protect processed products as compared with primary products; (b) an assessment of the general incidence of tariffs on products of export interest to developing countries and of other products; (c) a study of the effects of specific duties on particular products of interest to developing countries; and (d) a review of the influence of factors other than tariff and non-tariff barriers on the flow of trade. It was also suggested that the International Trade Centre should extensively study the more important export opportunities created for developing countries by the Kennedy Round, followed by market research and marketing assistance activities to help developing countries to make full use of the opportunities presented.

II. Tropical products

9. It may be recalled that special machinery on tropical products was established during the Kennedy Round negotiations in accordance with the Ministerial Resolution of 1964 that the question of trade in tropical products should be pursued further with a view to working out procedures and arrangements for their treatment in the trade negotiations. Although tariff concessions were granted in the Kennedy Round by many contracting parties in respect of many tropical products, the objective of tax and duty-free entry was not achieved for all tropical products in the Kennedy Round negotiations. The most common reasons for maintaining duties and taxes on tropical products were the need to maintain preferential margins for certain preferential suppliers, the protection of domestic agriculture against direct competition from, or substitution by, imported tropical products, and fiscal considerations.

10. In order to facilitate the working out of arrangements for further action in this field the Ad Hoc Group mentioned in Section I above was also asked to review the experience in the negotiations in respect of these products. The views expressed in the Group on this subject have been referred to in the above section.

11. As regards further work in this field the Committee agreed to recommend that the Special Group on Trade in Tropical Products, which had been set up by the Council in February 1962 and which had been transformed into a negotiating body in the context of the Kennedy Round in March 1965, should be reactivated and given new terms of reference, which the Committee suggests might be as follows:

"To examine problems affecting trade in tropical products, and to report on ways and means of overcoming those problems."

12. The Group should submit its report to the CONTRACTING PARTIES.

13. The membership of the Group could be as it was during the Kennedy Round¹, it being open to other countries to participate if they wish to.

III. Advance implementation of Kennedy Round reductions on products of interest to developing countries

14. In the course of the Kennedy Round it was proposed by the participating developing countries that, with a view to maximizing their benefit for developing countries, tariff concessions negotiated on products of export

¹The Group had the following membership: Brazil, Burundi, Cameroon, Canada, Ceylon, Denmark, Dominican Republic, European Economic Community, Ghana, India, Indonesia, Ivory Coast, Jamaica, Japan, Nigeria, Pakistan, Peru, Portugal, Sweden, Trinidad and Tobago, United Kingdom, United States and Upper Volta.

interest to developing countries should be implemented immediately after the conclusion of the negotiations without the phasing envisaged under the general rules accepted for these negotiations. Before the conclusion of the negotiations, in June 1967, it was agreed by the participating countries that a positive result should be obtained in this regard before the first tariff cuts came into effect (cf. TN.64/107, page 5). On the basis of this, the Committee invited each of the developed contracting parties to use its best endeavours to submit by 15 October 1967 a list of products on which it proposed to take such action.

15. A number of developed countries responded to this invitation, some making available the requested list in writing and others reporting orally at the November meeting of the Committee.

16. The Committee thus had before it lists of concessions for advance implementation, submitted by ten contracting parties, namely: Canada, Czechoslovakia, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom and the United States. These ten lists are reproduced in document L/2862 and Add.1 for the information of the CONTRACTING PARTIES. The Committee was advised that the Government of Austria was seeking the necessary legislative authorization for the action they proposed to take. As soon as parliamentary approval has been obtained the Austrian Government contemplates advance implementation of tariff concessions on items of interest to developing countries, provided that its main trading partners proceed in the same way. The representative of the Commission of the European Communities stated that the EEC was currently giving active consideration to this question.

17. The Committee noted that in some instances the proposed advanced implementation was subject to parliamentary approval, and in other cases the offer was conditional upon comparable action by other developed countries. While in at least one case the government concerned might add a few items to its list, most of the developed countries emphasized that the lists which they had submitted, in some cases showing an improvement on the indication which they had given in June, represented the maximum contribution which they could make. In one case, the government concerned could take no further action as it had exhausted its legislative authority.

18. Developing countries welcomed the indication provided to the Committee of the action that developed countries intended to take towards immediate implementation of concessions. They felt, however, that the action proposed fell short of expectations. It was also pointed out that the benefits for developing countries of the immediate implementation of concessions could be maximized if all developed countries took parallel or joint action. The uneven nature of the

action proposed by certain developed countries and the uncertainty of action to be taken by certain others may result in a more rapid loss of preferences enjoyed by certain developing countries. A number of delegations pointed out that it was therefore necessary to keep this in view when final action was taken on advance implementation by developed countries. They also suggested that concessions granted on products on which certain developing countries enjoyed preferential treatment should be implemented according to the normal time-table in order to minimize the adverse effect on the trade of these countries.

19. The CONTRACTING PARTIES will, no doubt, wish, in the light of these comments as well as any further information that might be supplied by governments, to review the situation during the twenty-fourth session.

IV. Import restrictions affecting the exports of developing countries

20. Since the submission of its last report the Committee has given further consideration to the question of import restrictions applied by developed countries on products of export interest to developing countries. In the ensuing period, some progress was again made in the reduction and removal of such restrictions. Restrictions affecting a number of products of actual or potential interest to developing countries are, however, still maintained by developed countries.

21. In the light of the discussions at the twenty-third session of the CONTRACTING PARTIES the Committee examined proposals formulated by the secretariat for improving procedures aimed at speeding up the removal of the remaining restrictions affecting the exports of developing countries. Some developing countries suggested that developed countries maintaining restrictions of this nature be asked once again to state their intentions and to indicate target dates for the removal of the restrictions. With respect to those restrictions which did not show prospects of early liberalization the Committee considered the adoption of new procedures that might facilitate their early elimination. It was suggested that these procedures might be as follows:

(a) For agricultural products. The Committee on Trade and Development might, as a first step, invite countries maintaining restrictions to examine how far these restrictions are maintained by them as an integral part of their overall system for protecting domestic agriculture and to consider such possibilities as may present themselves for removing or reducing the incidence of these restrictions on products of particular interest to developing countries. On the basis of the reports received from governments, the Committee might subsequently arrange for detailed consultations between the developed and developing countries concerned on the problems and possibilities in respect of specific items.

(b) With regard to those industrial products or product groups on which the restrictions are of a hard-core nature, the problems and difficulties involved in achieving liberalization, including those of a structural nature, might be examined by panels of experts.

22. Commenting on the suggested procedures for agricultural products some members expressed the view that since the restrictions on certain agricultural products affected all countries which were exporters of primary products it would be more appropriate if the examination of restrictions on such products were carried out in a body with a wider mandate than the Committee on Trade and Development.

23. Annex II to this report sets out the manner in which the panels described in (b) of the preceding paragraph might be constituted and function. It has been suggested that in case the CONTRACTING PARTIES should decide, following their review of problems affecting the trade of developing countries, and discussion of a special item for this session namely "import restrictions applied contrary to GATT and not covered by waivers" to follow these procedures, they might wish to invite all contracting parties to assist in this work. The question of the terms of reference and composition of panels might then be settled by the Council.

V. Expansion of trade among developing countries

24. Discussions on the question of expansion of trade among developing countries have continued in the Committee along two different, though inter-related lines, namely the negotiation of tariff and non-tariff concessions among developing countries and the exploration of other means of expanding commercial exchanges among developing countries.

25. It will be recalled that at their twenty-third session the CONTRACTING PARTIES endorsed certain conclusions of the Committee on Trade and Development concerning the negotiation and exchange of tariff concessions among developing countries. At the same time it may be recalled that a number of developing countries undertook, in the context of the Kennedy Round, to adopt appropriate measures to expand their trade with other developing countries.

26. The Committee has been kept informed of the progress made by developing countries in arranging for negotiations among themselves. In 1966 and early 1967 exploratory discussions took place in the informal group of developing countries in GATT, on the basis of which provisional request lists were exchanged on an informal basis among certain participating developing countries. A series of meetings at governmental experts level were also held. Further

action was temporarily interrupted due to the pressure of work in the closing stages of the Kennedy Round negotiations. Since then, with a view to providing a working hypothesis for the negotiations, the Director-General had, in consultation with delegations of developing countries, circulated suggestions on "ground rules" for consideration in a committee of interested developing countries. It has been suggested that a Negotiations Committee composed of interested developing countries should be established in the first instance to discuss these rules. The Committee noted that this item would appear on the agenda of the twenty-fourth session.

27. The Committee also noted the interest in developing countries not contracting parties to the GATT being associated with the negotiations and that contact had been established between the secretariats of GATT and UNCTAD in the matter.

28. At the November meeting of the Committee, some delegations expressed the view that inter-regional arrangements for the expansion of trade among developing countries, particularly of a preferential character, would appear to offer fewer possibilities and to present greater difficulties of negotiation than regional arrangements. Other delegations, while affirming the importance of the regional approach, recalled the decisions and discussions of the twenty-third session of the CONTRACTING PARTIES which reflected a recognition of the determination of many developing countries to explore the possibilities of exchanging concessions on their mutual trade on an inter-regional basis. In their view this would only be in accordance with the commitments undertaken by developing countries in paragraph 4 of Article XXXVII in Part IV of the General Agreement.

29. With regard to other measures for the expansion of trade among developing countries, the Committee, with the assistance of the Group on the Expansion of Trade among Less-Developed Countries, has examined possibilities for action outside the trade barriers field and agreed that it should identify the areas which required its attention after a prior review has been made of action already undertaken in other organizations.

VI. Economic problems of Chad

30. At its eighth session in Punta del Este, the Committee established a Working Party to consider, in the light of the provisions of Article XXXVIII, the problem created for Chad by the current world market conditions for raw cotton and to make appropriate recommendations. The report of the Working Party (COM.TD/44) was considered by the Committee at its ninth session in July 1967. The Committee considered that the contents of the report should be brought to the attention of the CONTRACTING PARTIES, in particular the following points:

- (a) The dependence of Chad's economy on cotton which will continue for some time despite its efforts to diversify.
- (b) Falling world cotton prices over the past decade and financial difficulties that have accompanied this development have seriously hampered the economic advancement of a country so very under-developed and so dependent on cotton as Chad.
- (c) The need of Chad to support cotton and to improve cotton productivity.
- (d) The need of Chad to accelerate the diversification of its economy and as part of this process to improve infra-structure and transport.
- (e) The importance of the economic programmes of Chad and especially the first five-year plan to its efforts to improve the productivity of existing production and to achieve greater diversification.
- (f) The reliance of Chad on appropriate financial and technical assistance to supplement its own resources.

31. The Committee suggests that the CONTRACTING PARTIES draw the attention of governments to the analysis of Chad's problems contained in the Working Party report, especially to the contributions which external assistance in the areas mentioned in that report could make to the economic growth and development of Chad and expresses the hope that appropriate consideration may be given to the report. The CONTRACTING PARTIES might also instruct the secretariat to forward copies of the report of the Working Party to other international organizations concerned for such action as these organizations might wish to take in respect of the conclusions contained therein. Finally, the secretariat might be instructed to keep the situation of Chad under review and bring to the attention of the Committee on Trade and Development any further developments relevant to the application of Article XXXVIII.

VII. Other activities and future work

32. At the January 1967 session, held in Punta del Este, the Committee agreed that the end of the Kennedy Round should provide an occasion for the examination of the problems that require further action by the CONTRACTING PARTIES in the context of the obligations accepted by governments under Part IV of the General Agreement. In the light of the examination of these problems carried out at their twenty-fourth session contracting parties would no doubt wish to make suggestions in regard to the future work of the Committee in terms of the continuing responsibilities vested in it under Part IV of the General Agreement.

ANNEX I

Report of the Ad Hoc Group on Assessment
of Kennedy Round Results

1. The Ad Hoc Group was established by the Committee on Trade and Development at its ninth session held on 26-27 July and its terms of reference are as follows:

- (i) carry out an assessment of the results of the Kennedy Round negotiations for developing countries in the light of the Ministerial Conclusions and Resolutions of 1963 and 1964, and of the relevant provisions of the General Agreement;
- (ii) identify specific problems that might have prevented fuller action on particular products or product groups of export interest to developing countries; and
- (iii) report on suggestions for future work on problems in particular sectors aimed at facilitating the expansion of trade of developing countries.

2. When the Group convened on 26 October it had before it, in addition to the "preliminary summary" in COM.TD/46 which had been submitted to the Committee in July, a new summary (CCM.TD/48 and Add.1) specially prepared for the Group to assist in its task of evaluation of those results in relation to the export interests of developing countries. Whereas the "preliminary summary" showed the distribution of the tariff rates among different ranges before and after the Kennedy Round only in terms of the numbers of tariff headings, the new summary showed the distribution of the pre- and post-Kennedy Round rates, as well as of the depths of cuts, also in terms of the trade involved. The Group used the new secretariat study¹ as the basis of its deliberations, especially in regard to point (i) of its terms of reference. The Group noted that the secretariat study was not intended to provide an analytically complete assessment of the results and might be supplemented with additional data in some aspects.

I. General assessment of the results in relation to the trade interests of developing countries

3. The secretariat study consisted of a general survey of tariff reductions made by six of the developed participants in the negotiations, namely the European Economic Community, Japan, Sweden, Switzerland, the United Kingdom and the

¹ A revised version of this study will be issued to take account of information and factual comments presented by delegations in the course of the discussion as well as information supplied by governments.

United States on a list of selected products of particular interest to developing countries. Faced with the need to concentrate its study on a few countries the secretariat had chosen the six named above whose markets taken together accounted for more than 90 per cent of all imports by all developed countries from developing countries. It should be noted however that whilst the computations and aggregates in the study related only to the six participants, account was taken of reductions made by other developed countries, especially in the descriptive notes relating to particular products.

4. The secretariat study covered 367 tariff headings, divided into twenty-three product groups or sectors. These products embraced almost all actual imports into the six developed countries from developing countries (excluding cereals, meat and dairy products). They included all products in which there had been significant imports from developing countries into these developed markets in a given year, and a number of products which had been mentioned in the priority list submitted by developing countries in connexion with their requests for advance implementation or deeper than 50 per cent cuts. The latter category included products in which the developing countries had a potential, rather than actual, export interest.

5. According to the calculations made by the secretariat as set out in COM.TD/48 and Add.1, total imports into the six developed participants from developing countries, excluding preferential sources, amounted to approximately \$20,080 million in 1964. Excluding the figures for cereals, meat and dairy products (which amounted to \$370 million in 1964) and fuels (on which the customs duty and levy would seem to constitute only a secondary factor in regulating trade which amounted to \$7,000 million in 1964) the extent to which the exports of developing countries into the six developed markets were affected by tariff reductions negotiated during the Kennedy Round may be described as follows:

6. Of the total \$12,210 million worth of such imports into the six participants in 1964 \$7,140 million, or 58 per cent, had been admitted duty free before the Kennedy Round. (The Kennedy Round resulted in a number of new bindings of zero duty but the amount of trade covered by the bindings was not calculated.) Of the dutiable imports of \$5,076 million, duty reductions applied to about \$2,980 million, again 58 per cent of this total.

7. Of the total of \$12,210 million, imports of the order of \$6,189 million fell in the seven commodity sectors (i.e. tropical products, processed foodstuffs, non-ferrous metals and products, cotton yarn and fabrics, clothing, other textiles, leather and leather manufactures) picked out in the secretariat paper for more detailed study. Of this total of \$6,189 million, \$2,843 million, or 47 per cent, had been admitted duty free before the Kennedy Round; of the dutiable \$3,346 million, reductions were made on \$1,935 million. Of the \$1,406 million worth of trade that received no reductions, over 70 per cent, amounting to \$994 million, was accounted for by tropical products. Similarly, of the dutiable imports of \$1,730 million in products falling outside the seven sectors, tariff reductions of a varying magnitude applied to

\$1,040 million. Of the \$690 million receiving no tariff cuts, 52 per cent, amounting to \$360 million, was accounted for by "other unprocessed foodstuffs".

8. In the seven sectors the duty cuts, covering \$1,935 million worth of imports from developing countries, were distributed as follows: reductions of less than 50 per cent, \$1,120 million; reductions of 50 per cent or more, \$490 million; and duty eliminations, \$325 million.

9. The following table, compiled on the basis of the material contained in the secretariat study, summarizes the statements in paragraphs 6-8 above. It shows 1964 imports into the six developed countries from developing countries (excluding preferential sources) affected by tariff action taken during the Kennedy Round, embracing all products covered in the secretariat studies in COM.TD/46 and 48 other than cereals, meat and dairy products, and fuel.

	(dollars million)					
	No reduction ¹	By less than 50%	By 50% or more	Duty elimination	Total dutiable before Kennedy Round	Duty free before Kennedy Round ²
Tropical products	994	685	167	125	1,971	2,070
Processed foodstuffs	135	55	145	39	424	150
Non-ferrous metals	125	89	112	7	333	570
Cotton yarn and fabrics	20	66	4	-	90	-
Clothing	33	127	12	-	172	-
Other textiles	37	86	21	153	297	40
Leather and goods	12	12	29	1	54	20
Total seven sectors	1,406	1,120	490	325	3,346	2,843
Crude foodstuffs	360		200		560	290
Beverages and tobacco	110		180		290	-
Raw materials	120		210		330	3,760
Chemicals	20		90		110	80
Other manufactures	80		360		440	160
Total	2,096		2,980 ³		5,076	7,140

¹ Bindings of existing legal rates have been included as "no reduction".

² This includes both bound and unbound free entry items.

³ Including \$5 million with no precise classification as to duty action.

10. It might be of interest to note in this connexion that the total imports of the six participants from developed and developing countries in 1964 amounted to \$60 thousand million. Of this total \$23 thousand million were already entered duty free before the Kennedy Round. Tariff reductions were made by these countries in the Kennedy Round on \$26 thousand million of their dutiable imports.

11. The action taken in the Kennedy Round in the non-tariff fields was described in paragraph 7 of COM.TD/48 and referred to as relevant in the commodity chapters of that secretariat paper.

12. Some members of the Group considered that in spite of the fact that in respect of certain particular sectors or products, total duty elimination or substantial reduction had, for various reasons, not been fully obtained, the results of the negotiations, taken as a whole, afforded substantial benefit for developing countries. Whether or not the effective results with respect to the exports of developing countries were in line with the concessions granted on imports in general, the reductions were extensive and substantial. They covered a broad range of products of interest to developing countries and seemed to provide increased access for these products to the markets of developed countries. Some of the concessions specified in the Kennedy Round schedules would not have been there had it not been for considerations relating to the interests of developing countries. The scope and magnitude of the concessions on products of interest to developing countries far exceeded any benefits received by developing countries from previous negotiations. The developed participants had, moreover, not sought reciprocity from the developing countries. Nor had they asked for concessions inconsistent with the developing countries' trade, developmental or financial needs.

13. Some members of the Group, recalling the joint statement made by the participating developing countries at the conclusion of the negotiations¹, maintained that the most important problems of most of them in the field of trade taken up within the framework of those negotiations still remained unresolved. Some members of the Group were of the view that while the Kennedy Round had resulted in some tariff reductions on products of interest to developing countries, these results fell far short of the objectives established for the negotiations. As the figures produced in the secretariat study showed, on many products of particular export interest to developing countries, no concessions had been granted. On many important products the concessions were notional or tended to fall considerably short of the level of 50 per cent accepted as the hypothesis for the negotiations. It could not thus be claimed that there had been a bare minimum of exceptions from the rule of linear reductions. The quantitative restrictions which affected the exports of many developing countries had, except for a few quota increases, remained intact. Similarly there had hardly been any reductions of internal fiscal charges on tropical products. The protective

¹GATT Press Release No. 994.

duties applied by developed countries on processed and manufactured products of particular export interest to developing countries remained disproportionately higher than the rates on the same products in unprocessed form; at least in some cases the tariff escalation appeared to have been intensified. The principles and procedures on which the negotiations had been based could not take account of the special development problems of the developing countries and had thus led to disappointing results for these countries.

II. Identification of problems preventing fuller action

14. The Group agreed that while there might be differing assessments of the magnitude and value of the Kennedy Round results for developing countries, it was important to attempt an identification of the problems that might have prevented fuller action on particular products or product groups, so that consideration might be given to further action towards the removal of those difficulties, as envisaged in points (ii) and (iii) of the terms of reference. In this connexion the Group noted that not all participants had adopted the linear reduction hypothesis and that a number of developed countries had at the outset listed a number of products for exception from linear reduction on the ground of "overriding national interest". Certain offers had been made conditional upon suitable or comparable action being taken by other developed countries. In other cases, offers previously made had been modified at a certain stage of the negotiations on the basis of individual assessment by the participating countries concerned, of the overall balance obtained.

15. In most cases the lack of "fuller action" would seem to be attributed to one or more of the following reasons:

(i) Fiscal considerations

Import duties and internal fiscal charges are maintained on this account on tropical products such as coffee, tea, cocoa, bananas and spices, as well as on other products.

(ii) Protection

This applies to a wide range of products including agricultural and primary products as well as industrial products. Import duties applied to like and competing products for this reason are generally progressive according to the degree of processing. Where offers had been scaled down with a view to achieving a balance the withdrawals tended particularly to include items on which duties were applied for protective reasons.

Certain types of non-tariff barriers such as quotas were also motivated by protective considerations.

(iii) Preferences

Certain developed countries provide a preferential margin for various developing countries with whom they have special trade and economic links. These developed countries either limited the extent of their offers or made them conditional upon joint action by other industrialized countries. This problem had relevance to the question of duty-free entry for tropical products.

(iv) Problems relating to action in the non-tariff field

For certain products, no or little effective action was taken in the Kennedy Round because tariff or other trade barriers were not the principal factor regulating trade. Certain countries maintain that solutions to the problems facing developing countries in certain sectors be sought through market organization and not solely through the removal of measures at the frontier. In some instances offers were not made in the Kennedy Round because it was thought that the problem of particular commodities would be pursued outside these negotiations.

(v) Joint action

Certain developed countries felt that their ability to reduce or remove tariffs on certain products depended on other developed countries taking action to open up their markets. This consideration led to their making their offers on a conditional basis. In some instances the condition regarding joint action was made only in the expectation that this would lead to better overall results.

(vi) Technical problems

Certain countries may have found it inconvenient to take action on products of interest to developing countries because their tariff nomenclature did not differentiate between products which are produced in developing countries and those emanating from developed countries, viz. handicraft products.

(vii) Concessions apt to benefit developed countries

In some cases concessions might have been withheld owing to the feeble competitive position of the developing countries claiming to have an export interest in the product; the main benefits of a tariff concession would have gone to developed countries.

(viii) Problems of reciprocity and negotiating balance

In some instances an item was excluded from offers because the principal suppliers were countries not participating in the negotiations. In other instances, the original offer could not be maintained because the principal suppliers were developed countries from which adequate reciprocity was not forthcoming.

(ix) "Sensitive" products

One of the reasons for which no or limited offers were made was that in the industrial sector a number of products of particular interest to developing countries were considered to be "sensitive" items by certain developed countries.

16. It was pointed out by some developing countries that one of the problems in the negotiations was that, owing to their preoccupation with their negotiations with other developed countries, the developed countries were unable to give high priority to the consideration of questions of interest to developing countries. Some members of the Group maintained that fuller action in products of interest to developing countries was not prevented by the failure on the part of the developed countries to accord high priority to such action as asserted, but by the substantive problems listed above.

III. Suggestions for future work

17. The Group had an exchange of views on item (iii) of its terms of reference. Several members of the Group considered that in view of the fact that the analysis contained in the secretariat document COM.TD.48 had become available only a few days before the meeting and the Group had only just proceeded to the identification of problems experienced in the negotiations, it would be premature for them to make any recommendations on future work for facilitating the expansion of trade of developing countries. It was pointed out that some of the problems that had been invoked were common to more than one product group. It was also recalled that the overall situation in this field, including proposals for further action, would in any event, be reviewed at the annual session of the CONTRACTING PARTIES.

18. Some other members of the Group made a number of suggestions which they wished to see recorded in the report to the Committee on Trade and Development and the CONTRACTING PARTIES. Thus it was recalled that at the end of the Kennedy Round the developing countries had listed a number of questions as not having been settled satisfactorily during the negotiations, viz. advance implementation of concessions in favour of developing countries, reduction or elimination of duties on products of particular export interest to developing countries, tropical products, commodity agreements, compensation for loss of preferences and removal of non-tariff barriers. It was suggested that future work should be continued on these problems. It was also suggested that for some of the problems concrete results should be achieved by the end of the year. Certain delegations further stressed the need to consolidate the gains achieved in the Kennedy Round. A number of delegations also suggested that consultations should be initiated as soon as possible through available means in GATT with a view to instituting negotiations on important sectors which so far had not benefited sufficiently or at all from the Kennedy Round negotiations, including such sectors as meat, dairy products, citrus and other fruits and fruit products, tropical products, non-ferrous metal manufactures, tobacco and textiles. A number of other delegations did not share this view. They suggested that the normal machinery of GATT, in particular Part IV of the agreement, should be used to deal with outstanding issues.

19. It was also suggested that the secretariat might usefully complete the assessment of the results of the negotiations made in document COM.TD/48 particularly by identifying products on which after the Kennedy Round serious problems of tariff protection remained, particularly in relation to the value added at different stages of processing. It was also suggested that the incidence of specific duties on a limited number of products of interest to developing countries be studied in greater detail.
20. It was also suggested that a detailed assessment should be made of the general incidence of the tariff rates resulting from the Kennedy Round on products of particular interest to developing countries as compared with other products.
21. It was further suggested by some delegations that a commodity-by-commodity analysis with a view to examining the influence of factors outside the tariff and non-tariff barriers field in determining the flow of trade might also be helpful in illustrating the scope and pointing out the directions for further action.
22. Some delegations suggested that a study be made of Kennedy Round concessions which might afford developing countries new and expanded export opportunities of particular importance.

ANNEX II

Nature and Constitution of the Suggested Panels of
Experts Mentioned in Section IV of the Report

with regard to hard-core restrictions on industrial products panel arrangements might be adopted along the following lines:

(i) Composition of the panels. The panels will comprise governmental experts from contracting parties selected primarily for their familiarity with the problems involved. The experts will act in their personal capacity and not as representatives of their governments. Each panel may have up to five or seven members. Their nomination shall be made in consultation with the parties having a direct interest in the restrictions to be examined.

(ii) Number of panels to be set up. This should be related to the number of industrial product groups requiring detailed examination.

(iii) Terms of reference. The terms of reference established for each product or product group might be: "to examine the restrictions (other than restrictions applied for balance-of-payments reasons and those covered by waivers) applied by developed contracting parties on the product or product group in question and to report its views on how progress may be made in the removal of these restrictions".

(iv) Proceedings of the panels. Each panel should be free to seek relevant information on matters falling within its terms of reference from the contracting parties directly concerned and would be assisted by statistical and analytical data compiled by the secretariat. The panel should also hold discussions with such contracting parties, either singly or jointly, both before and after it has formulated any preliminary conclusions.

(v) Reports of the panels. Each panel will report to the Committee on Trade and Development and, simultaneously, to the G.I.T Council of Representatives within a period of six months of its appointment, subject to such extension of the time-limit as may be agreed upon by the Committee or the Council. The panels will keep the Group on Residual Restrictions informed of the progress of their work.

