

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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EXPANSION OF INTERNATIONAL TRADE

Note submitted by the less-developed countries¹

1. The significance which the work of the three committees has for the less-developed countries consists in its being a coordinated programme of action to promote the expansion of international trade. The less-developed countries would assess the effectiveness of this programme in terms of its ability to secure a substantial expansion of their trade and in particular their exports.
2. The less-developed countries have a number of special difficulties in international trade. Most of these countries are still exporters of primary products, the prices of which are subject to wide fluctuations. The exports of some of these products notably tropical and semi-tropical products such as tea, coffee, cocoa, sugar, tobacco etc, encounter high fiscal levies in the industrialized countries which restrain consumption. In other cases the application of subsidy and support measures both in the agricultural and non-agricultural field limit exports of a number of primary products from the less-developed countries. Most of the less-developed countries are in a rapid process of development and are beginning to manufacture semi-processed and processed goods for which the availability of adequate domestic resources of labour and raw material gives them a natural economic advantage. Their attempts, however, to increase their earnings from exports of these goods are being frustrated by the high level of duties and restrictions on such products in the industrial countries. The Haberler report recognized the existence of some of these difficulties and the general trend in the export trade of the less-developed countries to expand less rapidly than the trade of the highly industrialized countries. It came to the conclusion that special measures to assist the trade of less-developed countries both in the field of primary products and manufactured goods had to be taken very early in view of the growing difficulties of the less-developed countries in financing imports required for development and the impact of these difficulties on their standards of living and development programmes.

¹ Brazil, Burma, Cambodia, Ceylon, Chile, Cuba, Federation of Malaya, Federation of Rhodesia and Nyasaland, Ghana, Greece, India, Indonesia, Pakistan, Peru, Uruguay.

3. Recent months have seen no improvement in the trading position and the economic problems of the less-developed countries. Most of these countries have continued to lose reserves and have been compelled to cut back on development programmes and reduce imports to a level which does not sustain even the current needs of their economies. The less-developed countries are, therefore, disappointed that the reports of the three committees do not reflect a realization of the urgency of finding solutions for their special problems.

4. The less-developed countries are of the view that their capacity to participate in tariff negotiations on the orthodox pattern is limited or perhaps even absent. The products that they export are still relatively few. In the context of various types of restrictions and other control measures, the benefits which they derive from a concession in the import duties on these goods often tend to be of an unequal and uncertain character. While reduction of tariffs have a major role to play, particularly in stimulating exports of semi-processed and processed goods from the less-developed countries, the capacity of these countries to give reciprocal concessions is limited both by the need to use tariffs for fiscal and developmental purposes and by the fact that capital goods account for the greater part of their import bill and the duties on these goods are in any case very low or negligible.

5. The CONTRACTING PARTIES, therefore, need to give consideration to the question of adapting the negotiating procedures so as to make any tariff conference a more effective instrument for expanding exports from the less-developed countries.

6. One direction from which the less-developed countries can expect substantial augmentation of their earnings is an increase in production and exports of consumer products such as tea, coffee, etc. The Haberler report has suggested that the fiscal duties and other charges on these goods in the industrialized countries should be made negotiable under the GATT. The less-developed countries strongly endorse this approach but would also emphasize that the problem has to be viewed from the wider standpoint of securing in any exchange of concessions, a relatively larger expansion of the trade of the countries exporting such products. The CONTRACTING PARTIES should consider that where a binding of the import duty has been negotiated, its effect should not be nullified by the increase in the internal revenue charges. They would, however, also have to recognize that if reductions in the internal taxes are to be negotiated on the basis of reciprocity and each concession is required to be matched by one of equal value, the less-developed countries may be able to obtain little or no benefit even from any provision making these charges negotiable under the GATT. The principle of adjusting negotiating procedures to secure a relatively larger expansion in the exports of the less-developed countries has application over a wide field. A suggestion was made in the Executive Secretary's note on the work of Committee I that the less-developed countries might be allowed to negotiate concessions jointly on items of common concern to them. The possibilities in this field need to be explored so that the present disparity between the position of the less-developed and the industrialized countries in any tariff negotiations may be corrected.

7. If the industrialized countries are, however, to make a positive contribution to the trade of the less-developed countries, they would have to be prepared in many cases to give tariff concessions unilaterally on products in which less-developed countries have a special interest. Such unilateral action would not be of benefit to the less-developed countries alone. By augmenting the capacity of the less-developed countries to finance imports required for development, it would promote the export trade of the industrialized countries also.

8. In the context of the plans for future tariff negotiations with the European Economic Community, the less-developed countries would also emphasize the need for suitable adjustments in the application of the provisions of the Rome Treaty so that the existing obstacles to their exports to the Six are eliminated and the creation of new obstacles is avoided.

9. The less-developed countries feel that both because of the imminence of the tariff conference and because of the pressing nature of the difficulties which today confront them, the highest priority should be given to Part I and II of the work programme of Committee III.

10. Apart from the difficulties which arise from the application of high protective duties on the goods exported by the less-developed countries, there are other serious obstacles created by the use of protective quotas, subsidies, and price support schemes in respect of several primary products such as cotton, lead, zinc and other industrial raw materials, and severe quantitative restrictions applied frequently on a discriminatory basis in respect of various semi-processed and processed goods. The nature of these measures should be studied and solutions found as rapidly as possible. In regard to the process of development attention should also be paid to the long-term problems of structural adjustment in the patterns of production of and trade between the industrialized and the less-developed countries.

11. It is the understanding of the less-developed countries that the terms of reference of Committee III cover a broad and comprehensive examination of ways and means of increasing their exports. There has been wide recognition and acceptance by the industrialized countries of their responsibility in this regard. The less-developed countries feel strongly now that what is called for is urgent action. They would ask that the implementation of Parts I and II of the programme of work of Committee III should be very much more speedy than is contemplated in the Chairman's note circulated under document W.14/7 dated 3 May 1959.

12. The less-developed countries would suggest the following action with a view to accelerating the work:

- (i) Where information is already available or has been collected in connection with ad hoc items of work, such as the examination of the association of the overseas territories under the Rome Treaty, work on the studies contemplated in Part II of the work programme should be put in hand immediately.

- (ii) An early target date should be fixed for the receipt of lists of the more important commodities in which the less-developed countries are interested.
- (iii) During the current session itself a procedure should be worked out for rapidly collecting information on these commodities from contracting parties. In this connexion, Committee III or other suitable machinery should meet during the session and draft an explanatory memorandum for the submission of such information.
- (iv) The lists sent in by the less-developed countries at this stage would be neither final nor exhaustive. A procedure should be established for the submission of further lists by the less-developed countries as the work proceeds and for dealing with the commodities included in such lists.
- (v) The programme of work should ensure tangible progress by the fifteenth session.
- (vi) A report should be made at the fifteenth session.