

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Trade Negotiations Committee

REPORT OF THE SUB-COMMITTEE ON THE PARTICIPATION OF THE LESS-DEVELOPED COUNTRIES TO THE TRADE NEGOTIATIONS COMMITTEE

1. At its meeting of 10 April 1964, the Trade Negotiations Committee instructed the Sub-Committee on the Participation of the Less-Developed countries to "consider all questions relating to the attainment of the objectives laid down by Ministers with respect to the participation of these countries in the negotiations, formulate specific suggestions and recommendations and report to the Trade Negotiations Committee not later than the end of April" (TN.64/SR.4, paragraph 7). The Sub-Committee met from 21-23 April 1964. It had before it a background note by the secretariat, TN.64/LDC/2. This was the second meeting of the Sub-Committee. A note on the first meeting is contained in TN.64/LDC/1/Rev.2.
2. Section A of this report summarizes the deliberations of the Sub-Committee and sets out the conclusions reached. Section B summarizes the main statements made during the course of the meeting.

A. SUMMARY AND CONCLUSIONS

General

3. It was agreed by the Sub-Committee that, while less-developed countries participating in the negotiations should continue to play a full part in the work of the Trade Negotiations Committee and its other Sub-Committees, there was need for a body which could examine and call attention to any problem arising in the negotiations which was of special interest to the less-developed countries and which could act as a focal point for bringing together all issues of interest to the less-developed countries.

4. While some delegations suggested that a new body, in which all countries participating in the negotiations should be represented should be set up for this purpose, the general feeling was that this task could be carried out by the existing Sub-Committee, it being noted in this connexion that membership of the Sub-Committee was open to all countries participating in the negotiations which requested membership.

Exceptions lists

5. The Sub-Committee agreed that products of special interest to the exports of the less-developed countries should not be included in exceptions lists except where their inclusion is necessitated by reasons of overriding national interest. The Sub-Committee agreed that, in identifying those products which were of special export interest to the less-developed countries, the products which are at present under consideration in Committee III should be used as a starting point, but that less-developed countries wishing attention to be given to other items should notify such additional items as a sufficiently early stage to enable account to be taken of them.

6. The Sub-Committee agreed that where, after the general procedures for confrontation and justification had been carried out, there remained on the exceptions list products of special interest to the less-developed countries, the body referred to in paragraph 3 above would seek what alternative positive measures could be taken. It was also suggested that this body should make arrangements for a similar process in cases where developed countries included products of special interest to less-developed countries in the lists of products on which they proposed, under the rules governing tariff disparities, to reduce duties by less than 50 per cent.

7. The representative of the EEC while not being opposed to the first part of the proposal set out in paragraph 6, pointed out that, while the Community were prepared as a practical matter to hold discussions with third countries in certain circumstances on the inclusion of products in the list of those in respect of which the Community would be invoking the disparity rule, they could not agree to any formal procedure on this point.

Possibilities of tariff reductions of more than 50 per cent on products of special interest to less-developed countries

8. It was agreed that nothing in the Ministerial Resolution of 21 May 1963 precluded reductions in duties on particular products which were deeper than the percentage agreed for the general across-the-board linear tariff cuts. If, therefore, as was at present envisaged, it was agreed on 4 May next that the depth of the linear cut should be 50 per cent, this would not prevent deeper cuts in, or the complete elimination of, tariffs on products of special interest to less-developed countries.

9. The Sub-Committee noted further that all delegations were prepared to consider the possibility of such deeper cuts. The United States delegate referred in this connexion to the authority granted to his Government under Sections 202 and 213(a) of the Trade Expansion Act of 1962, which would permit the elimination subject to certain specified conditions of low duties and of duties on tropical products.

10. Delegations of certain less-developed countries suggested that specific rules should be established to this end, providing for example for zero duties on certain classes of products (for example, raw materials, tropical products, semi-manufactures and manufactured products based on tropical products and hand-made and other highly labour-intensive products) and establishing a maximum level, related to the duties on finished manufactures, for the duties on semi-processed products. Delegations of developed countries, however, felt that a more pragmatic approach to this question would be more practical and more effective. It was generally agreed that the first step would be for less-developed countries to identify the products where they considered deeper cuts necessary, and that procedures should be worked out for negotiation on these products. It was suggested that, where the most-favoured-nation tariff was maintained for the benefit of a third country (particularly, for instance, in the case of bound margins) rather than domestic industries, initial negotiations would have to take place between the applicant country and the third country concerned.

Preferences

11. Some delegations of less-developed countries put forward proposals under which, over and above the tariff reductions to be made on a most-favoured-nation basis, preferential reductions would be made by developed countries in

favour of less-developed countries. (A comprehensive statement on this point was made by the Indian representative and is summarized in Section B.) The Sub-Committee noted that the question of preferences was being studied in other GATT bodies, and agreed to revert to this question when the conclusions of this study were available.

Non-tariff barriers

12. The Sub-Committee noted that, while non-tariff barriers created problems for the trade of all countries, the problems they created for less-developed countries were especially great in certain areas. A considerable amount of relevant material had already been collected and analyzed by Committee III and the Action Committee. The Sub-Committee agreed that the body referred to in paragraph 3 above should keep these matters under constant review during the course of the negotiations and make appropriate recommendations to the Trade Negotiations Committee.

The question of reciprocity and the contribution the less-developed countries can make to the negotiations

13. The Sub-Committee recalled that one of the basic principles to which Ministers had subscribed at their meeting of May 1963 was that in the trade negotiations every effort shall be made to reduce barriers to exports of the less-developed countries, but that developed countries cannot expect to receive reciprocity from the less-developed countries.

14. The Sub-Committee noted that the contribution the less-developed countries could make to the overall objectives of trade liberalization had to be seen against this background. It agreed that the contribution which should be made by less-developed countries should be considered in the light of the development and trade needs of the country in question and of other less-developed countries.¹

15. The Committee noted a number of specific suggestions which had been made in this regard. It felt, however, that the various elements which would be required to establish the basis for the contribution of less-developed countries to the trade negotiations were not present at this stage and that further discussion on this question should therefore be deferred to a later date.

¹The representatives of Argentina and Brazil reserved their position on the second sentence of this paragraph and stated that the contribution which could be made by less-developed countries must also be subject to the requirements of their current financial situation.

B. SUMMARY OF MAIN STATEMENTS

General

16. The representative of the United States, recalled the objectives agreed to by Ministers on the participation of the less-developed countries in the trade negotiations. It had been widely agreed that these negotiations should be used as an opportunity for reducing barriers to the exports of the less-developed countries to the maximum extent possible, and more specifically that the developed countries should make every effort to avoid including in their exceptions lists goods of particular importance in the export trade of the less-developed countries. There was, however, nothing in the Ministerial Resolution or in the obligations already agreed to which precluded reductions in duties on particular products which were deeper than the percentage agreed for the general across-the-board linear reductions. The United States Administration had authority to reduce tariffs by more than 50 per cent in certain specified cases, and hoped to make the maximum use of that authority. His delegation also hoped that other developed countries would be prepared to do the same.

17. His delegation felt that there would be considerable merit in reconstituting the present Committee at an appropriate time, and in increasing its membership to include all the active participants in the trade negotiations. The Trade Negotiations Committee might delegate to the reconstituted Committee the responsibility for identifying the products of particular export interest to the less-developed countries, and might provide a mechanism through which joint action might be taken to meet the needs of the less-developed countries. It might explore the possibility that cuts of more than 50 per cent would be made in certain cases on items of export interest to the less-developed countries, and conduct the process of confrontation and justification in cases where a developed country has considered it necessary to include a product of interest to less-developed countries on its exceptions list. It might also consider the contribution which the less-developed countries themselves might in their own interest make to the trade negotiations.

18. The representative of India welcomed the constructive statement of the representative of the United States but pointed out that, on the whole, the export products of the less-developed countries were not yet competitive. The less-developed countries also lacked bargaining power. Protection in the developed countries was however higher on the goods exported by the less-developed countries than on other goods, and there was a steep progression in the tariff on products exported by the less-developed countries which bore no relation to the value added. If the objectives referred to by the United States were to be fulfilled, and if developed countries did act in concert to grant reductions of more than 50 per cent on products of interest to less-developed countries, these deeper cuts should be made in respect only of imports from the less-developed countries. He suggested that if the authority possessed by the United States Administration was not sufficient to enable such steps to be taken, the possibility of taking interim measures might be considered.

19. Referring to the proposal of the United States that the present Sub-Committee might be reconstituted, the representative of India said that his delegation was not sure that specific problems concerning the less-developed countries should be dealt with in isolation. He suggested that the less-developed countries should participate as fully as their technical capacity permitted, in the whole round of negotiations. He proposed, as a variation of the suggestion of the United States, that a watch-dog committee should be appointed to take a special interest in all matters arising out of the negotiations which specially concerned the interests of the less-developed countries, in order to ensure the achievement of the general objectives laid down by Ministers. Points of special interest to the less-developed countries could be dealt with in and through the watch-dog committee after these had arisen during the conduct of the negotiations.

20. The representative of the United States said, with reference to the intervention of the representative of India, that the suggestion he had made for the reconstitution of the Sub-Committee would not preclude the participation of less-developed countries in the other organs of the trade negotiations. The reconstituted committee would serve as a watch-dog but would also be charged with establishing the basis for the participation of the less-developed countries in the negotiations. This could be done in a pragmatic way so that the basis for participation would be in line with ground rules as they evolved.

21. The representative of the United Kingdom said that a distinction should be drawn between problems facing contracting parties as participants in the trade negotiations and parties to a contract which they were aware was not completely up to date. She reviewed the present state of preparations for the forthcoming trade negotiations and the practical implications of the negotiations for the less-developed countries.

22. It had been agreed that there should be a minimum of exceptions from the general rule of a 50 per cent cut. It was, however, generally understood that a contracting party would only table exceptions involving it in considerations of overriding national interest and there was therefore no reason in logic to distinguish between the generality of exceptions and those of particular interest to the trade of less-developed countries. If all developed countries were, however, prepared to co-operate ad hoc solutions might be found on some items of interest to less-developed countries which would not have been found if the problem had been looked at unilaterally. It was also hoped that there would be cases where for the benefit of the less-developed countries reductions of more than 50 per cent would be made.

23. The representative of the United Kingdom supported the suggestion of the representative of India that less-developed countries should integrate themselves as far as possible in the machinery of the negotiations and should participate in the work of the other bodies charged with preparing for these negotiations. The problems of the less-developed countries could not have been seen in a watertight compartment. The representative of the United Kingdom felt also that discussion of the question of new preferences should be left to the Working Party set up for this purpose. The present Sub-Committee might however examine what less-developed countries could do for each other's benefit to reduce their tariffs on specific items without breaching the most-favoured-nation clause.

24. In conclusion the representative of the United Kingdom said that in the view of her delegation the present Sub-Committee had a continuing rôle to perform and suggested that its present terms of reference would allow it to carry out the functions outlined by the representatives of the United States and India. Membership of the Sub-Committee was open to all countries participating in the negotiations who requested it.

25. The representative of the United Arab Republic said that his Government hoped to be able to contribute to the success of the forthcoming trade negotiations. He noted, with satisfaction, that these negotiations would not be limited to the tariff but would also include non-tariff barriers. He welcomed the possibility that tariffs on products of interest to less-developed countries might, in certain cases, be reduced by more than 50 per cent. He pointed out, however, that the less-developed countries would not be able to offer reciprocal concessions and stressed that they would not be expected to reduce duties primarily imposed for revenue purposes.

26. The representative of Brazil said that it would be difficult for the less-developed countries to express their willingness to participate in the trade negotiations before the ground rules had been elaborated. The participation of less-developed countries must be regarded as conditional. They would be able to decide the form which their participation in the trade negotiations would take only after seeing the advantages which the trade negotiations offered them. Even the word negotiations created doubts in the minds of the representatives of the less-developed countries. He therefore suggested that rules along the following lines might be considered.

- (a) The principles accepted by the Legal Committee should be taken into account by the Sub-Committee where these were of relevance (L/2195/Rev.1, I.2(a) (b) (c) (d)).
- (b) It should be accepted that the less-developed countries should not be required to reduce protection on the secondary sector of the economy, both with regard to existing activities as well as with a view to stimulating investments where domestic production has not begun.
- (c) The financial needs and the needs of development planning of the less-developed countries should also be taken into account in the negotiations.
- (d) The instability of prices of primary products affected by concessions and the deterioration of terms of exchange should also be taken into account.

- (e) Arrangements should be made to ensure that concessions granted to less-developed countries should lead to a more than proportional increase in trade than any concessions asked from these countries.
- (f) The existence of the discrimination against less-developed countries and compatibility of this with the General Agreement should be taken into account.
- (g) The removal or reduction of barriers to the trade of less-developed countries which are incompatible with the General Agreement should not be considered as concessions for the purpose of reciprocity.
- (h) The need to remove or reduce non-tariff barriers whether consistent or inconsistent with the GATT which have the effect of nullifying or impairing tariff concessions should also be recognized.
- (i) Finally, it should be recognized that concessions granted by the less-developed countries must be regarded as temporary.

27. The representative of Canada said that his Government would play its full part in the forthcoming negotiations and in ensuring that these negotiations contribute to the objectives laid down by Ministers in respect of the expansion of trade of developing countries. While Canada was not a member of the Sub-Committee, it would be interested in taking part in subsequent discussions on the participation of less-developed countries in these negotiations.

Exceptions list

28. The representative of India emphasized that products of special interest to the exports of less-developed countries should not be included in the exceptions lists of the developed countries except in cases where the overriding national interest was involved. He proposed that the procedure for the confrontation and justification on these items should take place in the watch-dog committee which his delegation had proposed should be set up. His delegation agreed that the list of products in Committee III should be used as the starting point in identifying these items and would endeavour to transmit to the secretariat a list of additional items of special interest to India before the tabling of the exceptions lists. He suggested that if, as a result of the rules on tariff disparities, there was to be a cut of less than 50 per cent on items of interest to less-developed countries that these items should be treated in the same way as exceptions and would be subject to confrontation and justification in the watch-dog committee.

29. The representative of the United Kingdom pointed out that only a handful of the items in question would be of exclusive interest to the less-developed countries. She said that in the opinion of her delegation it was doubtful whether the process of confrontation and justification on items included in exceptions lists should be carried out in this committee or indeed in any full committee in view of the problem of confidentiality in the trade negotiations. In any event as already recorded in paragraph 22, exceptions would be justified by reference to considerations of overriding national interest and would not relate to the damage to second parties.

30. The representative of the United States supported the proposals made by the representative of India with respect to exceptions.

31. The representative of the European Economic Community said that his delegation was not opposed to the Indian proposal on the process of confrontation and justification on items of special importance to less-developed countries included in exceptions lists. He pointed out, however, that while the Community were prepared as a practical matter to hold discussions with third countries in certain circumstances on the inclusion of products in the list of those in respect of which the Community would be invoking the disparity rule, they could not agree to any formal procedure on this point.

32. Asked by the representative of Nigeria whether, during the process of confrontation and justification on products exported by less-developed countries which were included in the exceptions lists of the developed countries, less-developed countries whose interests were adversely affected would have an opportunity to make their views known, the Executive Secretary pointed out that the interests of third countries were not relevant in this process, which would be designed to find out in as objective a way as possible whether the country proposing the exception could satisfy the criterion that the exception is required by overriding reasons of national concern to its own country. Thereafter a further process was to be superimposed on it (see paragraph 6) to see what could be done to alleviate problems arising for third countries and to seek to devise alternative positive measures. The process of confrontation and justification related to products placed on exceptions lists and thus excluded from the general cut. Any discussion of what might be done less than that or different from that would take place subsequently. As between industrialized countries this process would presumably form part of the negotiations. Where less-developed countries were involved, the process would be conducted according to the procedures just referred to.

Possibility of tariff reductions of more than 50 per cent on products of special interest to less-developed countries

33. The representative of the United States repeated that his Government hoped to make maximum use of the authority granted to it under Section 202 and 213(a) of the Trade Expansion Act of 1962, which would permit the elimination, subject to certain specified conditions, of low duties and duties on tropical products.

34. The representative of India drew attention to the fact that products of special interest to less-developed countries had tended to be excluded from tariff concessions made by developed countries in past tariff conferences and that tariffs on those products tended, therefore to be disproportionately high. Referring to tropical products (the definition of which should include coir, sisal, kenaf and jute as well as goods manufactured from tropical products) and highly labour intensive products, he said that the ground rules should provide for a reduction of more than 50 per cent. He pointed out that it was the understanding of his delegation that industrialized countries other than the United States had no limitations on their authority in this respect. He also said that where unduly high tariffs existed on semi-manufactured goods a 50 per cent reduction would not, by itself, encourage the establishment of producing industries in the less-developed countries and that a deeper cut would be necessary. In addition, if the principal supplier was not a less-developed country, the Sub-Committee should consider how preferences could best be introduced. He also suggested that thought should be given to working out ground rules which would permit preferential arrangements on the remaining items of export interest to the less-developed countries. These arrangements should not be worked out item by item but on a linear basis with exceptions to be negotiated or discussed. It would be possible to overcome abuses of such a system through careful attention to rules of origin.

35. The representative of Brazil supported the representative of India on the need for a reduction of more than 50 per cent on selected products of interest to less-developed countries and the definition of tropical products which had been suggested by the representative of India. It was necessary to work towards duty-free entry for primary products. Referring to semi-processed products, he suggested that a rule should be agreed upon which might, for instance, provide that these products should never pay more than 50 per cent of the duty on the manufactured goods derived from them and that these goods should, wherever possible, be granted free entry. His delegation would be submitting a comprehensive proposal on the granting of new preferences to the Working Party on Preferences.

36. The representative of the United Arab Republic suggested that the term primary products should be understood to include agricultural products and tropical products. He also suggested that the tariffs on semi-processed and processed goods of export interest to the less-developed countries should be reduced to zero during the course of the forthcoming negotiations. When considering the treatment to be accorded manufactured goods exported by less-developed countries, the Sub-Committee should take into account the results of deliberations in the Working Party on Preferences when these become available.

37. The representative of the United Kingdom suggested that the possibility of reducing to zero duties on selected products of interest to the less-developed countries should be examined. The representative of the United Kingdom also suggested that, where the most-favoured-nation tariff was maintained for the benefit of a third country (particularly, for instance, in the case of bound margins) rather than domestic industries, initial negotiations would have to take place between the applicant country and the third country concerned.

38. The representative of the United States recalled that his Government had no authority to grant new preferences and said that even if preferences were considered desirable, it would be unrealistic to expect that additional authority could be obtained until the forthcoming round of negotiations had been completed and the existing authority used to the fullest possible extent. Referring to the suggestion that reductions in tariffs of more than 50 per cent might be accorded to certain goods exported by the less-developed countries, he suggested that it would be difficult to establish specific rules in this regard but that consideration should be given to the suggestion which he had made that the present Sub-Committee should be given authority to pursue this subject in a pragmatic way, and that procedures might be established accordingly.

39. The representative of Japan stated that while his Government would be prepared to examine seriously the possibility of the deeper tariff cut on certain products he would not be in a position to accept, as a matter of rule, the proposition that the industrialized countries should make the deeper cut on products of special interest to the less-developed countries. He indicated that his delegation was in favour of the pragmatic approach and did not consider that the formulation of the specific rules for the deeper cut was necessary and practical.

40. The representative of India pointed out that the Working Party on Preferences had been called into existence as a result of a decision taken by Ministers who agreed that the questions involved should be studied. There was reason to believe that this study would be constructively completed before the Kennedy Round of negotiations was completed. His delegation was suggesting that thought should therefore be given to the integration of negotiations on preferences with the Kennedy Round of negotiations.

41. The representative of India also pointed out that his country enjoyed preferences in the United Kingdom. His delegation had not however made reference to the fact that reductions in the margin of preferences enjoyed by his country might be disadvantageous for it because it did not wish to hinder progress towards the liberalization of world trade. His country had performed an act of faith and was prepared to continue to do so while entering upon the Kennedy Round of negotiations. It would however, be difficult particularly for his Government to accept that India's trading opportunities would be reduced in one major industrialized country, especially if the benefit went to other industrialized countries, without compensating advantages in the markets of those other countries. India would, however, be prepared to offer to share its advantages with all less-developed countries in a scheme of generalized preferences which would make it possible for those countries to make a contribution to the growth of international trade. Concluding, the representative of India suggested that consideration of the question of new preferences should be deferred for the time being but that it should be taken up again when the conclusions of the Working Party on Preferences were available.

Non-tariff barriers

42. The representative of India drew attention to the fact that many non-tariff barriers including quantitative restrictions, mixing regulations, internal taxes, sanitary regulations, administrative devices and price controls hampered his country's exports. Other invisible barriers were also of importance. The imposition of non-tariff barriers on agricultural products which were not produced in substantial quantities in developed countries, such as certain vegetable oils, was completely unjustified. It was necessary that the non-tariff barriers to which he had referred should be identified, either by the Sub-Committee on Non-Tariff Barriers or by Committee III, preferably the latter, and that a time limit should be set for the presentation of a report. It should be understood that illegal restrictions would be abolished without any negotiation. Other non-tariff barriers should be subject to confrontation, justification and subsequent negotiation. Compensation should be given to less-developed countries for the loss in trade resulting from the maintenance of non-tariff barriers, perhaps in the form of deeper tariff cuts. The watch-dog committee should take cognizance of the problem and invite other bodies to report to it.

43. The representative of Ceylon supported the proposals of the representative of India and suggested that note should be taken of the problem posed by the use in the developed countries of government research subsidies and other similar assistance which were not reflected in the export prices of certain products. These subsidies often created difficulties in the marketing of products of the less-developed countries.

44. The representative of the United States said that the question at issue was that of deciding what would be suitable for the present Sub-Committee to do in this field and what would better be left to other bodies. He said that the work of Committee III was broad in scope and not necessarily related to the forthcoming trade negotiations. It would, he said, hardly be possible to remove all the non-tariff barriers identified by Committee III during the negotiations and he suggested that participating less-developed countries should table requests on items to which they attach the greatest importance and urgency.

45. The representative of the United Kingdom said that it was the view of her delegation that illegal restrictions should be tackled in the bodies already established to deal with them and that during the trade negotiations efforts in this field should be concentrated primarily on an attempt to reduce or remove non-tariff barriers nullifying or impairing tariff concessions to be granted in the negotiations or which had been granted in the past. The most useful thing which members of the present Sub-Committee could do would be to notify the Sub-Committee on Non-Tariff Barriers of those barriers which they would wish to be brought within the scope of the negotiations.

46. The representative of Ceylon, while agreeing that one aim of the trade negotiations should be to attack non-tariff barriers nullifying or impairing tariff concessions granted to less-developed countries, stressed that the barriers which the Indian delegate and he had brought to the notice of the Sub-Committee would have precisely this effect of nullifying tariff concessions. If, for instance, the tariff on vegetable oils were lowered in Western Europe on a most-favoured-nation basis, the advantage of access to this market might go to oils produced in industrialized countries applying hidden subsidies. If the industrialized countries concerned were not prepared to take appropriate action in regard to their export prices, the solution might have to be preferential tariff on vegetable oils from the less-developed countries. All these questions were inextricably bound with each other in the context of the overall objective of the expansion of trade of the less-developed countries.

47. The representative of India pointed out that non-tariff barriers were often imposed discriminatorily on exports of the less-developed countries and said that compensation for this should be granted to the less-developed countries. The restrictions which India was compelled to impose on her imports for balance-of-payments reasons were applied on a non-discriminatory basis. Any increase in exports which might result from concessions granted to India during the course of the negotiations would automatically lead to an increase in imports.

48. The representative of the European Economic Community said that in the Sub-Committee on Non-Tariff Barriers a distinction had been drawn between those barriers which would require multilateral negotiation of new rules or codes of conduct and those which could be left in the first instance at any rate to bilateral discussion or discussion between groups of countries, and that the measures which fell into the first of these groups were to be identified before 4 May. He suggested that the present Sub-Committee might therefore concentrate on identifying non-tariff barriers of special concern to the less-developed countries which fell into this group.

49. The representative of Israel emphasized that because the less-developed countries lacked bargaining power it would be difficult for them to negotiate bilaterally, and suggested that non-tariff barriers identified as being of special importance to the less-developed countries, should be dealt with multilaterally, and that the principle of non-reciprocity should be observed. He also suggested that a multilateral approach would be necessary to deal with non-tariff barriers maintained contrary to the provisions of the General Agreement.

The question of reciprocity and the contribution the less-developed countries can make to the negotiations

50. The representative of India said that the Ministers had agreed at their meeting of May 1963 that the developed countries could not expect to receive reciprocity from the less-developed countries; it was not open for the Sub-Committee to re-examine this matter. In the opinion of his delegation no lists of offers could be submitted by less-developed countries at this stage. His country already had low duties on goods required for development purposes and its bargaining power had been reduced by the binding of duties in past negotiations. India submitted to the rules laid down in the General Agreement and increases in her foreign exchange earnings would automatically be matched by a rise in imports.

51. In reply to the questions from several delegations the Chairman said that a less-developed country could be said to be participating in the trade negotiations when it played its part drawing up the ground rules for these negotiations, and when it contributed to the negotiations. The form which this contribution might take was at present under discussion. Attention had already been drawn to the problem of timing in this respect.

52. The representative of the United States pointed out that many points still remained to be agreed before the ground rules were established, and that in these circumstances it was hardly possible for less-developed countries to know exactly what their contribution to the negotiations should be. The Sub-Committee might therefore defer to a later date consideration of the basis for the contribution to be made to the negotiations by the less-developed countries.

53. The representative of the United Arab Republic said that his delegation, in common with the delegations of other less-developed countries, could not at present say what its contribution would be.

54. The representative of the United Kingdom pointed out that all countries participating in the Kennedy Round were bound by Ministers' affirmation that every effort should be made in the trade negotiations to reduce barriers to exports of less-developed countries. Accordingly, developing countries should consider what they could do to aid each other. If these countries were not able to construct offer lists it might be more convenient to consider whether they should address request lists to each other as a starting point in fulfilling the ministerial objective.

55. In reply to questions the representative of India said that the form of India's offer could only be decided at Cabinet level when all the elements on which the decision must be based were present.

56. The representative of Nigeria said that two groups of less-developed countries participating in the negotiations might be distinguished. Firstly, those countries which could make no substantial contribution in return for the concessions which they received, and secondly, other less-developed countries. In the opinion of his delegation, Nigeria would fall into the first of these categories, although it was prepared to examine its own tariff and other commercial policy arrangements with a view to considering what changes might be made in the interests of its own economic development and in the light of requests from other less-developed countries.

57. The representative of the Argentine said that the Ministerial Decision made it perfectly clear that less-developed countries would not be expected to give full reciprocity in the forthcoming trade negotiations. His country was very interested in participating in negotiations which would provide real benefits for the less-developed countries and supported the suggestion of the United Kingdom that possibilities for increasing trade between the less-developed countries should be examined. It was not possible at the present stage, however, for his delegation to arrive at any conclusions on the form of the contribution which it might make as the rules under which the negotiations would be conducted had not been agreed.

58. The representative of the European Economic Community, said that as the word "reciprocity" seemed to give rise to misunderstandings. In fact the notion of "reciprocity" contained two elements:

- (a) a contribution as such;
- (b) the quantitative value of such contribution.

If it has been stated by Ministers that developed countries could not expect reciprocity from the less-developed countries, it seems obvious that this would relate more specifically to the value aspect. In that case, there remained only the contribution aspect to be dealt with. This contribution has been defined in the note by the secretariat (TN.64/LDC/2) as a contribution in the light of the development needs of the less-developed countries concerned; the representative of the European Economic Community was in agreement with this interpretation. The Sub-Committee might consider if it was advisable to draw up rules or procedures for the participation of the less-developed countries, but he pointed out that the special problems faced by each less-

developed country individually would make it difficult to arrive at rules of general application. The Sub-Committee might also consider if it was possible to establish a date by which the less-developed countries would propose what their contribution would be or indicate whether they would be able to make a contribution. He emphasized that one should not give too narrow an interpretation to what the nature of such a contribution should be.

59. The representative of the United States said that while his delegation felt that participating less-developed countries should all make a contribution to the negotiations, the nature of this contribution might vary from country to country. It was not expected that individual less-developed countries benefiting from concessions granted by the United States would necessarily make a contribution to the negotiations of specific benefit to the United States, but it would be difficult for his delegation to make full use of the authority which it possessed if less-developed countries did not make some contribution to the negotiations as a whole. It was the view of his delegation that it would not be easy at the present time to establish rules to govern the participation of the less-developed countries both because the other rules were not yet clear, and because different conditions prevailed in different less-developed countries. This was a question which should be examined at a later date.

60. The representative of Ceylon said that an important contribution would be made by less-developed countries in the form of increased imports of development goods which would result automatically on any growth in foreign exchange earnings. It might be possible to use the existing balance-of-payments consultations to demonstrate that these increased imports took place on a non-discriminatory basis and that benefits of increased imports into the less-developed countries would accrue to the industrialized countries in GATT, provided their exports were competitive. He said that it would be difficult for less-developed countries to present offer lists at the start of the negotiations, but that this might become possible as the negotiations continued, and that, in view of the presentational problems posed for developed participating countries, at least token contributions might be made.

61. The representative of Brazil recalled that his delegation had made a general statement at the beginning of the meeting which touched upon the question under discussion, and said that the basic position of his delegation on the question of reciprocity was contained in the Model Chapter drawn up by the Committee on the Legal and Institutional Framework. His delegation would consider any requests made to it during the course of the negotiations.

62. The representative of Peru pointed out that the effective participation of his country would depend on the basic rules governing the negotiations which were not yet clear.

63. The representative of Japan pointed out that his country's exports were subject to discriminatory treatment in the markets of certain less-developed countries, and stated that the elimination of this discrimination was the minimum contribution which Japan would expect these countries to make to the negotiations.

64. The representative of Yugoslavia said that the views of his delegation were similar, if not identical, to those expressed by other less-developed countries. It was difficult to say at the current stage what the position of Yugoslavia would be. The situation of individual less-developed countries varied in regard to their possible contribution. That contribution must have a voluntary character and must be consistent with each country's possibilities. In certain cases, for example, it might be nothing. In the case of Yugoslavia, account would also have to be taken of the unfavourable trade balance and of external indebtedness, resulting from economic development needs.