

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## MINUTES OF THE MEETING OF THE GROUP OF LESS-DEVELOPED COUNTRIES ON 6 MAY 1966

Prepared by the Secretariat

1. The thirty-ninth in a series of regular meetings of the group of less-developed countries in GATT was held on 6 May 1966 under the Chairmanship of H.E. Mr. C. Valenzuela, Ambassador of Chile. The meeting was attended by the representatives of Argentina, Brazil, the Central African Republic, Chile, Cuba, Ghana, India, Indonesia, Jamaica, Pakistan, Peru, Trinidad and Tobago, the United Arab Republic, Uruguay and Yugoslavia.
2. At the invitation of the Chairman, the Deputy Director-General addressed the group on the current status of the Kennedy Round and the remaining work still to be accomplished in this field in the months to follow. The group requested that the full text of the Deputy Director-General's statement be circulated to all less-developed countries. For convenience it is recorded, in extenso, in the following paragraphs.
3. The Deputy Director-General stated that there were valid reasons to believe that activities over the next few months would gather momentum culminating in a decisive phase of the negotiations in the early part of 1967. In view of the short time available it was important for the less-developed countries participating in the Kennedy Round to give serious consideration to the work ahead of them and plan carefully the most efficient ways of making use of this important opportunity.
4. Before analyzing the present situation the Deputy Director-General thought it might be useful to review the arrangements which had been made for these negotiations. It might be recalled that the Trade Negotiations Committee had formally established several Sub-committees to deal with the various aspects of the negotiations: i.e. the sub-Committee on Tariff Negotiating Plan; the Sub-Committee on the Participation of Less-Developed Countries; the Sub-Committee on Non-Tariff Barriers; the Group on Tropical Products; and the Committee on Agriculture. The Sub-Committee on Tariff Negotiating Plan had been established to formulate rules for the conduct of negotiations between developed countries on

industrial products. In the light of its deliberations the negotiating countries had established a working hypothesis of 50 per cent cut in tariffs on all industrial items, and it was understood that there should be no more than a bare minimum of exceptions necessitated only by reasons of overriding national interest. In November 1964 lists of such exceptions were tabled by "linear countries". It might be noted that many of the exceptions did not mean the total exclusion of a product but merely the application of a lower rate of cut. Other developed countries, e.g. Australia, Canada and New Zealand, which were not participating on the basis of the linear reduction, had presented positive offers. In some cases, the lists of exceptions indicated only the products on which the countries concerned were prepared to negotiate without specifying the precise initial offer that would be made. Such precise offers had now mostly been made available. The question of significant disparities in tariffs had been evoked at the Ministerial Meeting in 1963 but the Trade Negotiations Committee had been unable to work out automatic rules applicable for tariff reductions in such cases, and the matter had been left for the time being, to be settled towards the final stages of the negotiations. This was, however, a problem which basically affected the highly industrialized countries.

5. The main task of the Sub-Committee on the Participation of Less-Developed Countries was to establish rules to govern the participation of less-developed countries in the negotiations. This having largely been done the Sub-Committee had not been meeting frequently in recent months. However, certain problems of a general nature remained to be dealt with by the Sub-Committee, notably the problem of a deeper cut than 50 per cent on products of export interest to less-developed countries, a more rapid implementation of tariff concessions on such products and the problem of possible compensation for the incidental loss of preferences for certain countries as a result of the negotiations. The Sub-Committee was also to deal with the question of the expansion of trade among less-developed countries. The CONTRACTING PARTIES had recently agreed that preparatory work in this field should be undertaken by the less-developed countries themselves, with the technical assistance of the secretariat. The secretariat had been working on draft rules for negotiations between less-developed countries, which would shortly be discussed with the delegations of less-developed countries, and on statistical data to indicate the areas where action might best be taken by less-developed countries for their mutual benefit. A preliminary study had shown that exceptionally high tariffs which would appear to have no economic justification were applied on certain of these products. The less-developed countries concerned might wish to consider the possibility of their removing or reducing these duties since this, inter alia, might help to increase trade between less-developed countries.

6. The Sub-Committee on Non-Tariff Barriers was set up to oversee this aspect of the negotiations. Individual contracting parties had identified those non-tariff barriers which they would have wished to be taken up in the Kennedy Round. Contrary to expectations only a few such barriers were put forward for discussion. These included European restrictions on coal complained of by the United States; the "wine gallon" problem, the so-called American selling price system of valuation for customs purposes applying notably to chemicals, and other problems of valuation affecting United States imports. The problem of residual restrictions was not brought up, presumably because delegations believed that this question could best be dealt with in the context of the negotiations on specific products or that there should be no duplication of the work already being actively pursued in the Committee on Trade and Development. This was one of the important areas where the Committee on Trade and Development had important functions to perform in direct relation to the endeavours within the Kennedy Round to lowering trade barriers.

7. The Group on Anti-Dumping Policies, a subsidiary body of the Sub-Committee on Non-Tariff Barriers, had been working on a new code of general application on anti-dumping practices and procedures to supplement the provisions of Article VI of the General Agreement. The Group had already started work on the technical aspects of the problem and was to hold its next meeting on 10 May 1966. The work of this Group might appear to less-developed countries to be of marginal interest but it might eventually prove to be of considerable importance to some of them. One less-developed country had already expressed an interest in participating in its work.

8. The Committee on Agriculture, in trying to lay down rules for negotiations for "acceptable conditions of access to world markets for agricultural products", had studied various formulae and ultimately agreed that the negotiating partners should table their offers on agricultural commodities on an ad hoc basis. Although it had not been possible to fix a date for all negotiating countries to table their offers, there were indications that the missing ones would soon be submitted. During meetings of the Committee about a year ago an opportunity had been afforded to exporting countries to indicate the kind of offers they would expect. Less-developed countries had participated in this exercise. The Committee on Agriculture had, however, largely fulfilled its mandate and one now heard very little about it. Negotiating groups had been set up for cereals, meat and dairy products. Other groups might be set up as necessary. However, problems were quite often of a bilateral nature, either between two countries or a very few countries, and where the group approach did not appear necessary negotiations would proceed in the normal way between the interested parties.

9. A great deal of technical work had been done by the Group on Cereals in the autumn of last year. Similar work would be carried out in the Groups on Meat and Dairy Products. Much information had already been collected, and data of a technical nature concerning the EEC policies had been received and were being processed for circulation. These Groups would be convened in June and would meet for two to three weeks each. Discussions in these Groups should not be restricted to the economic or technical aspects of the questions but might also be directed towards the formulation of "blueprints" of an agreement in this field. The missing offers, notably from the EEC, would be incorporated when received, before the final stage of the negotiations.

10. It might be noted that these commodity groups set up by the Agricultural Committee were not meant to be places for negotiations exclusively among developed countries. Their membership did include developing countries which had a major interest in the products in question.

11. This was particularly true in the case of the Group on Tropical Products which had also established certain ad hoc rules for the negotiations. It was understood that the EEC was currently engaged in consultation with the Associated African States in terms of the Yaoundé Treaty in preparation for the submission of its offers towards the end of this month. The Group therefore could expect to resume its work in June. The secretariat had already undertaken a tabulation of offers so far received and the paper would be circulated to the developing countries participating in the negotiations very shortly. Present indications, however, held forth little ground for optimism in this field. The important offers for the removal of barriers to trade in tropical products that had been tabled by some major importing countries were often contingent upon "joint action" by certain other participants and in particular by the EEC. The nature of the EEC offer might however be conditioned by the considerations which they had expressed at the 1963 Ministerial Meeting and by the fact that the African countries associated with them had contractual rights to preferences on important tropical products under the provisions of the Yaoundé Convention. The attainment of the objective earlier established in the GATT for a sweeping removal of barriers to trade in this field would require concerted action in several spheres and organs at the same time, and would involve the concept of compensation for the loss of preferences.

12. As regards the negotiating groups which had come into existence for various industrial sectors, these had not been formally established by the Trade Negotiations Committee or its subsidiary bodies. Once the plans and rules for the negotiations had been established and real negotiations got under way, there remained very little scope for action by formal committees and sub-committees because it became basically a matter of negotiations between the interested contracting parties, either bilaterally or in small negotiating groups, with a view to improving the offers and arriving at an agreement satisfactory to the negotiating partners.

These groups consisted of countries which had a significant trading interest in the sector and came into being when they realized that the problems in the sector could not effectively be dealt with on a strictly bilateral basis but that the negotiations would be facilitated by the participation of the countries concerned. Such appeared to be the case with the negotiations on chemicals, steel, aluminium, pulp and paper and, in a sense, cotton textiles.

13. In the chemical sector, all the offers had now been received. The United States had indicated its willingness to negotiate the abolition of the American selling price system even though this would involve legislative action. The group on chemicals had started its work early in May and was expected to meet again on 24 May. More meetings were expected to take place in June.

14. The group on steel started its work on 5 May. Prior to this meeting a concordance of the tariff nomenclatures of the members of the group had been established. The group would compare the offers made by the members in an effort to secure the maximum possible reductions in the sector. The talks in the group were likely to continue for another week or two and would resume in June.

15. With regard to aluminium and paper and pulp, the full offers of the European Economic Community were still awaited. Once they had been received, and this might follow the meetings of the Council of Ministers in Brussels this month, similar informal groups would start working on the problems raised in these sectors.

16. As regards cotton textiles, it was generally known that certain contracting parties took the position that the trade negotiations in the Kennedy Round should be linked with the Cotton Textiles Agreement. Certain major parties in the trade negotiations, which happened to be major importers of cotton textiles, had made their offers in the Kennedy Round conditional upon the continued existence of safeguards such as those which had been provided for in the Long-Term Arrangement. Some of the major exporting countries had refused or at least raised major objections to this line of action; they believed that negotiations on cotton textiles in the context of the Kennedy Round should be independent of the question of action in regard to the Cotton Textiles Agreement. Evidently, the sector of cotton textiles, which was of great interest to some less-developed countries, could not be left aside without a solution, which naturally had to be sought through multilateral discussions. Hence the proposal that countries participating in the Kennedy Round and having an interest in the Long-Term Arrangement should get together in a group to consider how to proceed in this field. The group was expected to meet towards the end of May or early in June. It would appear that

the best approach was for the interested countries having clarified their basic positions to get on with their negotiations for the liberalization of trade in these products.

17. It was evident from discussions in the CONTRACTING PARTIES and the Director-General's report on the progress of the Kennedy Round that a time-limit existed for these negotiations. Apart from the fact that the United States authority to negotiate would expire in July 1967, there were other political, psychological and factual reasons which called for the conclusion of the Kennedy Round within a reasonable time. It was therefore to be hoped that all offers including those in the agricultural sector would be tabled before the summer recess and that intensive negotiations on the offers would be completed in the autumn or at least before Christmas. This would enable the contracting parties to evaluate the whole situation and to wind up the negotiation in the first part of 1967. If all went well some kind of a package deal resulting from give and take should emerge by the end of March.

18. While less-developed countries were undoubtedly engaged in the Kennedy Round with a view to safeguarding their individual national interests, there remained areas where joint action on their part might help the trade negotiations. Less-developed countries had indeed submitted notifications of products considered to be of export interest to them in the context of the negotiations. However, these lists, which were often very long, had been drawn up at an early stage of the negotiations when the predominant feelings were naturally that no items of immediate or potential export interest should be left out. A stage had now been reached where it would be advisable for less-developed countries to revise their lists with a view to defining priorities and separating items of prime importance from those only of minor importance or of remote potential interest. Such revised lists would set out the interests of less-developed countries in a well-founded and well-argued way and could serve as the basis for the decisive series of bilateral negotiations which would have to be conducted in the not too distant future. The preparation of the lists could usefully be undertaken in the informal group of less-developed countries with, if need be, the assistance of the secretariat. In the next stage of the negotiations in the autumn of this year the consolidated revised lists of individual less-developed countries could be used as a necessary basis for appropriate joint action by less-developed countries vis-à-vis the other parties to the negotiations, possibly in the Committee on Trade and Development. The aim of this joint action and of the bilateral negotiations preceding it would be the maximization of benefits for less-developed countries

in the Kennedy Round. Items for which less-developed countries were predominant suppliers might be separated from those in which the bulk of the goods entering international trade was supplied by industrialized countries. A consolidated list drawing this distinction was essential if the negotiations were to come to grips with the requests of less-developed countries for deeper cuts or advance implementation of concessions on particular products.

19. Similar action was also called for in relation to the expansion of trade among less-developed countries themselves. It had been agreed that less-developed countries should avail themselves of the opportunities presented by the Kennedy Round to seek the expansion of their mutual trade.

20. A number of industrialized countries, in the course of discussions at the Committee on Trade and Development and at the CONTRACTING PARTIES, had indicated that some of the undertakings and promises they had extended by accepting the provisions of Part IV of the General Agreement would be honoured in the context of the Kennedy Round. Consequently it should be useful for the Committee to gear its activities to the timing and requirements of the trade negotiations, and the objective would be to get the maximum out of the Kennedy Round for the developing countries, and the maximum implementation of the provisions of Part IV. The trade negotiations should, therefore, be the main preoccupation of the Committee on Trade and Development for the rest of the year, and should be given top priority in its work programme. It was true that Part IV provided for various activities which were equally important but in view of the tight time-table of the Kennedy Round and the limited resources available to individual delegations of less-developed countries and to the secretariat, certain priorities would have to be established in the Committee's work programme. Some activities would have to be left aside for the time being. Others, e.g. the activities of the International Trade Centre, the development plan studies, etc. would seem to have received sufficient attention from the Committee and sufficient guidance from the CONTRACTING PARTIES to be able to maintain their own momentum for the time being.

21. In concluding his statement, the Deputy Director-General stated that he was well aware of the limited manpower available to the individual delegations of less-developed countries which made it difficult for them to cope with the work in the GATT concurrently with that in other international organizations. He assured the group that he would do his best to seek collaboration with the Secretariats of other organizations and would, in so far as possible, harmonize the meeting schedules.

22. He was also conscious of the fact that, when a small delegation engaged in negotiations with a number of other delegations, it would always be at a disadvantage and might find itself lacking in important information, such as trade statistics, tariff rates and restrictive methods in force. The secretariat would be glad to make available to delegations of less-developed countries experts on its staff to assist them in their work in order to enable them to get the maximum benefit out of the trade negotiations. The intention was not to interfere with their policies or negotiating judgments but to render help on purely technical matters.

23. In response to a question concerning the EEC offer on tropical products, the Deputy Director-General stated that it was expected that the offer would be available shortly and that the Group on Tropical Products would re-convene sometime in June. In this connexion, he suggested that less-developed countries might consider the possibility of broadening the product coverage of the discussion in this context so that other commodities in which the less-developed countries had a supplying interest could also be covered. This might help to overcome the difficulties faced and to facilitate "joint action" which essentially reflected the concept of burden sharing.

24. In response to requests for brief notes on the proceedings of the Groups on Anti-Dumping Policies and on the discussions on the American selling price system, the Deputy Director-General stated that, in view of the highly technical and complex issues involved, he would prefer to give information on the development in these groups to individual delegations of less-developed countries. It was noted that the American selling price system applied not only to chemicals but also to other products. As regards documentation pertaining to the groups on agricultural commodities, the Deputy Director-General said he would take up the matter with the members of the groups concerned, with a view to making the documents available to less-developed countries in the future.

25. In reply to a question concerning the most appropriate time for joint action on the part of less-developed countries in the various fields, the Deputy Director-General stated that it should be sometime late in the autumn. At the moment the situation in the trade negotiations was not yet completely clear. It was hoped that all the missing elements in the fields of textiles and agriculture would become available by the end of the summer. Intensive negotiations could then take place. Towards the end of the autumn governments would have reflected and prepared themselves for the final package deal and, in order to be ready for joint action at that time, the less-developed countries should incessantly discuss the various problems among themselves and continue their bilateral contact with the delegations of developed countries.

26. In reply to further questions, the Deputy Director-General considered that in dealing with the question of expansion of trade between less-developed countries, the attention of developing countries should be focussed on the possibility of lowering

tariffs on a most-favoured-nation basis on those products in which developing countries were predominant suppliers (since here no trade deflection would be involved). Only with regard to products in which principal suppliers were outside the less-developed countries' group should attention be given to the possibility of exchange of preferences. The CONTRACTING PARTIES, on the recommendation of the Committee on Trade and Development, had accepted the principle of using preferences among developing countries, subject to appropriate procedures for consultations and for safeguarding the trade interest of third countries, for the expansion of the mutual trade. In order to achieve constructive results, bilateral or multilateral negotiations should be established at an early date. To help the developing countries in their work in this field, the secretariat was preparing draft rules, which should be shortly available to the members of this group, as well as certain data on trade between less-developed countries.

27. It should be noted, however, that although the emphasis would seem to have been placed by the Committee and the CONTRACTING PARTIES on the use of generalized preferences among all less-developed countries, this was, of course, without prejudice to the established position of the CONTRACTING PARTIES that sympathetic consideration would be given to any proposals for preferential arrangements among a group of countries, on a regional or sub-regional basis, in justifiable circumstances.

28. On the question of admitting observers in the meetings of informal groups such as those on chemicals and steel, the Deputy Director-General stated that it would be up to the groups themselves to decide which contracting parties should be admitted on the basis of trading interest and offers tabled.

29. The group thanked the Deputy Director-General for his informative and lucid statement and answers. Members of the group expressed the hope that the Deputy Director-General would have frequent occasions to address the group in future.

30. The group took up the discussion of the question of chairmanship for the group. It was agreed that in view of pressing demands of work on the delegations of less-developed countries, the tenure of office for the Chairman of the informal group should be limited to one year. The group unanimously elected H.E. Dr. Jose Antonio Encinas del Pando, Ambassador of Peru, as its new Chairman.

31. The group expressed appreciation to the outgoing Chairman, Ambassador Valenzuela of Chile for the contribution he had made to the work of the group during his tenure. Particular tribute was paid to his capacity for working out compromises and for finding solutions to difficult situations, which had resulted in increased solidarity among the group. In his new capacity as Chairman of the Committee on Trade and Development, his particular abilities would be of the greatest value.

32. The group decided to hold its next meeting on Monday, 23 May at 3.15 p.m.