

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.23/3

6 April 1966

Limited Distribution

CONTRACTING PARTIES
Twenty-Third Session

Page 22/23

SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 29 March 1966, at 3 p.m.

Chairman: Mr. J. LACARTE (Uruguay)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Ceylon duty increases	22/23
2. United States import restrictions	24
3. Trade negotiations (Kennedy Round)	26

1. Ceylon duty increases (L/2609)

The CHAIRMAN recalled that, by Decision of 10 April 1961, the Government of Ceylon had been released from obligations under Article II to the extent necessary to enable it to apply temporary duty increases, as an emergency measure, in view of its balance-of-payments difficulties. This waiver had been extended in 1962 and again in March 1965 and would expire on 31 December 1966. In terms of the Decision taken in March 1965, the Government of Ceylon had presented a report which had been circulated in document L/2609.

Mr. DE FONSEKA (Ceylon) commented on certain aspects of the report. During 1964 Ceylon continued to experience severe pressure on her external payments position and her difficulties had been aggravated by increases in the price of food imports, with a result that external assets declined by Rs.54 million, but in 1965 there was a marked change in the situation and external assets rose by Rs.103 million to Rs.408 million and the deficit on trade account declined from Rs.193 million to Rs.4 million. However, the control maintained on imports had given rise to internal shortages and price increases for certain commodities. Ceylon had increased duties on certain items bound in her Schedule

which, unfortunately, had not been notified earlier; these increases had, however, in the main, been small. Thus, in summary, Ceylon had in 1965 been able to build up her dangerously low reserves but only at the expense of consumption levels and investment. It was vital that the Ceylon Government should continue in its efforts to increase reserves to meet seasonal and other unforeseen contingencies.

Mr. BRODIE (United States) requested more time to consider the material in L/2609.

Consideration of the report was deferred.

2. United States import restrictions (L/2604)

The CHAIRMAN reminded the CONTRACTING PARTIES that, in March 1955, the United States had been released from certain obligations under Article II and Article XI to enable it to apply certain measures under Section 22 of the Agricultural Adjustment Act. The Decision provided for annual reports by the United States Government on changes in the measures applied under the Act, restrictions in force, and on action taken to resolve the problem of surpluses of agricultural products. The eleventh report had been distributed in document L/2604.

Mr. BRODIE (United States) said that he had nothing to add to the report submitted but would be pleased to answer any questions on it.

Mr. SCHWARZMANN (Canada) said that his country had long been concerned over import restrictions maintained by the United States on agricultural products and over the broad impact of the waiver. Restrictions were applied on a number of products of interest to his country and the waiver created an uncertain situation for Canadian exporters to the United States. He noted from the report that there had been no intensification of restrictions during the last year and he appreciated the restraint shown by the United States in implementing its waiver. On the other hand, there had been no relaxation of restrictions and he hoped that the United States would give careful consideration to the possibility of relaxing restrictions on items of interest to Canada and other suppliers. The waiver had been in existence for ten years and he trusted that it was not being regarded by the United States as permanent and that they would consider the possibility of relinquishing it, perhaps before the completion of the Kennedy Round negotiations. He asked whether the production changes announced in the Food Aid Programme, which might well involve changes in the United States' acreage reduction policies, would affect the quantitative restrictions and practices maintained under the waiver.

Mr. PRESS (New Zealand) said that, whilst he appreciated the full account provided in the report, his Government was disappointed at its contents. New Zealand had always been concerned over this open-ended waiver and although the range of products subject to restrictions had been reduced, restrictions on

dairy products, an item of considerable interest to New Zealand, had been increased since 1955. Trends discernible a year ago in the trade and dairy products had emerged clearly in 1965 - cow numbers had declined, milk production fallen, and there had been a considerable decrease in purchases by the CCC, whose uncommitted stocks were now nominal; and market prices had increased. However, the United States had reported that "it is necessary to retain import quotas on certain manufactured dairy products" and had given reasons for this which New Zealand did not find satisfactory. His delegation would also like to know more about the Agricultural Marketing Agreement Act. A very careful examination of the report was needed and he suggested that a working party be established to examine it.

Mr. PHILIPPS (Australia) supported the proposal for the establishment of a working party.

Mr. WINTERMANS (Netherlands) expressed the concern of his Government at the continued application, after ten years, of the waiver. He noted that the United States had recently objected to the granting of an undated waiver in another context and he suggested that the same considerations applied. The report showed that there had been no intensification of restrictions but, at the same time, no relaxation. The Netherlands would support the establishment of a working party.

A working party was established with the following terms of reference and membership.

Terms of reference

"To examine the eleventh annual report, L/2604, submitted by the Government of the United States under the Decision of 5 March 1955 and to report to the CONTRACTING PARTIES."

Members

Argentina	Ghana	South Africa
Australia	Greece	Spain
Belgium	India	United Kingdom
Brazil	Indonesia	United States
Canada	Italy	Uruguay
Chile	Luxemburg	Yugoslavia
Czechoslovakia	Netherlands	
Denmark	New Zealand	

The Commission of the European Economic Community was invited to participate in the Working Party.

Mr. B.N. SWARUP (India) was appointed Chairman of the Working Party.

3. Trade negotiations (Kennedy Round)

The DIRECTOR-GENERAL, as Chairman of the Trade Negotiations Committee, reported on the situation in the trade negotiations. He recalled that at the last session he had been able to display a certain amount of optimism on the perhaps unspectacular but real progress that had been achieved up till then. Unhappily, looking back over the period since that time it was difficult to display even a similar degree of professional optimism. In fact, towards the end of 1965, he had become so disturbed at the lack of progress in the negotiations that he had taken the somewhat unusual step of drawing up a report on the negotiations for consideration by responsible Ministers in the participating countries in which he had drawn attention to the limitations of time available, the difficult decisions still required, and the stringent work programme which imposed itself. In the preamble to that report he had noted that contracting parties had embarked upon two major ventures. The first was a negotiation designed to secure a liberalization of international trade both deeper and more comprehensive in coverage than had been achieved in previous negotiations. The second, and at an equal level of importance, was a series of activities to meet the trade and economic development problems of less-developed countries. In this connexion, he had suggested that special responsibilities rested on the shoulders of the more highly developed countries, whose Ministers had committed specifically to make use of the negotiations to contribute in a substantial way to the solution of these problems.

On earlier occasions, he had counselled patience in considering the timetable for the negotiations, both because of their complexity and because the consequences of success or failure were far-reaching. However, at the end of 1965, he had felt that time was running out. In his report, he had alluded in particular to the expiry of the negotiating powers of the President of the United States under the Trade Expansion Act. But it was perhaps wrong to think that time was running out only because of this factor. Time was also running out because there was a mounting degree of discouragement and disillusionment in other countries participating in the Kennedy Round and a growing doubt as to the credibility of the exercise.

For all these reasons, it seemed to him that, unless governments were able, in a very short time, to have delegations, with broad authority to negotiate, present continuously in Geneva. and in a position to engage negotiations actively and continuously on all fronts, we must begin to yield to a certain pessimism as to the possibilities of carrying the negotiations forward to a successful conclusion. The consequences of failure were hardly less impressive than the opportunities of success. Protectionist forces in a number of important countries had been kept under control because governments had been able to point out that to yield to them would jeopardize their position in the negotiations. The removal of this inhibition might well result in a serious reversal of the trend of trade liberalization which had been such a profitable feature of the last decade. He would therefore be failing in his duty to the contracting parties if he were not to express his deepest concern at the situation.

Some progress, it was true, had been achieved in identifying areas of progress for the reduction of tariffs on industrial products, but even here he was not convinced that bilateral discussions had been carried to a point where the maximum possibilities of a fruitful negotiation would be available by the autumn of this year. The picture as regards agriculture was one of complete depression. Extensive discussion on cereals had enabled the identification of the principal obstacles to an agreement in this sector. An examination of material about the conditions of trade for dairy products and meat had been carried out but, except for some individual proposals, there was no comprehensive set of offers on which to base serious negotiation. Some individual offers had also been made in connexion with other products, but those were far from complete and the prospect of getting practical, concrete negotiating offers seemed, at present, impossible. Tropical products were of great interest to developing countries, but here again there was no clear idea of how to achieve a major advance in negotiations. He would not have considered it beyond the ingenuity or will of man to have found a more satisfactory basis for international trade which does not present a serious challenge to any vested interest in the industrialized parts of the world.

The Director-General apologized for the depressing tone of his report which was necessitated by the situation as he saw it. In these circumstances it would be reasonable to consider what should be done. In view of the importance of the objectives of the Kennedy Round, the vital political commitment involved in dealing constructively with the urgent problems of developing countries, and the fact that the negotiations had been launched by Ministers, the CONTRACTING PARTIES might wish to convene a Ministerial Meeting to consider the situation, to bring about the necessary political decisions and to create the conditions for success or alternatively to draw the opposite conclusion. It was his view, however, such a meeting would not, at present, be fruitful, and might even prove counter-productive. However, if the present situation continued very much longer, and he was thinking in periods of weeks rather than months, it would be necessary to give very careful consideration to the convening of a Ministerial Meeting, since the Kennedy Round was clearly not an enterprise which should be allowed to go through default. A decision to fail would be quite as important in another sense as a decision to succeed. (The full text of the Director-General's statement has been distributed in document L/2624.)

Mr. VALENZUELA (Chile) congratulated the Director-General on his courageous statement. As a developing country, Chile felt frustrated in the present situation. The difficulties met with in seeking to accelerate negotiations were well-known but, as far as Chile was concerned, they could be overcome. Unfortunately, it was necessary to recognize the fact that the division between the industrialized countries, which if anything was increasing, had brought about the present state of affairs. The developing countries, with all their unsolved problems, were reduced to the rôle of witnesses and were becoming disillusioned over the prospects of deriving benefit from the Kennedy Round. The divergence between industrialized countries was a matter of enormous concern to his country.

Mr. HAMDY (United Arab Republic) suggested that, if the trade negotiations maintained their present slow rate of progress, developing countries would have attained through their own efforts the desired rate of growth and development before the conclusion of these negotiations. The pace of the Kennedy Round dictated that at which provisional acceders could proceed with their attempts to achieve full accession and, in the case of the United Arab Republic, an offer had been made to cover both the contribution to the overall objectives of the Kennedy Round and its accession to the General Agreement. There was an urgent need to bring the negotiations to a successful conclusion by the end of 1966. The expansion of trade between developing countries was relevant to and dependent upon the Kennedy Round and, consequently, the realization of objectives in this area was geared to the speedy termination of the work of the various bodies covering the negotiations.

Mr. AYUB (Pakistan) thanked the Director-General for his frank and informative statement. The Kennedy Round had been inaugurated nearly three years before and the time needed to bring it to a conclusion was dwindling. In 1963 Ministers had seen the Kennedy Round as a means of solving the trade problems of developing as well as developed countries and its possibilities as a formula for dealing with the problems of developing countries have been frequently referred to in the GATT and other international forums. Developing countries have been led to believe that the Kennedy Round would produce considerable liberalization for their export products, providing for cuts of 50 per cent or more in the tariffs of industrialized countries. When developing countries had any multilateral or bilateral discussions with developed countries to discuss means of overcoming their trade problems they had been asked to await the outcome of the Kennedy Round. Because of the slow progress in negotiations, particularly in the last twelve months, developing countries were faced with trade, economic and even political difficulties. Difficulties encountered in the negotiations on trade between developed countries were the main cause of the lack of progress in the Kennedy Round. Pakistan hoped that efforts under way to speed up negotiations in this sector would succeed. Developing countries would benefit indirectly from increased trade between developed countries. As regards trade between developed and developing countries, he recalled that Pakistan had submitted a list of products of particular interest to her and had announced her intention of contributing to the objectives of the trade negotiations. It was now up to the developed countries to enter into serious negotiations and to make appropriate offers, and this could be done even if negotiations between developed countries were at a standstill. Industrialized countries had undertaken certain commitments under Part IV of the General Agreement and could take action in advance of the conclusion of the trade negotiations in respect of products of which developing countries were principal or substantial suppliers, such as tropical products. They could also consider the according of preferences to the trade of less-developed countries. The political will to take such action was needed.

Discussion on the means of increasing trade between developing countries had taken place in GATT and other international bodies. He would welcome any suggestions by the secretariat on the mechanisms for the negotiation of, and product coverage in, arrangements between developing countries. He felt that it would not now be fruitful to hold a Ministerial Meeting but this would be unavoidable if no further progress were achieved in the next two or three months.

Mr. PRESS (New Zealand) observed that the Kennedy Round was a new departure both as concerned the method of negotiating tariff reductions and because non-tariff barriers and access for agricultural products were integral parts of its objectives. The nature and extent of many of the difficulties that had arisen in the negotiations could not have been foreseen at its inception but there had been a lack of compromise and understanding in dealing with them. The time available for the completion of the negotiations had been recklessly squandered. In the view of New Zealand, there was little evidence that her major trading partners were prepared to enter into substantive negotiations on agricultural products. He appreciated that there had been difficulties in the agricultural sector for one of the principal participants but it was surprising that this had come to be regarded as an insurmountable barrier to further progress by other major participants. The Director-General had indicated that a gap existed between the levels of progress in the industrial and agricultural sectors. Unless there were a marked change of attitude on the part of some participants, this gap would widen. The present situation was of deep concern to New Zealand, whose contribution to the negotiations was totally dependent on the nature of the offers made on her major agricultural exports.

There was an urgent need to solve the problems of trade in agriculture and, more particularly of trade of developing countries. There was still time to complete the negotiations if these were pursued as rapidly as possible; a first requisite for this was the tabling of all agricultural offers by 30 April. New Zealand could not accept the argument that other participants must, because of the need to maintain their bargaining positions, hold back their offers until the Community was in a position to make its own. Further delay in the tabling of offers could have serious consequences and he would urge those countries which had not done so to reconsider their attitude. In September New Zealand had made a full offer on industrial and agricultural items in the expectation that other participants would be ready to undertake discussions and negotiations; but despite the lapse of six months this had not occurred.

The New Zealand offer had included proposals for a general arrangement on dairy products but the Dairy Group had taken virtually no action. He felt that the paper submitted by New Zealand could provide a basis on which an exchange of views could take place, without commitment in advance, of offers on access. Whatever the decision of governments concerning the tabling of offers by 30 April, the Dairy Group could now undertake useful work beyond the mere collection of information agreed at its last meeting. Acceptance of the Director-General's

time-table for agriculture and a more positive approach to work in the Dairy Group would enable participants to demonstrate, concretely, their desire to improve international trading conditions for agricultural products.

New Zealand was not alone in waiting to enter into meaningful negotiations in the Kennedy Round and the participation of less-developed countries was of prime importance, particularly in view of the objectives subscribed to in Part IV of the General Agreement. He failed to understand why the difficulties of a handful of contracting parties should obstruct what was essentially a multilateral exercise. New Zealand was ready and willing to seek, in the context of the Kennedy Round, any meaningful solution to the various problems of international trade. The fact that she was being forced to wait to do so did not accord with the bold announcements made during the initial stages of the negotiations, nor with the interpretation of the vision of the statesman whose name the negotiations bore. The only ray of hope he could see in the present situation was the fact that, because of the enormous stake involved, the Kennedy Round could not be allowed to fail.

Mr. VON SYDOW (Sweden) reiterated the importance Sweden attached to the Kennedy Round of negotiations as a means of liberalizing world trade, and not least trade in the export products of developing countries. Sweden, together with other Nordic countries, had taken a specific initiative to this end. The Swedish offer of a 50 per cent cut in industrial tariffs, conditional upon reciprocity, still stood and Sweden was making continuous efforts to further the interests of developing countries in the negotiations. His delegation had already had preliminary discussions with some of the developing countries and was heartened by the fact that they were prepared to make contributions to the extent compatible with their development needs. Good results had been achieved at the technical level especially in bilateral consultations. Sector groups had been established and some prenegotiations commenced, but the situation had now been reached where, because of the time factor, it was indispensable to start real negotiations. The delay in the negotiation could be attributed to a number of different reasons, one of which was the fact that a group of countries had had internal problems. Sweden hoped that sufficient political will would be displayed to enable these countries to resolve these problems so as to fulfil the time-table indicated by the Director-General for the coming months. If the trade negotiations yielded only insignificant results great difficulties in world trade relations would ensue. Sweden trusted, however, that the importance of this common endeavour was generally realized and that all governments would therefore make a sufficient effort in the time remaining to ensure that the work of the last three years would be crowned with success.

Mr. BRODIE (United States) said his Government agreed with the comprehensive and justifiably depressing report by the Director-General on the state of the trade negotiations, was concerned over the slowness of progress, and was conscious of

the danger of further delays. It was essential that negotiations should be fully engaged in all areas in the very near future so that, by the end of the year, they could be near completion. The United States attached the greatest importance, therefore, to the work programme drawn up by the Director-General with the agreement of the principal negotiating countries, and would do its utmost to ensure the carrying out of this programme, in the hope that others would do likewise. If the negotiations were not completed during the coming year there was a danger that they never would be. Such a failure would not only halt the progressive lowering of trade barriers that had characterized the post-war years but might also give rise to a serious protectionist reaction in the United States and elsewhere. Negotiations had been formally inaugurated almost two years ago, and it was not unreasonable to expect their completion during the next twelve months.

The United States had maintained a sizeable delegation in Geneva, at considerable expense, for more than a year and was anxious to commence substantive negotiation. Developed contracting parties should be conscious of their obligations to developing countries and ensure that the negotiations resulted, at an early date, in the benefits promised. The latter could hardly be blamed if they were impatient and sceptical after the three year delay. The current round of trade negotiations were the longest conducted in GATT and it was now necessary to ensure that the results were commensurate.

Mr. WEITNAUER (Switzerland) said that many European countries would deplore the failure of the negotiations, since they saw in the Kennedy Round an opportunity, perhaps not soon to recur, for the liberalization of world trade on a most-favoured nation basis. A failure in the Kennedy Round would be particularly regrettable since these negotiations provided an opportunity to make a substantial contribution to the commercial interests of the developing countries. The chance would also have been lost to expand trade between European countries and highly-developed countries overseas. Last, but by no means least, the Kennedy Round was currently the sole means available to overcome the difficulties arising from the division of Europe into two economic groupings. Negotiations in the Kennedy Round were confronted by so many difficulties each one of which could of itself be utilized as an excuse for delay or even failure. A great effort of will was now needed on the part of contracting parties to overcome these problems. In this way, the great enterprise commenced by Ministers in May 1963 could be accomplished. Switzerland stood ready to play its part in this crucial phase of the negotiations.

Mr. OBIORAH (Nigeria) recalled that in the Kennedy Round as originally conceived all countries, industrialized and developing, were to make a contribution towards, and share in, the liberalization of world trade. The promise of the Kennedy Round had been referred to in trade talks in the GATT and elsewhere and

in discussion on commodity agreements. He noted, however, that those countries which desired success in the Kennedy Round were raising obstacles to its achievement. The developing countries hoped that the Kennedy Round would give rise to greater trade between themselves, but even here the problems of the industrialized countries had cast a shadow.

Dr. MARTINS (Austria) said that his country supported the objectives of the Kennedy Round and had made considerable offers of linear reductions on industrial items and selected agricultural products which were, inter alia, of interest to developing countries. Austria was prepared to engage in negotiations and would contribute to the objectives set by Ministers provided she obtain reciprocity. His Government would study the Director-General's report with care.

Sir EUGENE MELVILLE (United Kingdom) said the United Kingdom shared the concern of the Director-General as regards the time-table for the Kennedy Round and was conscious of the need to commence real negotiations. The previous three years had not been entirely wasted since much useful groundwork had been done, the results of which would not be seen until later.

The time factor had to be taken seriously for the reasons given by the Director-General and the representative of the United States. He would remind the CONTRACTING PARTIES of the gains to be won from these most dramatic of GATT negotiations. For the developed countries the negotiations offered advantages in the expansion of world trade. The United Kingdom was in this connexion well aware of the urgent need to expand exports and of the dangers of protectionism. For the less-developed countries, there were prospects of freer access to markets resulting in increased export earnings, so essential to their development plans. For some developing countries, tariff cuts would be an unmitigated gain, but for others, such as Commonwealth countries enjoying preferences in the United Kingdom market, this would not be the case. The United Kingdom had made known its views on possible courses of action in connexion with tropical products and other products of interest to developing countries. He did not see why developing countries should not gain directly from the Kennedy Round as well as indirectly through an expansion of world trade. He noted that a number of representatives were alarmed at the shortage of time available. Contracting parties should, therefore, display the political will to resolve their problems and commence substantive negotiations. His Government was not entirely depressed and looked forward to an early start to the final stage which, he hoped would give results which would enable the Director-General to report news of the satisfactory outcome of the negotiations to the next session.

Mr. DO LAGO (Brazil) reaffirmed the interest of his country in the Kennedy Round to which it was contributing to the extent possible. He hoped that concerted action would be taken to eliminate all barriers to trade in tropical products in accordance with the provisions of Part IV and that the industrialized countries would, in the spirit of Article XXXVII:1(a), give priority to products of less-developed countries when reducing tariffs. He recalled that the industrialized countries were of the view that the Kennedy Round was the principal means available for the solution of problems confronting the trade of the developing countries. Brazil, therefore, shared the concern of the Director-General at the lack of progress and was ready to participate in efforts to bring the trade negotiations to a successful conclusion.

Mr. PHILIPPS (Australia) said that his delegation had listened with great interest and concern to the Director-General's report which confirmed his Government's views on the way the Kennedy Round was proceeding. The present trade negotiations were perhaps the most important initiative yet undertaken by the GATT and their success or failure would have vital implications for the economies of all contracting parties, international trade generally, and the future of the GATT. The great potential of the Kennedy Round made all the more distressing the slow and uneven progress in the negotiations. This lack of progress would be disturbing even if there was unlimited time but, even if all participants were to make every effort to complete the negotiations, the time remaining would be barely sufficient.

Australia hoped that contracting parties were not, in these circumstances, prepared to accept a scaling-down of the objectives of the Ministers, particularly as regards agriculture which was of overriding importance to Australia, other primary producing countries and the developing countries. Lack of progress in the agricultural sector was both absolute and relative. After three years substantive negotiations had commenced in connexion with only one group of products, cereals, and even here the Cereals Group had not met at the technical level for six months. There was not even a programme for the agricultural negotiations. A conclusion to the trade negotiations which failed to produce results in the agricultural sector, or only limited results, would represent a complete failure - GATT would have admitted that it did not have the skill or the political will to deal with agricultural problems. It was merely wishful thinking, moreover, to argue that limited results in agriculture should be accepted and continued attention be paid to this sector after the conclusion of the Kennedy Round, since there was no hope of solving these problems once the spur of trade negotiations had been removed. Moreover, failure or limited results on agriculture would inevitably limit success in the industrial negotiations since the two were interdependent. There should be no illusions over the fact that agricultural exporting countries would have no interest in giving concessions on industrial products should they not receive concessions for their major exports. Contracting parties must, therefore, turn their attention to the means of achieving progress in the crucial area of agriculture.

The Australian Government considered that failure in the past to make a significant advance in negotiations on agricultural products should be attributed to the absence of political will and resolution on the part of the major industrialized countries. It had been implied that the internal difficulties of the EEC was the only reason for the lack of progress in agriculture, but his Government did not share this view. The Community's own problems were indeed of the utmost importance and there was an urgent need for their resolution so that the Community could engage in substantive and effective negotiations on agriculture. However, even when the Community's difficulties were resolved, and it now appeared probable that they would be, there were other problems which could block progress unless the governments concerned made constructive efforts to solve them. In this connexion he noted that the Government of one major contracting party had, in the second half of 1965, published a national plan whose objectives appeared to be contrary to the objectives to which that Government had subscribed in the Kennedy Round. He hoped that this assessment would be shown to be wrong but it was of vital importance for the Government concerned to remove immediately all doubts about its ability to participate in the agricultural negotiations; the offers it had so far made did not do so. Secondly, a major industrialized country, which was also an exporter of cereals, had declined so far to discuss in the Cereals Group an important element in any cereals arrangement, i.e. price. So long as this delegation remained inflexible on this point, there was no hope of successful negotiations on this item which was, of course, quite crucial to his own country. Australia subscribed to the view contained in the Director-General's report of 3 January that "unless an acceptable settlement can be arrived at on agriculture concurrently with an agreement on industry, the negotiations will fail". An "acceptable settlement" was not one confined to a few commodities or one that merely paid lip service to the objectives of the Kennedy Round.

Mr. SCHWARZMANN (Canada) said that his Government appreciated the action the Director-General had taken in making his report in January on the state of the Kennedy Round negotiations. He felt that this report would act as a valuable stimulus to governments. Canada was playing an active part in all aspects of the Kennedy Round and had tabled offers on industrial tariffs and agriculture and regarded the negotiations as a means of achieving a comprehensive liberalization of trade in all goods. Canada also accepted the high priority attached to the formulation of practical measures aimed at expanding the trade of developing countries. Whilst the Kennedy Round might not solve all the problems of under-development, less-developed countries could benefit both indirectly from a general increase in world trade and directly from measures adopted for dealing specifically with their problems. Canada had made firm proposals for a liberalization of world trade in tropical products but, because this would entail the loss of preferences for certain Commonwealth countries in the Canadian market, removal of duties by Canada should be part of a general move in this field.

The acceptance of the principle of non-reciprocity for developing countries was another important aspect of the Kennedy Round. His delegation supported the views of other representatives concerning the meaningful inclusion of agriculture in the negotiations. Canada had a special interest in wheat and grains and attached considerable importance to the conclusion of a cereals agreement incorporating price, access and food aid.

It could not have been expected that such complex negotiations could be concluded speedily, but now two to three years had been devoted to detailed preparatory work. It was understandable that there should be a lull in negotiations during the period of the Community's internal difficulties. However, it was in the interest of all that the negotiations should enter their decisive stage as soon as possible; this would require political goodwill to take necessary decisions and, if this were present, the negotiations could be concluded in a period of months.

Mr. SCHLOSSER (Commission of the European Economic Community), speaking on behalf of the Community, said that the Community attached great importance to the negotiations, as did each of its partners in a realistic and balanced appreciation of its own interests. The Community recognized also that time was short and had fixed an extremely tight and heavy work programme to fill the gaps in its offers and proposals, particularly where the delay in the negotiations depended on the Community alone. One could, in fact, expect that the conditions in which the Community's decisions were taken and the facility with which, as experience showed, its partners could be informed of them immediately would probably make it possible to catch up several weeks and even several months of the delay. Mr. Schlösser warned against the tendency to attribute the entire responsibility for the present state of the negotiations to the difficulties of one or other partner. The fact that that tendency existed could indeed be interpreted as a sign that the negotiations, whatever one might say, were in fact beginning to approach their decisive point and that might account for the natural temptation to use any convenient pretext in order to reserve the decisive step. The Community's own experience in regard to observance of a time-table was encouraging. At the internal level, the Community had known situations in which it had had the feeling that time was short, but in the great majority of those cases it had found that the period of apparent delay had, in fact, made it possible to advance more rapidly to the final stage and the deadlines to be met.

Referring to the problem of developing countries, he said that the position of the Community had two distinctive features. First of all, it had not yet been in a position to present offers on tropical products, but on the other hand it was the only partner to have applied numerous and substantial suspensions of duty on those products. In conclusion, Mr. Schlösser repeated the assurance that the Community would contribute with energy and resolve to the success of the negotiations, whose importance must be considered as capital and perhaps even decisive in international trade relations.

Mr. LERENA (Argentina) observed that, until recently, the developing countries had been told that all their problems would be solved within the context of the Kennedy Round, and that they should not, therefore, seek less orthodox solutions. The frank and full statement by the Director-General had caused concern and disappointment in that it painted a gloomy picture of the future of the Kennedy Round. Less-developed countries might, therefore, be forced to seek solutions amongst themselves to their problems. Argentina had tabled its offers in the Kennedy Round and had made its contribution in those sectors of particular interest to it, notably cereals, meat and dairy products; during the Session, offers pertaining to other sectors would be tabled. The lack of initiative shown by certain of the major trading countries in connexion with products of interest to Argentina would not cause his Government to lose interest in the negotiations. On the contrary, Argentina would strive to bring discussions to a point where those who had so far lagged in the negotiations would be able to contribute more fully. He hoped that the statement of the representative of the Community would be followed by concrete action. The industrialized countries must overcome their own problems and it was incumbent upon all contracting parties to adopt firm commitments as regards dates for their future work. Without this, most serious consequences would ensue.

Mr. LALL (India) noted from previous statements that all contracting parties seemed ready to enter into active negotiations but that, nevertheless, as the Director-General had indicated, these negotiations were at a virtual standstill. Some encouragement was to be derived from the statement of the representative of the Community on the Community's experience in similar situations and he hoped that, in the forthcoming meeting of the Community's Council of Ministers, this process would be repeated. On the point raised by the United Kingdom concerning certain disadvantages of tariff cuts for countries enjoying preferences, he pointed out that, in accepting the objectives of the Kennedy Round, such countries had performed an act of faith and had sought opportunities to widen the scope of the Kennedy Round so that the difficulties which they might meet could be overcome. At a time when developing countries were seeking to widen the scope of the trade negotiations, it was particularly disappointing to hear that the negotiations themselves were confronted with grave difficulties. The developing countries had a vested interest in the prosperity of the industrialized countries and any obstacle to the greater liberalization of trade between industrialized nations was a source of disappointment. He would urge those contracting parties which were currently experiencing doubts and difficulties concerning the trade negotiations to overcome them and to make their contribution to the success of the Kennedy Round by engaging in substantive negotiations in the months ahead. The Indian delegation was not altogether convinced that the difficulties encountered internally by certain developed countries prevented developed countries as a whole from engaging in substantive negotiations in areas of more particular concern to the less-developed countries. Bilateral and multilateral discussions had been held between developing

and developed countries in which the latter had, to some extent, been able to voice their concerns and indicate what results they would like to emerge from the negotiations; but the Sub-Committee on the Participation of the Less-Developed Countries had not met for a considerable time. Developing countries could impart impetus to the negotiations, not merely by urging developed countries to negotiate with one another more substantially, but also by requesting that the Sub-Committee should meet at an early date to evolve a work programme for carrying out the task allotted to it.

The representative of the European Economic Community had alluded to the fact that the Community had not yet tabled its offers on tropical products. He would welcome a more frank discussion of the reasons for this delay and the difficulties which countries associated with the Community would have in foregoing preferences in that market. India had already suggested the best solution for suppliers losing preferences was to seek compensation for their losses in the course of the Kennedy Round. Admittedly opportunities for such compensation were more limited for countries enjoying preferences in the Community than they would be for those enjoying Commonwealth preferences. However, attempts to concentrate attention on this fundamental problem had not met with success. The problem of compensation was a vital one and should be carried out in a multilateral forum.

Mr. Lall reaffirmed his Government's faith in the promise offered by a successful conclusion of the Kennedy Round and hoped that the present difficulties would soon be solved. Whilst these difficulties lasted, however, the opportunity could be taken for more substantive discussions in the Tropical Products Committee and in the Less-Developed Countries Sub-Committee, where attention could be paid to the evolution of technical solutions to the problem of compensating preferential suppliers.

Mr. MILANOVIC (Yugoslavia) recalled that developing countries had placed their hopes in the successful outcome of the Kennedy Round negotiations. The finding of solutions to the problems of the developing countries had been coupled with, and therefore made dependent upon, the trade negotiations. The delay in these negotiations, and the lack of positive results therefrom, placed the developing countries in a regrettable and almost tragic situation. Developing countries had shown their interest in the Kennedy Round and it was now up to the developed countries to make the necessary effort to overcome their current difficulties. Despite these difficulties, however, Yugoslavia was of the view that, with the necessary goodwill, there were possibilities for seeking solutions to the particular problems of developing countries. Something could be done as regards tropical products and also in connexion with exceptions lists which, contrary to the undertakings made by Ministers, contained products of special export interest to less-developed countries. Moreover, as the representative of Pakistan had pointed out, negotiations could be undertaken on the means of increasing trade between developing countries. Such steps could be taken without delay. He stressed the importance attached by his country to the Kennedy Round

negotiations. Yugoslavia had tabled its offers and was ready to discuss them. In conclusion, in view of the importance of the Kennedy Round as a means of expanding world trade and that to developing countries in particular. Yugoslavia shared the deep concerns voiced by the Director-General concerning the present situation and believed that all countries should make every effort to ensure the success of this common enterprise.

Mr. BOSCH (Uruguay) said that his delegation shared the concerns voiced by preceding speakers, particularly by the representative of Pakistan. Whilst the trade negotiations would not solve all the problems of developing countries they would, if successful, make a substantial contribution to that end. Furthermore, success might set in motion the continuous process of measures taken to ease the position of developing countries. The present situation caused concern not only because failure in the Kennedy Round would mean the loss of benefits which developing countries could have expected, but because, in addition, the existence of the Kennedy Round had held up progress in other spheres. The statement by the representative of the Community had, to some extent, dissipated the general gloom because it indicated that the situation might change in a short time. The Community's experience with deadlines was perhaps relevant in the context of the Kennedy Round.

Mr. AWUY (Indonesia) said that failure in the Kennedy Round would have serious consequences for world trade and for the trade of developing countries. It was, therefore, essential to make every effort to overcome the difficulties presently encountered in the negotiations. Developing countries could not be blamed for the slow progress in the Kennedy Round as they had done all that had been expected of them in making offers consistent with their economic positions. He endorsed the proposal by the representative of Pakistan that it would be fruitful to commence negotiations, even at the bilateral level, with a view to expanding trade between developing countries. He would not favour the immediate convening of a Ministerial Meeting and suggested that it would be better to wait before taking a decision in this regard.

The CHAIRMAN thanked the Director-General (Chairman of the Trade Negotiations Committee) for his realistic report on the subject of the Kennedy Round. He was certain that all contracting parties would have taken note of the statement made and he hoped that it would serve to stimulate progress in the negotiations.

The meeting adjourned at 6.15 p.m.