

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 20 March 1966, at 3 p.m.

Chairman: Mr. J.A. LACARTE (Uruguay)

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Subject discussed: Trade of less-developed countries

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Trade of less-developed countries (L/2614)

Mr. LALL (India), Chairman of the Committee on Trade and Development, presented the report of the Committee. He mentioned that the work of the Committee had largely been performed through specialized technical groups and that the Committee itself had met on three occasions during the twelve-month period covered by the report. The report contained mainly the conclusions reached by the Committee on the recommendations made to it by the specialized groups. Mr. Lall summarized the salient points in the report relating to the twelve subjects covered. He called attention especially to the positive points of agreement, providing grounds for future progress in work relating to the trade of less-developed countries.

Mr. Lall said that the CONTRACTING PARTIES were requested to note the progress that the Committee, with the assistance of its several specialized groups, had been able to make by bringing about some constructive and hopeful results during the first twelve months of the de facto application of Part IV of the Agreement. The CONTRACTING PARTIES were specifically requested: (a) to consider what procedures might be adopted for the implementation of the 1963 Ministerial Conclusions on tropical products and quantitative restrictions (paragraph 13); (b) to consider what action might be taken on the remaining restrictions affecting products notified to Committee III as being of export interest to less-developed countries (paragraph 19) and how those contracting parties applying such restrictions but not participating in the work of the Committee might be brought into the discussions (paragraph 20); (c) to approve the draft decision on procedures under Article XXIII (paragraph 44 and Annex I); (d) to endorse the recommendations of

the Committee on the implementation of the conclusions contained in the report of the Expert Group on Uganda and Nigeria; and (c) to consider the invitation extended by the Government of Uruguay to the Committee that it hold a meeting in Montevideo. In concluding, Mr. Lall thanked the Chairmen of the specialized groups and the members of the Committee for their co-operation.

Mr. AKWEI (Ghana) stated that certain aspects of the item being dealt with were still the subject of consultations among delegations. He would, therefore, wish to have an opportunity to revert to this item at a later meeting.

Mr. AGANAYE (Chad) joined in the request by the delegate of Ghana.

Mr. LERENA (Argentina) said that while the Committee had done a great deal of work during its first year of operation, his delegation had noted with disappointment that progress in the implementation of Part IV of the GATT had fallen short of what might reasonably have been expected and also that a number of important trading countries had not yet accepted Part IV. Not only had the measures taken to date to implement Part IV raised certain doubts as to its adequacy for helping the developing countries to solve their urgent trade problems, but there was also uncertainty with regard to the contribution which the Kennedy Round could make towards solving their problems, having in mind the present state of the negotiations. He urged developed contracting parties to translate their intentions, as expressed in the Ministerial Conclusions and in Part IV, into concrete results, for instance by reducing and eliminating the remaining barriers to the trade of developing countries without awaiting the conclusions of the Kennedy Round. His Government attached particular importance to the elimination of quantitative restrictions on products of vital export interest to developing countries, and would consider action taken in this regard as a yardstick for judging the efficacy of the General Agreement. He hoped that contracting parties maintaining such restrictions would shortly announce their plans for the definite and early elimination of remaining restrictions applied inconsistently with the GATT.

Argentina welcomed the agreement reached in the Committee that preferences between developing countries could make an important contribution to the expansion of trade of these countries and to the attainment of the objectives of the General Agreement. Argentina was prepared to enter into exploratory talks with other developing countries regarding the establishment of such preferential arrangements - which would not only contribute to increased productivity as a result of having access to larger markets, but which could also be expected to open up trade

opportunities beyond those presently available to developing countries on account of the limitations imposed on their trade by the lack of adequate foreign exchange resources.

Commenting on the draft decision on Article XXIII, Mr. Lerena stated that the new procedures envisaged in the draft decision did not meet fully the objectives of the developing countries. It was hoped, therefore, that the issues which had not been resolved would be taken up again in the Ad Hoc Group on Legal Amendments together with the proposal for the use of surcharges for balance-of-payments reasons by developing countries. He expressed satisfaction that in their examination of the development plan of Nigeria and Uganda the Expert Group dealing with that matter had also taken up the question of financial assistance which was closely linked with problems in the trade sector and which - without duplicating the work of other bodies - should continue to receive appropriate attention in the GATT. He also noted with satisfaction the services provided by the GATT International Trade Centre for the benefit of developing countries.

Concluding, Mr. Lerena reiterated his appeal to the developed contracting parties to take the necessary steps for the removal of barriers to the trade of developing countries in conformity with their responsibilities under the General Agreement, considering that in the long-term any structural adjustments in their economies which might be necessitated by trade liberalization would be in the interest and to the benefit of all trading nations. He thanked the Government of Uruguay for the invitation extended to the Committee on Trade and Development to hold its next meeting in Montevideo and expressed the hope that, even if it might not be possible at the present time to set a definite date and to draw up the agenda for that meeting, all contracting parties would be in a position to accept the invitation.

Mr. AYUB (Pakistan) expressed appreciation of the valuable work carried out by the Committee and its groups. He hoped that the CONTRACTING PARTIES would adopt the report of the Committee and encourage the Committee to carry on its work along the lines indicated in the report. He felt that the most significant achievement of the Committee during the first year of its operation had been the consensus reached on the question of preferences among less-developed countries. Although some divergence of opinion continued to exist with regard to the form of the preferential arrangements that might be adopted by the less-developed countries, the principle of preferences among less-developed countries had been

accepted by both the less-developed and the developed contracting parties. He welcomed this as marking a turning point in the GATT. He hoped that the less-developed countries would take full advantage of this new avenue opened before them for expanding trade among themselves. He expected that exploratory talks for establishing preferential arrangements would begin soon among less-developed countries and that the GATT secretariat would provide assistance in establishing the mechanism or ground rules for the arrangements. He noted that the question of preferences by developed for less-developed countries still remained unresolved. He hoped that, as a result of speedy deliberations on this question by the developed countries in another forum, there would emerge, towards the end of 1966, a meaningful preferential system between the developed and the less-developed countries.

Mr. Ayub noted the development of thought on the rôle of adjustment assistance measures. Emphasizing that the primary interest of his country lay in the removal of barriers to its trade rather than in adjustment assistance as such, he urged the developed countries to adopt adjustment assistance measures only in cases where they were unable to remove barriers to the trade of less-developed countries on account of domestic, social or political problems. In his view, adjustment assistance could play a valuable rôle in helping the developed countries to remove barriers to the trade of less-developed countries and also in facilitating the long-term changes in their economic structure, which would lead to the opening up of new trade opportunities for less-developed countries.

He said that the agreement reached in the Committee on the elaboration of Article XXIII of the General Agreement also represented some advance, though the question of compensation still remained unresolved. He hoped that the current year would see further evolution of thought on this matter and that means would be found to ensure that no contracting party could impair or nullify the rights of a developing country under the General Agreement. He also noted with satisfaction the work done by some other groups including the Group on Trade and Aid Studies.

Turning to the field of concrete action by contracting parties, he expressed disappointment with the past achievements in GATT. He regretted that, since the time of the Haberler report, many years of examination of problems facing less-developed countries by various bodies of GATT had not brought the action expected by less-developed countries. Customs duties on products of special interest to less-developed countries remained high; tariffs of developed countries continued to differentiate unreasonably between products in their primary and processed

forms; any real improvements had not been witnessed in the field of internal taxes and fiscal charges affecting imports of coffee, cocoa and tea. Even the quantitative restrictions maintained by developed countries inconsistent with the General Agreement had not been completely removed, contrary to the expectations of less-developed countries in May 1963. The industrialized countries, which accepted the Ministerial Conclusions of May 1963, had yet to implement them, and other industrialized countries had yet to notify on the implementation of the positive measures they intended to take to achieve a marked and rapid increase in the export earnings of the less-developed countries. He continued that, at least on the question of residual restrictions, a point had been reached where it was necessary to reconsider the problem and to chart a future course of action, and he hoped that the industrialized countries - those which subscribed to the Ministerial Conclusions and also those which did not, - would give consideration to this matter. With regard to the Kennedy Round, if it were to serve as a medium through which some of the trade problems of less-developed countries were to be solved, it should be hoped that the industrialized countries would intensify their efforts to bring the Kennedy Round to a successful conclusion and to give special attention to the needs of less-developed countries.

Mr. HAKIM (Indonesia) thanked the Committee and its Chairman for their work in a sector of the CONTRACTING PARTIES' activities which was of particular importance to the developing countries. However, despite the efforts of the Committee and its sub-bodies to translate the provisions of Part IV into practical measures designed to create a pattern of trade more favourable to the developing countries, the report left his delegation with a feeling of disappointment and the realization that so far little real progress had been made. For instance with the exception of the indication by Sweden that duties on a number of tropical products would either be reduced or removed with effect from 1 July 1966, no other developed country had announced its intention to reduce or remove unilaterally, and ahead of the conclusion of the Kennedy Round, duties on products of vital export interest to the developing countries. It was approximately three years since Ministers in their Conclusions had sought duty-free entry for tropical products and the target date of 31 December 1965, contained in the Conclusions, for the removal of residual restrictions had elapsed, yet duties and quantitative restrictions continued to be applied on products covered by the Ministerial Conclusions. This raised the question whether contracting parties concerned were prepared to exercise the necessary political will to give practical effect to the objectives adopted. The representative of Indonesia stated that while it was true that the question of trade

barriers was being dealt with in the Kennedy Round, progress in the negotiations was very slow. It was most important therefore that the developed countries take immediate action to reduce and eliminate barriers affecting products of particular interest to developing countries in the context of their programmes of economic development.

Commenting further on the measures which would need to be taken in complying with the provisions of Part IV, Mr. Hakim pointed out that, on account of the unsatisfactory development of export markets and prices for their primary products exports developing countries, as shown, for example, in recent United Nations statistics, accompanied by an upward trend in the prices of essential imports, the position of developing countries had further deteriorated. At the same time, the efforts of the developing countries to obtain agreement by the developed countries on a more equitable price regulating system under international commodity agreements, two recent examples being sugar and cocoa, had failed. In the circumstances, the share of developing countries in world trade had decreased from one third in 1950 to one fifth in 1962. The average growth rate of the developing countries had declined in recent years and the gap in wealth and income between developed and developing countries had further widened. While in the Western developed countries per caput income had increased by approximately \$100 over the period 1960-62, reaching \$1,033 in Western Europe and \$2,845 in North America, per caput income in the developing countries over the same period had increased by not more than \$5, with average per caput income in these countries amounting to only \$136. Moreover, the foreign indebtedness of the developing countries had risen from \$10,000 million in 1956 to \$33,000 million in 1964 and the foreign exchange needed to service and amortize their external debt had risen from \$800 million in 1956 to \$3,500 million in 1964, with the result that they had to devote a very considerable part of their foreign exchange earnings to debt service rather than to productive development.

Mr. Hakim said that the developments mentioned by him led to the inevitable conclusion that the measures which had so far been taken to narrow the divergent trends and the gap in development, wealth and welfare between the developed and the developing countries had not been of much avail. This called for an immediate joint effort on a larger and more comprehensive scale to overcome these problems; for instance, multilateral assistance of the order of magnitude and importance as that made available to the Western European countries after the end of the Second World War. It also implied that the developing countries should increase their efforts, to be made individually and jointly, to make the best possible use of their human and material resources. He emphasized that the trade and development

problems of the developing countries must be viewed, and action must be taken, in this wider context by the CONTRACTING PARTIES to activate trends which would result eventually in a new pattern of world trade and to ensure that the conviction would grow among developing countries that the trade problems of developing countries were being adequately dealt with in accordance with Part IV of the Agreement. His delegation hoped that when the Committee on Trade and Development submitted its report to the next session of the CONTRACTING PARTIES it would be able to state that the implementation of Part IV was, indeed, well on its way.

Mr. KAUFMANN (Netherlands) said that the Netherlands' interest in the Committee's work was based, not only on their desire as a developed country to assist the developing countries in expanding their trade as a means towards development, but also from the point of view of those of its territories which were also still at an early stage of economic development. The report showed that, although Part IV had only been in force on a de facto basis for a year, important commitments had been undertaken by the developed countries for assisting trade and development of the developing countries. The report also reflected the practical approach which the Committee and its sub-groups had adopted for dealing with the many and often complex problems under consideration in the Committee. Apart from the specific recommendations made by the Committee's sub-groups, their work had served to bring out more clearly the different aspects of the problems which would need to be dealt with. For example, from the discussions in the Expert Group on Adjustment Assistance Measures, it would seem to follow that a sharper distinction would have to be made between the short and the long-term aspects of problems of structural adjustments in the world economy. This would no doubt emerge more clearly from the work being undertaken by the United Nations Projections and Programming Centre which, with the assistance of a grant from the Dutch Government, was studying how the structure of world production might be organized to achieve better equilibrium and to ensure, at the same time, that the interests of both developing and developed countries were safeguarded. Similarly, the work of the Expert Group on Trade and Aid Studies had made an important contribution to an identification of the trade problems of Nigeria and Uganda and had shown more clearly the close link between trade development and financial assistance. It was his hope that this important new work would be continued and extended as well as the work which had been initiated in the Group on Adjustment Assistance Measures.

He noted, with satisfaction, the way in which the GATT International Trade Centre had started its activities. The Netherlands Government had actively participated in the work of the Centre and would continue to do so, for instance, by further extending the training facilities in export promotion provided by his Government. The Dutch Government was willing to support adoption of the draft decision on Article XXIII, in the hope of thus making available to developing countries procedures which would be better suited to safeguarding their interests.

Mr. DO LAGO (Brazil) said that the twenty-third session of the CONTRACTING PARTIES provided an opportunity for assessing the first year's implementation of the new policy embodied in Part IV. The results, set out in the report of the Committee on Trade and Development, showed that there was no reason for complacency. In general, the industrialized countries had hardly taken any action to implement the provisions of Part IV; but he welcomed the initiative taken by the Nordic countries towards the removal of barriers on tropical products; the Australian request for a waiver to grant preferences to products coming from less-developed countries; and the general observation by industrialized countries of the stand-still provision of Article XXXVII:1(b). In the field of non-tariff barriers, there was reason for disappointment; internal taxes had recently been introduced by a European country on imports of bananas.

In connexion with the implementation of the provisions of Part IV, he recalled measures recently taken by the Brazilian Government with a view to furthering the liberalization of imports into Brazil and to promoting trade in general. Brazil's efforts, within the framework of the Latin American Free Trade Association, to expand trade on a regional basis was well-known. In addition, Brazil had taken initiatives to promote trade with specific countries and, in the context of the Kennedy Round, had expressed its desire to explore ways and means of expanding trade among less-developed countries in general. Given the limited scope for less-developed countries to take effective action for the expansion of their trade, he hoped that major trading countries would lead the way by adopting concrete measures to implement Part IV.

He acknowledged the significant work carried out by the Committee on Trade and Development and its groups, and stressed the importance attached by his Government to the continuance of their activities and to the expeditious consideration of their conclusions. He reaffirmed the conviction of his delegation as to the important rôle which the International Trade Centre could play for the expansion of trade of less-developed countries.

Mr. KOSANOVIC (Yugoslavia) expressed appreciation for the work done by the Committee over the past year and for the progress made in a number of fields, notably as regards the conclusions reached on the rôle of preferences among developing countries. At the same time, it was disappointing that little or no progress had been made in certain other sectors of work of great importance to the developing countries, for example in relation to the proposal that developing countries be authorized to use import surcharges for dealing with balance-of-payments problems. He felt that, with the necessary goodwill and further examination, the CONTRACTING PARTIES would be in a position to arrive at a satisfactory solution of the remaining problems in regard to this proposal. He suggested that this matter be examined again in the Ad Hoc Group on Legal Amendments.

Commenting on the Committee's findings on the implementation of Part IV, Mr. Kosanovic stated that the performance of contracting parties in taking the requisite action had not been fully satisfactory, particularly as regards the dismantlement of barriers to the export trade of developing countries. Moreover little had been done to adopt the other positive measures, referred to in the 1963 Ministerial Conclusions and in Part IV. The urgency of adopting such measures had further increased, because the situation with which less-developed countries were faced in world markets had further deteriorated, as could be seen from the data on trade trends summarized in document COM.TD/17. The CONTRACTING PARTIES should therefore urgently consider the measures which should now be taken to stop a further deterioration of the trade position of less-developed countries. With this consideration in mind, particular attention should also be given to the reduction and elimination of internal taxes, the elimination of residual restrictions and of undue differentials in tariffs imposed on manufactures and on the raw materials from which they were derived. As regards internal fiscal charges, only one developed country had eliminated such charges on one or two items. In the other industrial countries high internal fiscal charges on items of key export interest to developing countries were maintained. The maintenance of these charges could not even be justified on grounds of protection to domestic production, since generally the items thus taxed were not produced in the developed countries. It was difficult to see how the reduction or the elimination of customs duties currently under consideration in some of these countries would be of much help to the developing countries in expanding trade, as long as high fiscal charges on the same products continued in force. He expressed the hope that consideration would be given by the countries concerned to possibilities for the gradual removal of high fiscal charges and duties on products of particular export interest to developing countries.

Referring to quantitative restrictions on products of export interest to developing countries, Mr. Kosanovic stated that, welcome as the progress was which had been made in recent years in liberalizing imports, it was nevertheless a matter of disappointment that a considerable number of items continued to be subject to residual restrictions and that progress in dismantling restrictions on these "hard core" items had been particularly slow. He expressed the hope that it would be possible to evolve at the present session a formula for dealing with problems in this sector so that the remaining restrictions could be definitively eliminated. He thanked the Government of Uruguay for the invitation extended to the Committee on Trade and Development to hold its next meeting in Montevideo. His delegation would be pleased if it would be possible for contracting parties to accept the invitation. In conclusion he hoped that the next report of the Committee to the CONTRACTING PARTIES would show significant progress in relation to all the different problems being dealt with.

Mr. BOSCH (Uruguay) noted with satisfaction that the Committee's work had resulted in progress being made in a number of fields. At the same time it was also obvious, from the report, that the Committee itself had felt that the expectations raised by the commitments under Part IV had not been fulfilled. It was a matter of concern that, to date, not even the 1963 Ministerial Conclusions had been fully implemented; for example as regards the Conclusions relating to tropical products and in relation to import restrictions maintained inconsistently with the General Agreement.

Turning to the work of the Committee's sub-groups, Mr. Bosch stated that, notwithstanding the gaining of new insight into a number of problems as a result of this work and the proposals for further action made by these groups, action on the proposals was still lacking. It was important that contracting parties should now take the necessary steps to translate the proposals and the recommendations made into concrete results, or, where required, to continue work in the groups with a view to arriving at acceptable solutions to the different problems before the Committee. In this connexion, the terms of reference of the Group on Adjustment Assistance Measures should be broadened to permit the Group to evolve some practical proposals and guidelines for action, such as the Ad Hoc Group on Trade Expansion Among Developing Countries had agreed upon. Uruguay attached great importance to the establishment of preferences among less-developed countries on a general and non-discriminatory basis. He welcomed the advance made by the Group on Legal Amendments in relation to a proposal co-sponsored by his delegation for the amendment of Article XXIII. He was disappointed however that all that had so far been agreed upon were some procedural improvements regarding the application of Article XXIII by developing countries. Two of the concepts contained in the proposal submitted by Brazil and Uruguay, which in fact constituted the essence of

the proposed amendment, had not been incorporated in the draft decision so that, even under the new procedures, set out in the draft decision, the developing countries would still be at a disadvantage as compared to the developed countries in safeguarding their legitimate interests in recourses to the provisions of Article XXIII. His delegation attached great importance to seeing that a better balance of possibilities for action under that Article was achieved, and it was hoped that further consideration would be given to the two points, in the proposal for the amendment of Article XXIII, on which agreement had not yet been reached. He expressed appreciation of the work done by the Expert Group on Trade and Aid Studies and by the International Trade Centre and hoped that the recommendations issuing from the work by the Expert Group, and the benefits which could reasonably be expected to result from the work of the Trade Centre, would not be diluted by the continued maintenance of barriers affecting the trade of the developing countries.

Mr. SAKELLAROPOULO (Canada) said that, in accepting Part IV and in participating actively in the work of the Committee on Trade and Development and of six of its sub-groups, his Government had looked forward to concrete results which would contribute to the solution of pressing problems in the fields covered by these bodies. Referring to the disappointment voiced by some representatives, he said that the results so far achieved by the Committee, though they might look modest in terms of the requirements of less-developed countries, were still encouraging considering that the Committee had been in existence for only a short time. Two of the Committee's groups had made substantial progress, namely, the Ad Hoc Group on the Expansion of Trade Among Less-Developed Countries and the Ad Hoc Group on Legal Amendments to the General Agreement. Referring to the report of the former Group, he noted with great interest the intention of less-developed countries to commence negotiations on preferences among themselves, which would be applied on a non-discriminatory basis. Noting a number of other proposals before the Group aiming at the expansion of trade among less-developed countries, he looked forward to an active year for the Group and suggested that it should be given the status of a permanent sub-committee of the Committee on Trade and Development. Referring to the report of the Group on Legal Amendments, he said that his Government fully supported the adoption of the draft decision on Article XXIII, annexed to the report, which provided for procedures helpful to less-developed countries having recourse to Article XXIII. He congratulated the delegations of Brazil and Uruguay for having submitted proposals on which the draft decision was based. As regards the field of trade information and promotion, he associated himself with other representatives in supporting the work of the Centre. His Government would be in favour of a special assessment on contracting parties to finance the expanded activities of the Centre in 1966.

Referring to the plea made by less-developed countries that the residual restrictions maintained by developed countries should be removed, he said that this was the very least that less-developed countries should expect. The fact that Canada did not maintain quantitative restrictions indicated that such restrictions were unnecessary. He thanked the Government of Uruguay for its invitation to hold a meeting of the Committee in Montevideo. He associated himself with the representatives who had expressed their gratitude to the leadership and the guidance provided by Mr. Lall in his capacity as Chairman of the Committee. He said that the CONTRACTING PARTIES were in no small measure indebted to him for the Committee's accomplishments.

Mr. HANDY (United Arab Republic) congratulated the Committee and its Chairman on the work done over the past year, and for the clear and concise report listing both the achievements and the remaining problems. He noted with disappointment that, notwithstanding progress in some instances, less headway had been made in the implementation of Part IV than could have been expected following its de facto application. For example, only one developed country, Sweden, had announced that it would shortly remove or reduce duties on a number of tropical products. As regards quantitative restrictions, many of the developed countries still maintained such restrictions: indeed, it appeared that in some instances barriers had been raised. It was, moreover, a matter of some concern that even the 1963 Ministerial Conclusions had not been fully adhered to. For example Ministers had agreed that exceptions to the offers of linear tariff reductions should be kept to a minimum. Yet, the exceptions lists submitted by many of the developed countries contained a considerable number of items of export interest to the developing countries. He appealed to the developed countries to revise their exceptions lists, bearing in mind that they were undoubtedly in a better position to make any structural adjustments which might be required than the developing countries, whose development depended so largely on the diversification and increase of their exports of manufactures and semi-manufactures. Mr. Handy also commented on the fact that most of the offers tabled by the developed countries for the Kennedy Round were conditional and often not comprehensive, for instance because some of the major negotiating partners had not yet tabled their offers on agricultural products. On the other hand, the majority of the developing countries had abided by the agreed rules for the negotiations and had submitted their offers within the specified time-limits. His delegation attached great importance to the present imbalance being rectified. In concluding, he urged contracting parties to take the necessary steps, and to exercise the requisite political will, to enable the different GATT bodies dealing with matters of interest to the developing countries to complete their remaining work by the end of 1966 so that concrete and meaningful measures for assisting trade expansion of the developing countries could be put into effect.

The meeting adjourned at 6 p.m.