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REPORT OF THE AD HOC GROUP ON ASSESSMENT OF KENNEDY ROUND RESULTS

1. The Ad Hoc Group was established by the Committee on Trade and Development at its ninth session held on 26-27 July and its terms of reference are as follows:

- (i) carry out an assessment of the results of the Kennedy Round negotiations for developing countries in the light of the Ministerial Conclusions and Resolutions of 1963 and 1964, and of the relevant provisions of the General Agreement;
- (ii) identify specific problems that might have prevented fuller action on particular products or product groups of export interest to developing countries; and
- (iii) report on suggestions for future work on problems in particular sectors aimed at facilitating the expansion of trade of developing countries.

2. When the Group convened on 26 October it had before it, in addition to the "preliminary summary" in COM.TD/46 which had been submitted to the Committee in July, a new summary (COM.TD/48 and Add.1) specially prepared for the Group to assist in its task of evaluation of those results in relation to the export interests of developing countries. Whereas the "preliminary summary" showed the distribution of the tariff rates among different ranges before and after the Kennedy Round only in terms of the numbers of tariff headings, the new summary showed the distribution of the pre- and post-Kennedy Round rates, as well as of the depths of cuts, also in terms of the trade involved. The Group used the new secretariat study¹ as the basis of its deliberations, especially in regard to point (i) of its terms of reference. The Group noted that the secretariat study was not intended to provide an analytically complete assessment of the results and might be supplemented with additional data in some aspects.

I. General assessment of the results in relation to the trade interests of developing countries

3. The secretariat study consisted of a general survey of tariff reductions made by six of the developed participants in the negotiations, namely the European Economic Community, Japan, Sweden, Switzerland, the United Kingdom and the

¹A revised version of this study will be issued to take account of information and factual comments presented by delegations in the course of the discussion as well as information supplied by governments.

United States on a list of selected products of particular interest to developing countries. Faced with the need to concentrate its study on a few countries the secretariat had chosen the six named above whose markets taken together accounted for more than 90 per cent of all imports by all developed countries from developing countries. It should be noted however that whilst the computations and aggregates in the study related only to the six participants, account was taken of reductions made by other developed countries, especially in the descriptive notes relating to particular products.

4. The secretariat study covered 367 tariff headings, divided into twenty-three product groups or sectors. These products embraced almost all actual imports into the six developed countries from developing countries (excluding cereals, meat and dairy products). They included all products in which there had been significant imports from developing countries into these developed markets in a given year, and a number of products which had been mentioned in the priority list submitted by developing countries in connexion with their requests for advance implementation or deeper than 50 per cent cuts. The latter category included products in which the developing countries had a potential, rather than actual, export interest.

5. According to the calculations made by the secretariat as set out in COM.TD/48 and Add.1, total imports into the six developed participants from developing countries, excluding preferential sources, amounted to approximately \$20,080 million in 1964. Excluding the figures for cereals, meat and dairy products (which amounted to \$370 million in 1964) and fuels (on which the customs duty and levy would seem to constitute only a secondary factor in regulating trade which amounted to \$7,000 million in 1964) the extent to which the exports of developing countries into the six developed markets were affected by tariff reductions negotiated during the Kennedy Round may be described as follows:

6. Of the total \$12,210 million worth of such imports into the six participants in 1964 \$7,140 million, or 58 per cent, had been admitted duty free before the Kennedy Round. (The Kennedy Round resulted in a number of new bindings of zero duty but the amount of trade covered by the bindings was not calculated.) Of the dutiable imports of \$5,076 million, duty reductions applied to about \$2,980 million, again 58 per cent of this total.

7. Of the total of \$12,210 million, imports of the order of \$6,189 million fell in the seven commodity sectors (i.e. tropical products, processed foodstuffs, non-ferrous metals and products, cotton yarn and fabrics, clothing, other textiles, leather and leather manufactures) picked out in the secretariat paper for more detailed study. Of this total of \$6,189 million, \$2,843 million, or 47 per cent, had been admitted duty free before the Kennedy Round; of the dutiable \$3,346 million, reductions were made on \$1,935 million. Of the \$1,406 million worth of trade that received no reductions, over 70 per cent, amounting to \$994 million, was accounted for by tropical products. Similarly, of the dutiable imports of \$1,730 million in products falling outside the seven sectors, tariff reductions of a varying magnitude applied to

\$1,040 million. Of the \$690 million receiving no tariff cuts, 52 per cent, amounting to \$360 million, was accounted for by "other unprocessed foodstuffs".

8. In the seven sectors the duty cuts, covering \$1,935 million worth of imports from developing countries, were distributed as follows: reductions of less than 50 per cent, \$1,120 million; reductions of 50 per cent or more, \$490 million; and duty eliminations, \$325 million.

9. The following table, compiled on the basis of the material contained in the secretariat study, summarizes the statements in paragraphs 6-8 above. It shows 1964 imports into the six developed countries from developing countries (excluding preferential sources) affected by tariff action taken during the Kennedy Round, embracing all products covered in the secretariat studies in COM.TD/46 and 48 other than cereals, meat and dairy products, and fuel.

(dollars million)						
	No reduc- tion ¹	By less than 50%	By 50% or more	Duty elimina- tion	Total duti- able before Kennedy Round	Duty free before Kennedy Round ²
Tropical products	994	635	167	125	1,971	2,070
Processed foodstuffs	135	55	145	39	424	150
Non-ferrous metals	125	89	112	7	333	570
Cotton yarn and fabrics	20	66	4	-	90	-
Clothing	33	127	12	-	172	-
Other textiles	37	86	21	153	297	40
Leather and goods	12	12	29	1	54	20
Total seven sectors	1,406	1,120	490	325	3,346	2,843
Crude foodstuffs	360		200		560	290
Beverages and tobacco	110		180		290	-
Raw materials	120		210		330	3,760
Chemicals	20		90		110	80
Other manufactures	80		360		440	160
Total	2,096		2,980³		5,076	7,140

¹ Bindings of existing legal rates have been included as "no reduction".

² This includes both bound and unbound free entry items.

³ Including \$5 million with no precise classification as to duty action.

10. It might be of interest to note in this connexion that the total imports of the six participants from developed and developing countries in 1964 amounted to \$60 thousand million. Of this total \$23 thousand million were already entered duty free before the Kennedy Round. Tariff reductions were made by these countries in the Kennedy Round on \$26 thousand million of their dutiable imports.

11. The action taken in the Kennedy Round in the non-tariff fields was described in paragraph 7 of CCN.TD/48 and referred to as relevant in the commodity chapters of that secretariat paper.

12. Some members of the Group considered that in spite of the fact that in respect of certain particular sectors or products, total duty elimination or substantial reduction had, for various reasons, not been fully obtained, the results of the negotiations, taken as a whole, afforded substantial benefit for developing countries. Whether or not the effective results with respect to the exports of developing countries were in line with the concessions granted on imports in general, the reductions were extensive and substantial. They covered a broad range of products of interest to developing countries and seemed to provide increased access for these products to the markets of developed countries. Some of the concessions specified in the Kennedy Round schedules would not have been there had it not been for considerations relating to the interests of developing countries. The scope and magnitude of the concessions on products of interest to developing countries far exceeded any benefits received by developing countries from previous negotiations. The developed participants had, moreover, not sought reciprocity from the developing countries. Nor had they asked for concessions inconsistent with the developing countries' trade, developmental or financial needs.

13. Some members of the Group, recalling the joint statement made by the participating developing countries at the conclusion of the negotiations¹, maintained that the most important problems of most of them in the field of trade taken up within the framework of those negotiations still remained unresolved. Some members of the Group were of the view that while the Kennedy Round had resulted in some tariff reductions on products of interest to developing countries, these results fell far short of the objectives established for the negotiations. As the figures produced in the secretariat study showed, on many products of particular export interest to developing countries, no concessions had been granted. On many important products the concessions were notional or tended to fall considerably short of the level of 50 per cent accepted as the hypothesis for the negotiations. It could not thus be claimed that there had been a bare minimum of exceptions from the rule of linear reductions. The quantitative restrictions which affected the exports of many developing countries had, except for a few quota increases, remained intact. Similarly there had hardly been any reductions of internal fiscal charges on tropical products. The protective

¹GATT Press Release No. 994.

duties applied by developed countries on processed and manufactured products of particular export interest to developing countries remained disproportionately higher than the rates on the same products in unprocessed form; at least in some cases the tariff escalation appeared to have been intensified. The principles and procedures on which the negotiations had been based could not take account of the special development problems of the developing countries and had thus led to disappointing results for these countries.

II. Identification of problems preventing fuller action

14. The Group agreed that while there might be differing assessments of the magnitude and value of the Kennedy Round results for developing countries, it was important to attempt an identification of the problems that might have prevented fuller action on particular products or product groups, so that consideration might be given to further action towards the removal of those difficulties, as envisaged in points (ii) and (iii) of the terms of reference. In this connexion the Group noted that not all participants had adopted the linear reduction hypothesis and that a number of developed countries had at the outset listed a number of products for exception from linear reduction on the ground of "overriding national interest". Certain offers had been made conditional upon suitable or comparable action being taken by other developed countries. In other cases, offers previously made had been modified at a certain stage of the negotiations on the basis of individual assessment by the participating countries concerned, of the overall balance obtained.

15. In most cases the lack of "fuller action" would seem to be attributed to one or more of the following reasons:

(i) Fiscal considerations

Import duties and internal fiscal charges are maintained on this account on tropical products such as coffee, tea, cocoa, bananas and spices, as well as on other products.

(ii) Protection

This applies to a wide range of products including agricultural and primary products as well as industrial products. Import duties applied to like and competing products for this reason are generally progressive according to the degree of processing. Where offers had been scaled down with a view to achieving a balance the withdrawals tended particularly to include items on which duties were applied for protective reasons.

Certain types of non-tariff barriers such as quotas were also motivated by protective considerations.

(iii) Preferences

Certain developed countries provide a preferential margin for various developing countries with whom they have special trade and economic links. These developed countries either limited the extent of their offers or made them conditional upon joint action by other industrialized countries. This problem had relevance to the question of duty-free entry for tropical products.

(iv) Problems relating to action in the non-tariff field

For certain products, no or little effective action was taken in the Kennedy Round because tariff or other trade barriers were not the principal factor regulating trade. Certain countries maintain that solutions to the problems facing developing countries in certain sectors be sought through market organization and not solely through the removal of measures at the frontier. In some instances offers were not made in the Kennedy Round because it was thought that the problem of particular commodities would be pursued outside these negotiations.

(v) Joint action

Certain developed countries felt that their ability to reduce or remove tariffs on certain products depended on other developed countries taking action to open up their markets. This consideration led to their making their offers on a conditional basis. In some instances the condition regarding joint action was made only in the expectation that this would lead to better overall results.

(vi) Technical problems

Certain countries may have found it inconvenient to take action on products of interest to developing countries because their tariff nomenclature did not differentiate between products which are produced in developing countries and those emanating from developed countries, viz. handicraft products.

(vii) Concessions apt to benefit developed countries

In some cases concessions might have been withheld owing to the feeble competitive position of the developing countries claiming to have an export interest in the product; the main benefits of a tariff concession would have gone to developed countries.

(viii) Problems of reciprocity and negotiating balance

In some instances an item was excluded from offers because the principal suppliers were countries not participating in the negotiations. In other instances, the original offer could not be maintained because the principal suppliers were developed countries from which adequate reciprocity was not forthcoming.

(ix) "Sensitive" products

One of the reasons for which no or limited offers were made was that in the industrial sector a number of products of particular interest to developing countries were considered to be "sensitive" items by certain developed countries.

16. It was pointed out by some developing countries that one of the problems in the negotiations was that, owing to their preoccupation with their negotiations with other developed countries, the developed countries were unable to give high priority to the consideration of questions of interest to developing countries. Some members of the Group maintained that fuller action in products of interest to developing countries was not prevented by the failure on the part of the developed countries to accord high priority to such action as asserted, but by the substantive problems listed above.

III. Suggestions for future work

17. The Group had an exchange of views on item (iii) of its terms of reference. Several members of the Group considered that in view of the fact that the analysis contained in the secretariat document COM/TD/48 had become available only a few days before the meeting and the Group had only just proceeded to the identification of problems experienced in the negotiations, it would be premature for them to make any recommendations on future work for facilitating the expansion of trade of developing countries. It was pointed out that some of the problems that had been invoked were common to more than one product group. It was also recalled that the overall situation in this field, including proposals for further action, would in any event, be reviewed at the annual session of the CONTRACTING PARTIES.

18. Some other members of the Group made a number of suggestions which they wished to see recorded in the report to the Committee on Trade and Development and the CONTRACTING PARTIES. Thus it was recalled that at the end of the Kennedy Round the developing countries had listed a number of questions as not having been settled satisfactorily during the negotiations, viz. advance implementation of concessions in favour of developing countries, reduction or elimination of duties on products of particular export interest to developing countries, tropical products, commodity agreements, compensation for loss of preferences and removal of non-tariff barriers. It was suggested that future work should be continued on these problems. It was also suggested that for some of the problems concrete results should be achieved by the end of the year. Certain delegations further stressed the need to consolidate the gains achieved in the Kennedy Round. A number of delegations also suggested that consultations should be initiated as soon as possible through available means in GATT with a view to instituting negotiations on important sectors which so far had not benefited sufficiently or at all from the Kennedy Round negotiations, including such sectors as meat, dairy products, citrus and other fruits and fruit products, tropical products, non-ferrous metal manufactures, tobacco and textiles. A number of other delegations did not share this view. They suggested that the normal machinery of GATT, in particular Part IV of the agreement, should be used to deal with outstanding issues.

19. It was also suggested that the secretariat might usefully complete the assessment of the results of the negotiations made in document COM.TD/48 particularly by identifying products on which after the Kennedy Round serious problems of tariff protection remained, particularly in relation to the value added at different stages of processing. It was also suggested that the incidence of specific duties on a limited number of products of interest to developing countries be studied in greater detail.

20. It was also suggested that a detailed assessment should be made of the general incidence of the tariff rates resulting from the Kennedy Round on products of particular interest to developing countries as compared with other products.

21. It was further suggested by some delegations that a commodity-by-commodity analysis with a view to examining the influence of factors outside the tariff and non-tariff barriers field in determining the flow of trade might also be helpful in illustrating the scope and pointing out the directions for further action.

22. Some delegations suggested that a study be made of Kennedy Round concessions which might afford developing countries new and expanded export opportunities of particular importance.