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### THE TRADE NEGOTIATIONS AND DEVELOPING COUNTRIES

#### Report by the Chairman of the Sub-Committee on the Participation of Less-Developed Countries

##### Introduction

1. This report examines the status of the negotiations with developing countries and sets out the main points on which action should be taken in the final stage if the stated objectives of the negotiations in this field are to be attained.
2. The importance of this aspect of the trade negotiations has been recognized from the outset. Ministers have agreed that one of the basic principles on which the trade negotiations are based is that every effort shall be made to reduce barriers to exports of the developing countries. The developed countries do not expect to receive reciprocity from the developing countries. Developing countries participating in the negotiations have, however, undertaken to make a contribution to the overall objective of the negotiations, trade liberalization. Developed countries have committed themselves on many occasions to make use of the negotiations to contribute in a substantial way to the solution of the trading problems of the developing countries.
3. Procedures designed to ensure that the trade negotiations will in fact yield the optimum results for developing countries have also been agreed upon and a special body, the Sub-Committee on the Participation of Less-Developed Countries, established to co-ordinate and direct the negotiations in this field.
4. Matters of principle and procedure have by now been fully dealt with. The initial offers have been tabled. In the crucial final stage of the negotiations which is now opening, negotiators should address themselves to the substantive problems at issue.

The offers of developed participants

5. At an early stage of the negotiations all developing contracting parties had the opportunity of specifying those products of actual or potential export interest to them on which they hoped concessions would be granted. These lists and the lists of products drawn up by Committee III, the forerunner of the Committee on Trade and Development, were taken into account by developed participants when making decisions on the content of their initial offers.

6. The main industrialized countries have accepted as their aim a 50 per cent reduction in all duties on manufactured products with a bare minimum of exceptions. The linear approach was adopted in order to secure the largest possible initial offer and some developed countries have in fact made no initial exceptions to their offer of a 50 per cent cut on industrial products - the countries concerned are Austria, Denmark, Iceland, Norway, Sweden and Switzerland. The following industrialized participants have tabled exceptions lists - European Economic Community, Finland, Japan, United Kingdom and United States. The other developed participants - Australia, Canada, Czechoslovakia, Ireland, New Zealand, Poland, Portugal and South Africa - have presented positive offers in the industrial sector on an item-by-item basis. All developed participants have presented positive offers in the agricultural sector. The objective in this sector is the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products. It is agreed that offers on all agricultural products should relate to all relevant elements of agricultural support or protection and not only to the tariff. The negotiations on cereals, meat and dairy products are directed towards the conclusion of comprehensive arrangements. The majority of participants have agreed, with respect to tropical agricultural products where the tariff is frequently the main element of protection, that the aim should be duty-free entry. Offers on these products often foresee the elimination of duties although these offers are sometimes subject to certain conditions which will be referred to later.

7. Most developed participants have by now assessed the value to them of offers made by other developed participants and compared this with their estimation of the value of their own initial offers. Papers setting out these assessments were tabled on 30 November 1966. Certain developed participants have, even at this stage, indicated a limited number of items on which they may be able to improve their offers. Most developed participants have set out the specific requests that they have made to other developed countries and, since they are negotiating with these countries on a basis of reciprocity, have listed products on which they might find it difficult to maintain initial offers if these requests are not met.

### The participation of developing countries

8. Procedures to govern the participation of developing countries in the negotiations were agreed upon in March 1965. Since that time twenty-two countries have declared that they are participating under those procedures. These are: Argentina, Brazil, Ceylon, Chile, Dominican Republic, India, Indonesia, Israel, Jamaica, Republic of Korea, Malawi, Nicaragua, Nigeria, Pakistan, Peru, Portugal on behalf of its non-European territories, Spain, Trinidad and Tobago, Turkey, United Arab Republic, Uruguay and Yugoslavia. The United Kingdom has also indicated that it is participating on behalf of those dependent territories in respect of which it has provisionally accepted the General Agreement, adding that all of these are less-developed territories. The Governments of Cyprus, Ghana, Ivory Coast, Malta, Niger, Togo and Uganda have formally notified their intention to participate in the negotiations. Under the agreed procedures this has entitled them to examine the initial offers on products notified as being of interest to developing countries before tabling the offers they themselves would make as a contribution to the objectives of the negotiations. Statements of contribution have not, however, yet been forthcoming from these countries.

9. Ministers agreed that reciprocity would not be expected from developing countries. This decision has since been given formal legal expression by incorporation in Part IV of the General Agreement. There will, therefore, be no balancing of concessions granted on products of interest to developing countries by developed participants on the one hand and the contribution which developing participants would make to the objective of trade liberalization on the other and which it is agreed should be considered in the light of the development, financial and trade needs of the developing countries themselves. It is therefore recognized that the developing countries themselves must decide what contribution they can make. Some industrialized participants have, as foreseen in the agreed procedures, made suggestions as to action which might be taken by these countries in the tariff and non-tariff fields in the context of the negotiations.

10. All countries taking part in the negotiations in accordance with the agreed procedures for the participation of less-developed countries have tabled statements of the offers they would make as a contribution to the overall objectives of the negotiations. Ten of these countries, including four acceding countries, have included an offer of tariff concessions on specified products in their statements. The remaining countries have made more general statements or have notified specific action taken to liberalize their import trade without offering to bind these measures in the GATT. Procedures have also been agreed which foresee negotiations among the developing countries for the exchange of concessions and developing countries have stated that they will also in this way be making a contribution to the objectives of the trade negotiations.

The requests of developing countries

11. Discussions in the Sub-Committee have identified the objectives of developing countries in the negotiations. Seven points were singled out of major importance. Those were:

- (a) the possibility of eliminating from exceptions lists products of special interest to the less-developed countries;
- (b) the possibility of making tariff reductions greater than those provided for under the linear rule on these products;
- (c) the possibility of implementing tariff reductions on these products without the phasing provided for in the general rule;
- (d) maximization of reductions of tariff and non-tariff barriers on tropical products;
- (e) for some countries, consideration of the problem of compensation for loss of preferences consequent upon reductions in most-favoured-nation rates of duty;
- (f) the need to avoid the possibility that offers of developed countries on products of interest to developing countries would be withdrawn in the final phase of the negotiations;
- (g) the contribution of the developing countries themselves.

12. It has been agreed that the final phase of the negotiations can be carried out only on the basis of specific requests on individual products. While further requests may be made and requests already transmitted amended in the light of technical discussion and negotiations, all initial requests which developing participants wish to make should by now have been transmitted to their negotiating partners. A check list of requests in the hands of the secretariat before the year-end is annexed to this report. Many of the requests concern individual products. This report outlines certain problems of a more general nature which emerge from an examination of the requests and which must be dealt with in the final phase of the negotiations.

13. A large percentage of the requests made by developing participants are simply that offers already on the table should not be withdrawn. This is to be expected since, while the offers are not regarded as satisfactory by many participants, it is not disputed that they are more comprehensive than have ever before been obtained in international trade negotiations. It is also clear that these offers represent a considerable political effort by developed participants.

14. The European Economic Community, the United States and the United Kingdom are all making offers on items accounting for 70 per cent or more of dutiable imports from developing countries. This figure alone can only give a general impression of the magnitude of the offers on the table of interest to developing countries; it must be noted that it relates only to the scope of the offers and not to the value of offers on individual products. Moreover, it is based on current trade, it does not give sufficient weight to products of potential export interest to developing countries<sup>1</sup>, including items which do not now enter into international trade because of barriers to trade which are prohibitively high. A comparable offer is, however, made on products of potential interest to developing countries which are now traded between the main developed countries. Important offers have also been tabled by other developed countries including Japan and European countries other than those mentioned above.

15. Developed participants have already indicated that they may ultimately be forced to withdraw offers on particular products. Their principal suppliers of these products are, almost without exception, other developed countries. In certain instances, even though a developing country is not the principal supplier of the product in question, developing countries taken together have a trade interest of great importance to them. In the great majority of cases, the current trade interest of the developing countries of the products in question is small but there is already some indication that relatively more advanced developing countries will be affected if withdrawals are made to restore the balance between developed participants since they have a larger interest in products predominantly traded between these countries.

16. Other requests have been made by developing countries for the improvement of offers already tabled on particular products or for an offer to be made where none exists at present. Developed participants have placed on record their willingness to consider improving their initial offers. Developing participants should, on their side, substantiate their requests and indicate their precise interest in the products in question. This is particularly necessary since developed countries have attempted in formulating their initial offers to have maximum regard to the interests expressed by developing countries.

17. It has also been suggested in the Sub-Committee that progress may also be made if requests are made for the creation of new ex-items, i.e. new sub-positions in the tariffs of developed participants for items of specific interest to developing countries which may be different in character from

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<sup>1</sup>Problems connected with the negotiations on this class of product are discussed further in paragraphs 19-21.

products traded mainly between industrialized countries. Some requests have already been made along these lines. Other developing countries should also, where appropriate, table requests for the creation of sub-positions.

18. Developing participants have made a number of requests for reductions of more than 50 per cent, or for the complete elimination of duties, on specified products. It should be noted in this connexion that all participants have declared their willingness to consider the possibility of taking such steps as are open to them to make such cuts on products of special interest to developing countries. Most developed participants have no legislative restrictions in this respect. The one major participant which has such legislative limitations has tabled important offers for the elimination of duties on many tropical and other products.

19. Developing participants have also made requests, for the maintenance of offers or for offers to be improved, on products in which they have indicated a potential export interest. These countries attach great importance to this question. They stress the fact that they must diversify their exports and that improved opportunities for access to the markets of the developed countries for their new products would be an important factor in this regard. They recall that developed countries which have accepted Part IV of the General Agreement have undertaken certain commitments on this matter and in particular in connexion with duties that differentiate disproportionately between raw materials and the products made from those raw materials. The developed countries recognize the force of these arguments but explain that their ability to maintain offers on these products depends on their reaching agreement with their principal suppliers, which are other developed countries, with whom they are negotiating on the basis of reciprocity.

#### Action to be taken in the final phase

20. It is in the interest of all participants that the negotiations should produce the maximum possible results and that developed countries when negotiating for an equilibrium of concessions among themselves, should strike this equilibrium at a high level. As noted in the previous paragraph, the binding of duties on products now traded mainly between developed countries will be of great value in the longer run to developing countries as they enlarge their range of export products.

21. In the final phase of the negotiations developed participants should attach high priority to requests from developing countries regarding products of potential export interest to them, in particular in cases where differential duties at present restrict trade.

22. In the final phase of the negotiations, particular attention should be given to requests on products for which a developing country is the principal supplier and to requests on products where developing countries, taken together, account for a large percentage of all imports into the developed country in question.
23. In certain areas, some developed countries have made their offers conditional upon comparable action by other developed participants. Tropical products are a case in point. The possibilities for joint action in this area have been thoroughly examined, but this has proved in some cases to be extremely difficult or impossible because agreement has not yet been reached as to the best form of action which would permit the removal of existing preferences. Awaiting a solution to these problems, which necessitates action in the GATT and elsewhere, it may be that in the final phase of the current negotiations it will be necessary for these countries individually to take the maximum action possible.
24. A successful conclusion of the negotiations which are taking place for general arrangements on cereals, meat and dairy products, is of prime importance to certain developing countries.
25. Conditions have also been attached by certain developed participants to their offer of tariff cuts on cotton textile items. The negotiations in this area and the consideration being given to the question of prolongation of the Long-Term Arrangement should be directed to securing substantial tariff reductions as well as greatly improved conditions of access.
26. Certain developing countries have referred to the problem, to which they attach great importance, which would occur for them if the margins of preference which they enjoy at present are reduced as a result of reductions in most-favoured-nation rates of duty. This is a problem which the Sub-Committee has not been in a position to deal with, and will not be able to deal with until all the facts are on the table towards the end of the negotiations.
27. Requests have been made by developing participants that reductions in duties on products in which they have a particular interest should be implemented immediately without the staging over a period of years provided for in the general rule. Certain industrialized countries have already taken, or plan to take, before the conclusion of the negotiations, action along these lines as mentioned earlier. The time has now come to reach agreement that action of this sort should be taken so that work can begin immediately on the particular products to which this action would apply.

28. Certain industrialized participants have indicated that they may find difficulty in maintaining existing offers if no effort is made by developing countries. Whilst it is agreed that participating developing countries will make those concessions which are feasible from their own point of view and consistent with their economic, financial and development needs, the fact that such a contribution is made will facilitate the maintenance or improvement of the offers of developed countries on products of interest to developing countries and will provide an important opportunity for developing countries to review their levels of protection in the light of their own interests. It is only in the context of a concerted effort by all participants that the optimum result can be obtained.

CHECKLIST OF SPECIFIC REQUESTS FROM COUNTRIES PARTICIPATING  
UNDER THE PROCEDURES FOR LESS-DEVELOPED COUNTRIES TO DEVELOPED  
COUNTRIES

	Australia	Austria	Canada	Czechoslovakia	EEC	Iceland	Ireland	Japan	N. Zealand	Nordic delegation	Denmark	Finland	Norway	Sweden	Poland	Portugal (European territory)	South Africa	Switzerland	United Kingdom	United States
Argentina					X									X					X	X
Brazil					X														X	X
Ceylon					X			X											X	X
Chile					X			X			X								X	X
Dominican Republic					X			X			X								X	X
India		X			X			X			X	X	X	X					X	X
Indonesia					X			X											X	X
Israel		X	X		X						X	X	X	X				X	X	X
Jamaica					X														X	X
Republic of Korea			X		X			X						X					X	X
Malawi																				
Nicaragua																				
Nigeria																				
Pakistan					X															X
Peru	X		X	X	X			X	X		X	X		X	X			X	X	X
Portugal (non European territory)																				
Spain																				
Trinidad and Tobago																				
Turkey		X												X				X	X	X
United Arab Republic	X	X	X	X	X			X			X	X	X	X	X				X	X
Uruguay																				
Yugoslavia		X			X						X	X	X	X				X	X	X

Note: This table takes into account all lists of specific requests in the hands of the secretariat on 8 December 1966.