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GENERAL AGREEMENT ON TARIFFS AND TRADE

Group of Experts on Trade and Aid Studies

SECRETARIAT NOTE ON THE MEETING OF THE GROUP OF EXPERTS ON TRADE AND AID STUDIES ON 13 AND 14 DECEMBER 1965

UGANDA

1. The Group held its second and concluding meeting on the secretariat's development plan study of Uganda, on 13, 14 and 20 December 1965, under the chairmanship of Mr. E. Eylon, the expert from Israel. The meeting was attended by experts drawn from the Federal Republic of Germany, India, Israel, the Netherlands, Sweden, Uganda, the United Kingdom, the United States[1], the Organisation for Economic Co-operation and Development, and the International Labour Organisation. Japan and the following organizations were represented by observers: the International Monetary Fund, and the United Nations Trade and Development secretariat.

2. The Group had the following documents before it for its discussion of the Ugandan plan:

Study	COM.TD/G/W/3
Agenda	COM.TD/G/W/9
Tariff barriers	COM.TD/G/W/10
Uganda delegation note	COM.TD/G/W/7

3. Set out below under four major groupings is a summary of the major points made in the discussion in relation to the items scheduled in the agenda, as well as the points of a more general nature relating to the continuity of the Group and its possible procedures. The record of the discussion is preceded by a summary of the findings and recommendations made by the Group of Experts.

[1] The United States expert was able to attend only the discussion of cotton marketing problems summarized in paragraphs 27-30 and is, therefore, not a party to the Group's conclusions and recommendations on other subjects.

I. FINDINGS AND RECOMMENDATIONS

A. Export diversification

4. The Group noted, first of all, that in its present structure the economy of Uganda is very closely affected by world market conditions over which Uganda has no control. In addition to its high dependence on exports in general (exports form nearly one half of the monetary gross domestic product), its total export earnings depend on a narrow range of products. Three quarters of Uganda's exports are furnished by two agricultural commodities, coffee and cotton, the marketing of which is subject to considerable uncertainty. The Group emphasized the need to diversify Uganda's export trade. It noted that Uganda's effort to industrialize would increase the demand for foreign exchange (and for long-term obligations payable in foreign exchange) which would have to be supplied by additional exports. At the same time, however, the very measures taken to diversify and increase Uganda's exports would also accelerate the growth of domestic income and could do so to such an extent that the economy's overall dependence on its major exports would be reduced as well.

(i) Agricultural exports

5. Given the stage of industrialization attained by Uganda, the progress of export diversification will, in the near future at least, depend mainly on Uganda's ability to develop new exports from agriculture. A number of crops widely cultivated in the subsistence sector of the economy - a variety of pulses and oilseeds, maize, several kinds of tubers and vegetables - are already being marketed in Uganda, and even exported, albeit on a limited scale. The gross value of this produce entering the market is in the neighbourhood of £1 million but surveys by the Uganda Ministry of Agriculture indicated that this amount could be easily increased several fold. The Group concluded that these minor (cash) crops indeed represented a promising base to build upon.

6. The Group welcomed the decision of the Uganda Government to establish a Small Crop Marketing Board as the main instrument of agricultural diversification; noted that the organizational structure and functions of the Board have not yet been determined, and believed that the organization of the Board should be taken in hand as soon as possible. It noted that the Board will need to have a number of functions well beyond marketing proper, ranging from research to develop high-yield strains of the marketable crops, distribution of seed and supervision of cultivation, feasibility studies - and possibly the organization - of further processing, to grading, storage, domestic distribution and exporting; and that both financial and technical assistance from abroad will be necessary for its

organization. Offers of such assistance from several delegations present were gratefully acknowledged and the Group felt that it should be possible to co-ordinate assistance from various sources, multilateral as well as bilateral in this scheme. The GATT International Trade Centre has already completed preliminary export-market surveys on several minor crops of Uganda and should stand ready to co-operate further, possibly supplying an export-marketing expert for the Board.

7. During this discussion, the Group was well aware of the fact that, for a long time to come, the effect on Uganda's export earnings of even major achievements in diversification could be more than offset by relatively small setbacks suffered by the main export crops. The Group noted that in 1964 coffee accounted for nearly 47 per cent of Uganda's export earnings and for almost one quarter of total income in the monetary sector; and that consequently, the international price of coffee was among the most important determinants of the level of economic activity in Uganda. It noted further that coffee was subject to high fiscal charges in some of the principal importing countries and that the incidence of these charges, which are specified per unit of weight rather than value, was even higher on the cheaper Robusta coffee exported by Uganda than on the Arabica varieties. A reduction or elimination of these fiscal charges would strengthen the international demand for coffee to the benefit of Uganda and similarly specialized exporters. The Group would recommend to the coffee-importing contracting parties urgently to consider such changes in their internal fiscal policies which could increase the demand for coffee in their home markets.

8. With respect to cotton, the Group took note of the apprehension felt by Uganda in consequence of the new farm legislation in the United States. The Group was informed that the purpose of the new law was to bring about a gradual reduction in the price of cotton on the United States market in order to safeguard cotton's position vis-à-vis man-made fibres, while preventing a sharper price decline than necessary for that purpose. The Group felt it could not make any statement concerning the probable long-term effects on Uganda of the legislative measures discussed, but it noted with satisfaction the willingness of the United States to engage in bilateral consultations with Uganda so as to avoid any undue disruption of Uganda's markets for cotton.

9. The expert from Uganda listed the plans of his Government for the further processing of the following agricultural commodities: coffee, tea, cotton, sugar, hides and skins, meat, fish, cassava, fruit and vegetables, the export of which would be greatly facilitated by the reduction in Uganda's export markets of tariffs which differentiate between primary commodities and the products processed from them. The Group accordingly recommends that the CONTRACTING PARTIES in the context of the current trade negotiations give specific attention to this type of action so as to enable Uganda to compete more effectively on the world market for such products

(ii) Industrial exports

10. Noting that Uganda's industrialization plans were not yet fully crystallized, the Group discussed the land-locked situation of Uganda and concluded that the geographical position itself was an important criterion in the determination of additional lines of export. It would be difficult for Uganda to develop export, especially overseas export, of commodities for which the transport cost is high relatively to production cost; given the long routes which her exports had to traverse, Uganda's best prospects in external marketing would be in processed and manufactured commodities with a relatively high ratio of value to bulk or weight. For many such commodities, but especially for manufactured products, overseas exports can be developed only from a broad base of sales in the domestic and contiguous markets. The Group acknowledged the value of the work undertaken by the Economic Commission for Africa to impress the importance of this consideration on the governments in that region. Already the preliminary results of the Commission's studies, presented to the Lusaka Conference, have greatly advanced sub-regional co-ordination of industrial planning with a view to maximizing sub-regional and, ultimately, global trading opportunities. In this context, the Group would make several broad comments and recommendations:

(i) detailed feasibility surveys were required before the tentative industrial distribution, presented in Lusaka, could become definitive and be acted upon. The expertise required for such surveys was, at the moment, a more important bottleneck of industrialization than investment capital. A considerable amount of such expertise is already available through specialized international organizations; to the extent that it is not sufficient, the Group considers that increased use of bilateral aid for such feasibility surveys would be of considerable value in inducing increased activity by private industries;

(ii) the Group emphasized that the development of industrial exports required a close co-ordination of marketing and production already at the planning stage; noting that the Uganda Government intended to stimulate industrialization by the creation of industrial estates and of a Management Training and Advisory Centre, the Group was of the opinion that both institutions could be very useful in effecting such co-ordination The Group expressed the hope that Uganda's need for technical assistance for this purpose will be taken into careful consideration by the governments of the industrialized contracting parties;

(iii) the Group was of the opinion that even the small-scale urban and rural industries and handicrafts could, in time, develop a not insignificant export potential. It noted with interest that the Uganda Government had a special programme for the improvement and expansion of such small-scale industrial establishments, and welcomed several offers of technical assistance in this respect. The Group noted further that housing construction, in particular, was an activity stimulating a whole range of small-scale crafts and industries and that, in consequence, the Government's planning in this sector had an important, albeit indirect, influence on the level of productive efficiency in the economy.

(iv) in the inter-territorial trade with Kenya and Tanzania, Uganda already exports a number of manufactured items in growing volumes, notably biscuits, sugar confectionery, animal foodstuffs, vegetable oils, margarine and shortening, soaps, detergents and other chemicals, boxes and crates, cordage, rope, twine and fishnets, cotton fabrics and clothing, leather and footwear. It is most likely that the first significant extra-territorial exports of manufactures from Uganda will consist of commodities in this group. The growth of export items in the past has been largely due to the existence of a customs union encompassing the three countries. The development of Uganda's exports outside the customs union will depend, to a considerable extent, on the level of tariffs encountered by these products. The Group noted that most of those products had already been notified to the CONTRACTING PARTIES as being of special export interest to Uganda; and it would recommend to the CONTRACTING PARTIES sympathetically to consider the request to reduce or abolish the import duties on these commodities in the current round of trade negotiations.

B. Trade with other less-developed countries

11. The Group noted that a serious problem in Uganda's external commercial relations was the shortage of foreign exchange among Uganda's less-developed trading partners which manifests itself in tendencies towards bilateral trade agreements. The Group observed, first of all, that promotion of mutual trade and better marketing could achieve substantial results in reducing bilateral deficits between Uganda and other less-developed countries in the absence of bilateral agreements. As the range of products traded among the less-developed

countries expands, bilateral balancing of trade should become less important. The Group emphasized, however, the need for further consideration of problems faced by the developing countries in seeking to trade more freely with one another without having to resort to bilateral balancing. The Group noted that the CONTRACTING PARTIES were examining, in a special working group, the means by which the mutual trade of less-developed countries could be expanded. The Group accordingly recommends that in this context the CONTRACTING PARTIES devote greater attention to the persisting tendencies for bilateralism in the trade of the less-developed countries.

12. In general the Group recognized that for an efficient utilization of resources it was often necessary that production should be geared to the potential not only of the domestic but also of the neighbouring markets, and that a strict application of the most-favoured-nation tariff principle might not be the best basis for developing such regional trade. The Group agreed that special regional tariff arrangements could be effective in this respect and noted with satisfaction that the CONTRACTING PARTIES could be expected to give a sympathetic consideration to such arrangements.

13. The Group also noted that a special tariff arrangement might not lead to the desired results unless accompanied by a supporting special payments arrangement. The observer of the International Monetary Fund pointed out in this context that the IMF, based on the principle of drawing rights by individual governments, could not directly support by its financial resources a payments arrangement for a group of countries. The Fund would, however, at any time, be willing to analyze and offer its advice on any specific proposal for such an arrangement.

C. Export promotion and marketing

14. The Uganda delegation drew the Group's attention to the extreme shortage in Uganda of personnel skilled in export promotion and marketing. Even in its neighbouring countries, Uganda experienced difficulties in making known what exports it could offer and in ascertaining what it could advantageously import. In this context, the Group noted that the GATT International Trade Centre was already in the process of compiling two directories of important importing institutions both private and semi-governmental, which would be of interest to exporters from Uganda and other developing countries.

15. In the context of Uganda's desire to: (a) intensify exports of primary products, especially her minor commodities; (b) export additional processed products; and (c) sell products of small industries both in contiguous markets and other foreign markets, the Group was of the view that Uganda needed special assistance in export marketing and export promotion from contracting parties possessing the requisite facilities and expert personnel and that the GATT International Trade Centre could also play a very useful rôle in this field. For example, in response to Uganda's specific request at the meeting, the Centre could advise on external marketing aspects of the functions and organization of the Marketing Board which the Government of Uganda has decided, in principle, to establish. In this connexion the Group endorsed the view of the Uganda delegation that there was greater need to send experts to Uganda to act as advisers on-the-spot. In view of the shortage of suitable personnel in Uganda, the Group concluded that on-the-spot counselling was of particular importance and training could be more profitably undertaken in the country itself under local conditions. The Centre could also be used to assist in problems arising from the marketing of new products, both primary commodities and products of light industries in Uganda.

16. The Expert Group accordingly recommends that the GATT International Trade Centre should hold itself ready to provide effective assistance to Uganda against specific requests in the export marketing and trade promotion field. If the resources of the Centre are inadequate to provide assistance to Uganda on a fairly broad front the CONTRACTING PARTIES would, no doubt, wish to consider undertaking this operation on an ad hoc basis with either technical assistance funds or with other special financing arrangements.

D. General

17. Finally, discussing its future activities in the programme of Trade and Aid Studies, the Group arrived at the following broad conclusions:

(a) Studies prepared by the secretariat, while containing the necessary general analysis, prepared in co-operation with such competent international organizations as the International Monetary Fund, International Bank for Reconstruction and Development, Food and Agriculture Organization, etc., should continue to focus on specific problems of the export sector and elaborate them in a pragmatic manner, pointing to possible solutions. Having the views of other international bodies on the economy in general and on its main sectors, the experts will be better able to concentrate on the possibilities and means of practical action in the field of exports.

(b) Noting the importance, and some of the possibilities, of bringing about a more rapid expansion in the mutual trade of the less-developed countries, the Group would like the future country studies of the secretariat to investigate this aspect of the trade problem in greater detail. In this connexion the Group noted that certain production and trading possibilities might lend themselves to adequate examination only on a regional or sub-regional basis.

(c) The Group should remain in contact, through the office of the GATT secretariat, between its ad hoc meetings and it should have the opportunity to review, after an appropriate interval, developments relevant to the recommendations made by it.

II. DISCUSSION

A. Introduction

18. The experts recalled that at its first meeting in July, the Group had noted the important rôle played by exports in the development of the economy under discussion. One half of the monetary gross domestic product of Uganda originated in the export sector which, in addition, supplied the bulk of the foreign exchange availabilities and a substantial part of the public revenue of the country. The Group had also noted that the export sector of the economy could be developed further and fairly rapidly if simultaneous but co-ordinated action could be initiated on several fronts.

19. The Group further acknowledged that in dealing with the trade problems of the less-developed countries, the CONTRACTING PARTIES recognized the importance of a broad approach, encompassing all aspects of the problem. In the course of the secretariat study, and in its preliminary discussion by the Expert Group, it had become increasingly clear that the maximization of export earnings was of crucial importance to the successful implementation of the Development Plan and that, consequently, export possibilities should be estimated and preparations for export made at the earliest stage of production planning. Under its terms of reference the Group thus found it necessary in its final meeting to deal with the possibilities of trade expansion in Uganda under three headings:

(i) the measures, including technical and financial support from abroad, to increase the efficiency of industries with favourable export prospects;

(ii) the development of appropriate export promotion and marketing services;

(iii) the removal of trade barriers and other measures improving the access of Ugandan products to the import markets. An important aspect of this effort is the need to develop closer and more intensive trade relations between Uganda and its neighbouring economies.

20. It was noted by the experts that the secretariat study had already analyzed the trade problems of Uganda commodity by commodity. After a general discussion on the agenda, the Group in its second meeting considered a number of specific issues which it felt to be of particular importance.

B. Export diversification

21. At the outset of the discussion the Chairman noted, from the secretariat's study, that in its present structure the economy of Uganda is very closely affected by world market conditions over which Uganda has no control. In addition, to its high dependence on exports in general (exports form nearly one half of the monetary gross domestic product), its total export earnings depend on a narrow range of products. He recalled that three quarters of Uganda's exports are furnished by two agricultural commodities, coffee and cotton, the marketing of which is subject to considerable uncertainty. Several of the experts accordingly emphasized the need to diversify Uganda's export trade. They noted that Uganda's effort to industrialize would increase the demand for foreign exchange (and for long-term obligations payable in foreign exchange) which would have to be supplied by additional exports. At the same time, however, the very measures taken to diversify and increase Uganda's exports would also accelerate the growth of domestic income and could do so to such an extent that the economy's overall dependence on its major exports would be reduced as well.

(i) Agricultural exports

22. The expert from Uganda referred to the statement put out by his delegation (COM.TD/G/W/7), which referred, inter alia, to the major targets set under the second five-year development plan. He said that although the output of the manufacturing sector was planned to increase by over 100 per cent, the economy would still be overwhelmingly dependent on agriculture and livestock. As a consequence, the great bulk of Uganda's exports will remain heavily concentrated on agricultural produce although it was hoped that some start could be made with the export of manufactured goods to outside of East Africa. The need to diversify was obvious in order to reduce Uganda's dependence on the production and export of coffee and cotton. He accordingly felt that the Group's discussion could profitably consider how the agricultural diversification of the Ugandan economy might be accelerated.

23. The experts directed their attention to arrangements already in hand to stimulate the production of minor crops in order to promote the desired diversification. Minor crops in this context were considered to be crops other than coffee, cotton, sugar and tea. In reply to a question, the Ugandan delegate stated that the value of exports of these crops was at present estimated to be in the region of £1 million. The Ugandan Ministry of Agriculture, however, were of the opinion that, with proper help and organization, this figure could easily reach £6 million. The delegate of Uganda outlined, in response to a question from the United Kingdom expert, the present pattern of trade in small crops and referred to certain drawbacks in the present production and marketing system which the Government were trying to overcome, such as inadequate storage facilities, haphazard growing standards, uncertainty of demand, and lack of suitably skilled supervisors and management.

24. The Chairman noted that appropriate marketing arrangements were essential for the successful diversification of Uganda's agriculture. The internal marketing system would also have to be put on a more efficient basis, he said, before export possibilities could be successfully exploited. In this context, the Ugandan expert told the Group that his Government had already proposed the establishment of a special board for the marketing of minor crops. The details of the scheme had not, as yet, been finalized. It was expected, however, that the organization would embrace both internal and external marketing arrangements, legislate for storage methods and grading standards, as well as providing for the holding of food reserves. The Chairman noted that the establishment of such a board would need careful guidance if it was to function efficiently from the outset. The Ugandan expert agreed and said that technical assistance and financial aid to this end would be very much appreciated; there may also be an initial problem in obtaining personnel to staff the board.

25. The United Kingdom expert welcomed the fact that, at the outset of their meeting, the Ugandan delegation's statement had shown that they had taken a specific decision for specific action to solve a specific problem. He thought this was an excellent augury for the remainder of their discussion. He therefore would urge the Ugandan Government to set up the board as quickly as possible. He also referred, in this context, to the help which could be made available by the Tropical Products Institute in his country. The expert from the Netherlands also drew the attention of the Ugandan delegation to a similar Dutch institute which worked on tropical and temperate products both from the technical and commercial points of view; it, too, would be prepared to assist the new board with any preparatory work required. The Ugandan expert wished to see what aid the GATT could provide for setting up the new board. The Chairman said he believed that certain contracting parties could be approached for aid; probably under the aegis of the GATT's International Trade Centre. Several experts noted

that the Centre had already prepared a number of market studies for selected minor crops in Uganda, and pointed out, though there was no wish to exclude assistance being sought and given through bilateral channels, that the Centre was available to act as a co-ordinating channel for requests and offers of technical assistance to Uganda in this field.

26. The Chairman of the Committee concluded the discussion of the first part of the agenda by summing up the views that had been expressed. It was agreed, he said, that an agricultural diversification programme was essential to the Ugandan economy in order to reduce their dependence upon a few major crops. The experts had recognized that agricultural production in Uganda will require considerable technical assistance, not only in the agricultural field for improving production techniques, but also in the marketing aspect in order that the produce can be more effectively disposed. It was further recognized that international assistance, both technical and organizational in this regard was urgently required by Uganda, and that the Ugandan Government should set up the proposed marketing board with all speed; the establishment of this institution would accelerate a number of important preparations such as feasibility studies etc. which would be of assistance to the correct formulation of requests for external assistance which could be expected from Uganda. The Group agreed that recommendations should be drafted to this effect.

27. The Ugandan delegate next drew the Group's attention to the problem faced by his country in the marketing of cotton, which was Uganda's second largest export crop. He stated that in the past Uganda had been relatively satisfied with the situation in the international cotton market, although Uganda had been increasingly concerned with the effect that the United States Public Law 480 had on Ugandan sales of cotton to India. Recently, however, there had been a sequence of new developments in the world cotton market which he felt could have far-reaching consequences for Uganda's development. The measure that he referred to was the new United States farm legislation affecting cotton production. The Ugandan delegate stated that the previous system in operation in the United States was a combination of domestic price support with subsidies for exports, which resulted in considerable stability being given to the United States export price for cotton. Under the new system, both domestic and export prices of United States cotton would be left to find their own level, while supplementary income adjustment payments would be made to cultivators who reduced their cotton acreage. The Ugandan delegate was of the opinion that the new United States legislation would result in a fall in the price of United States cotton which, because of its preponderant place in the world market, would mean that it would be more competitive than hithertofore, and that this would make it increasingly difficult for Uganda to dispose of her whole production, which would also have to be sold at a lower price.

28. In reply, the United States delegate pointed out that the new legislation was for a four-year term only, from 1966-1970, and that it stemmed from an analysis of several pertinent factors. United States stocks of cotton had reached record levels, in part due to the previous price support policy, and the fact that other countries continued to encourage an expansion of production and exports. Further, the cotton price was considered to be too high in regard to synthetics. The United States Government was accordingly concerned with the problem of reducing stocks - which it appreciated could not be done quickly, because of the disruptive effect this would have on the world cotton market - and with increasing the consumption of cotton through a more realistic cotton price policy. The new legislation was coupled with very stringent production control systems, together with incentives to decrease production. Cotton would only be price supported if it was produced and marketed in compliance with the rules that had been laid down. It was hoped that the effect of the new measure, though this would take more than four years to accomplish, would be to increase cotton consumption relative to synthetics. The United States expert concluded by stating that his Government would welcome discussion with Uganda of any concerns which the latter might have relative to possible effects of revised United States policies on Uganda's cotton exports.

29. The Chairman noted that the Group realized that the problems mentioned by the Ugandan and United States experts as affecting the international trade in cotton were outside any one country's control. He was nevertheless concerned to suggest several possibilities whereby the Ugandans themselves could attempt to cushion these effects. Because of the possible reduction in the world price of cotton and the mounting competition from synthetics, it had been suggested that the Uganda Government should (a) try to lower the production costs of cotton by the introduction of new production methods and improved techniques, (b) consider expanding the Uganda textile industry, so that a larger part of the crop could be processed and utilized on the spot in Uganda (which would lessen the degree of dependence on price fluctuations of raw cotton), and finally, (c) explore, with the help of the FAO, the possibility of shifting some of the area under cotton to other crops which might prove to be equally remunerative. In reply, the Ugandan expert said that there was already an intensive programme for increasing the efficiency of cotton production and that cotton production in Uganda was considered profitable when compared with other alternative crops. Finally, the domestic textile industry was being expanded and it was already utilizing an increasing quantity of locally-grown cotton.

30. In concluding the discussion, the Group agreed with the Chairman that they could not discuss the merits of Public Law 480 agreements *per se*. Further, as pointed out by the United Kingdom expert, the effects of the change in the United States internal policies could not accurately be forecast. At the same time, the Group welcomed the United States delegate's suggestion for direct talks between the United States and the Ugandan authorities on the specific problems that might be faced in marketing Uganda's cotton. The Ugandan and Indian experts remarks on cotton sales to India were taken up in greater detail when the Group came to discuss the problems encountered by Uganda in its expansion of trade with other less-developed countries. The United States expert stated his country was pleased to note an improvement in Uganda's cotton exports to India.

31. The United Kingdom and Netherlands experts were interested to know the extent to which Uganda contemplated the further processing of indigenous materials under the rural industrialization plan and to what degree such processed commodities encounter tariff difficulties in the developed countries. In reply, the Ugandan delegate stated that the programme envisaged for small-scale industries did not include projects for the processing of food crops. The scheme was concerned with establishing simple manufacturing activities which, he suggested, could best be discussed under the next item of the agenda. As far as marketing difficulties for the processed agricultural products were concerned, he pointed out that, like many other less-developed countries, Uganda was adversely affected by the tariffs of the developed countries which were generally staggered upwards according to the degree of industrial processing involved in the imported products. This, he said, was probably one of the major inhibiting factors in the promotion of private investment in the processing industries sector. In illustration of the problem, the Ugandan delegate referred the experts' attention to the secretariat's note, COM.TD/G/W/10, on commercial policy measures applied by industrialized GATT countries in respect of products of major export interest to Uganda. The Ugandan delegate noted that a number of products, which would be processed in Uganda from domestic raw materials, would be affected directly by the tariff differential in the importing countries. These were processed coffee and tea, fruit and vegetable products, sugar derivatives and leather and leather goods. The experts recognized that industrialization in Uganda, through processing agricultural raw materials, would be accelerated if the processed products did not face higher trade barriers than those faced by the unprocessed raw material. The experts also felt that some marketing difficulties could be overcome by greater participation in Uganda of foreign processing firms with widespread distribution channels in the main consuming areas.

32. In the general discussion of trade barriers encountered in promoting Ugandan exports, the Ugandan expert drew the attention of the Group to Part II of the secretariat's note on tariffs which gave details of the internal charges on coffee et al., maintained by selected industrial countries. In answer to a question, the Ugandan expert pointed out that apart from the possible inhibitory effects on increased consumption of coffee in the countries referred to, the existence of these measures created a further important problem for Uganda. The measures did not differentiate between types of coffee he said; thus the effect of high fiscal charges on coffee consumption was particularly adverse for the less expensive Robusta type, of which Uganda is a major producer. The expert from the Federal Republic of Germany felt that it was by no means clear that a reduction of fiscal charges would increase the consumption of coffee. He accepted the point, however, that Uganda's sales of Robusta coffee could be adversely affected by high fiscal charges, particularly in relation to sales of other coffees, as the charges in question operated by weight rather than by import value.

(ii) Manufactured exports

33. The members of the Committee next discussed the various ways in which Uganda could be helped to further its commercial exchanges. It was noted from the Ugandan expert's statement that a considerable variety of manufactured goods were already being made in Uganda, and that these were being traded to neighbouring areas. Numerous categories were given in the statement by way of illustration.

34. The United Kingdom expert pointed out that, because of Uganda's land-locked situation, and geographical isolation, emphasis would have to be laid on increasing the value to weight ratio in her manufactured exports. He further noted that, while the distance from her major port of evacuation was considerable. and would therefore add to transportation costs in her export prices, in reverse, this factor would give Uganda a form of natural protection from imports and thus encourage the setting up of import substituting industries. The work of the Uganda Development Corporation was commended by several of the Group. The United Kingdom expert drew the attention of the Group to the fact that the activities of the Corporation would be considerably enhanced if an expanding programme of feasibility studies could be undertaken. The Ugandan delegate noted that such a programme would require considerable foreign aid and assistance; several experts suggested therefore that requests for aid should be met favourably by institutions and organizations in a position to provide it. The German expert outlined the practice followed in his country and said that his Government would certainly be prepared to give technical assistance to feasibility studies in Uganda.

35. In connexion with this topic, the Group took into consideration the information contained in the statement by the Ugandan delegation which referred, in part, to the Lusaka Conference on the harmonization of development programmes in the East African sub-region, COM.TD/G/W/7. The Ugandan expert, in answer to a question, said that the industries proposed for Uganda by the ECA, were the result of pre-feasibility studies only and that further investigations would have to be carried out before the proposed allocation could be considered in detail. The German expert commended the initiative taken by the ECA and spoke of the opening up of sub-regional trading possibilities in East Africa. The expert from the United Kingdom was of the opinion that finance would not be the major bottleneck and that what was needed was specialized help to carry out more detailed studies on the proposed industries. There were a number of agencies, he said, which could possibly provide this assistance; the Commonwealth Development Corporation and the United Nations Centre for Industrial Development were among the examples he cited.

36. The Chairman referred to his own country's experience and said that, apart from the ECA's recommendations which concerned large industrial plants, he felt the development of small-scale industry offered more immediate possibilities for Uganda. He mentioned the advantages of establishing pilot projects on a co-operative or communal basis which would help to foster the sense of African entrepreneurship in rural areas. Technical assistance would be necessary initially, he said, and the Israeli Government had authorized him to offer such support in any framework which could be mutually agreed upon with the Ugandan authorities. The Ugandan delegation expressed their thanks for this offer which, because of the acute shortage of qualified personnel, was particularly appreciated.

37. While on the subject of small-scale industries, the Ugandan expert explained that the provision of industrial estates was considered by his Government to be an important tool in their programme for developing small-scale industries. They considered that the grouping of small industries would permit the effective integration of various measures of assistance and services to these estates. He mentioned, in response to a question, the example of the Management Training and Advisory Centre, in the establishment of which they had received help from the ILO. In this context, several of the experts noted that industrial pilot schemes could best command foreign aid and assistance.

38. The Group was informed that Uganda's programme on small-scale industries was still in the process of being formulated. It was generally agreed, and several experts cited their own country's experience in this field, that small-scale industries are particularly in need of guidance, assistance and support because of their limited size and scale of operation. In the context of

promoting small-scale industries, especially in rural areas, the United Kingdom expert strongly advised that consideration be given by the Ugandan authorities to an expansion in their housing programme. He was firmly of the opinion that a good housing programme, because its susceptibility to small sub-contractors promotes the establishment of numerous little ancillary industries, could become a very great stimulus to industrial development. He accordingly suggested that once Uganda had finalized its small-scale industry programme, an expansion in housing should be undertaken.

39. The Swedish and Netherlands representatives emphasized the necessity for greater attention being paid to the marketing function. The Netherlands expert gave specific examples of practical problems encountered by his own country such as, differences in quality standards, lack of regular deliveries and shipments, price variations, etc., all of which tended to hamper trade contacts between less-developed countries and importers in industrial markets. Other problems mentioned by the Indian and Ugandan experts were the lack of information, even for neighbouring developing countries, on requirements of the market, the availability of other supplies and the tariff policies affecting the market for manufactured goods. The Chairman noted that having referred to the present development of Uganda's manufacturing industry, as indicated in the GATT study, it is in East Africa and neighbouring areas that further important markets for Uganda's manufactured exports could be found.

40. In recalling the remarks which had already been made on the subject of tariff barriers, the Chairman noted the Ugandan expert's comments on the difficulty of developing overseas exports from the commodities making up inter-territorial trade. The Indian delegate stressed that the situation in respect of tariffs on Ugandan products would have an important bearing on Uganda's ability to accelerate industrialization by way of processing commodities and producing manufactured goods for neighbouring and extra-territorial markets. The Group were of the opinion that, bearing in mind the specific concerns and responsibilities which the CONTRACTING PARTIES had in relation to the removal of barriers to trade in the context of the Kennedy Round, further action on this score would be of considerable importance to Uganda.

C. Trade with other less-developed countries

41. At the outset of the discussion on Uganda's trade with other developing countries, the delegate from Uganda said that, while his Government was actively concerned with the expansion of Uganda's trade with other less-developed countries, both within the East African region and outside, trade was hampered by a number of factors.

42. An aspect of this problem, said the Ugandan expert, was manifest in the difficulties in the marketing of cotton arising from foreign exchange shortages experienced by some of Uganda's traditional trading partners. He argued that these foreign exchange difficulties not only resulted in a reduction in the volume of cotton purchased, but also manifested themselves in increased pressure for bilateral trade and barter agreements which were unwelcome to Uganda because of its need of finance to implement its own development plan. The Indian expert stated that Public Law No. 480 arrangements had not led to a decline in Indian imports of cotton from commercial sources. In fact, the value and volume of India's cotton imports from Uganda in 1964 was almost twice the amounts of the preceding year. He said that purposeful promotion of mutual trade could achieve substantial results in reducing bilateral deficits between Uganda and other countries in the course of a general trade expansion. The Indian representative agreed with the expert from the Netherlands that though it might have bilateral effects this was not really a bilateral problem; it was related to certain factors in the present system of international trade. The Chairman noted the pressures towards bilateralism in trade among the less-developed countries, resulting from their foreign exchange shortage, required careful study; and he stressed the need for renewed attention to this problem by other and more appropriate organs, such as the World Bank, the OECD and the IMF.

43. At this stage in the proceedings, the representative of the IMF was invited by the Chairman to clarify the Fund's policy on the question of bilateralism in payments. He stated that the Fund's policy was to help members to reduce their reliance on bilateralism and on the maintenance of discriminatory restrictions. The representative of the IMF further stated that the Fund was prepared to assist in studying proposals to establish regional payments arrangements, but stressed that resources could be made available only to the extent that parties to these arrangements were members of the IMF which wished, after qualifying in the usual way for drawings from the Fund, to apply the proceeds in whole or in part to settlements required under regional arrangements. The Chairman accordingly suggested that the Ugandan authorities themselves, with the aid of such bodies as the IMF, should actively promote the establishment of a multilateral regional payments arrangement for the area, which would help to cushion the effects of this problem.

44. At the Chairman's request, the IMF representative called attention to three Fund documents which had been made available as background information on Uganda, and he presented a statement on Uganda's current economic situation prepared by the Fund's staff. A copy of that statement is appended to this summary.

45. Several experts noted from recent statistical data that, despite difficulties, trade between India and Uganda had grown considerably. The Chairman suggested that this was an indication that more could be done to stimulate trade, not only bilaterally but multilaterally as well, between developing countries. He felt that with the possibilities of increasing the range of goods traded, such diversification would go a long way to help these countries in the problem of expanding trade and overcoming payments difficulties due to currency shortages. Several of the experts agreed with this view. They also suggested that consideration be given by Uganda to the possibility of developing regional arrangements for its exports on the basis of preferential tariff arrangements with other countries in the region.

46. The Ugandan expert asked for clarification on the GATT's policy towards such schemes and whether special accommodation was given in the GATT to developing countries wishing to form such trading areas. The representative of the secretariat indicated in this context that the CONTRACTING PARTIES to the General Agreement could be expected to make a sympathetic approach to special trading arrangements aimed at establishing the development of regional areas even where such arrangements were not covered by the formal exemption in GATT in favour of free-trade areas and customs unions. The Group of Experts were further informed that consideration was being given to a proposal for inserting provisions to this effect in the General Agreement itself. The experts were also advised that the problem of expanding trade among developing countries through appropriate tariff and trade policy measures was, at the moment, being very actively considered within the secretariat.

D. Export promotion

47. At the outset of the discussion the Chairman of the Group noted that problems of technical assistance in the field of export organization and promotion had already come up under various headings during the experts' deliberations. Further, that several propositions on this score had already been listed, and that a number of delegates, on behalf of their governments, had promised assistance to Uganda in the course of the discussion.

48. The Chairman recalled the Group's attention to the work already being done in the Trade Centre of the GATT on the question of investigating marketing requirements. He noted from the statement made previously by the representative of the Centre that they were, in fact, compiling several export directories containing information likely to be of special interest to exporters from developing countries. The Ugandan delegate told the Group that his country had already availed itself of the services of the Centre and would continue

to welcome assistance against specific requests. A particular aspect of such assistance, he thought, would be the provision of marketing experts to act as counsellors on the spot. Extreme staff shortages in Uganda, he said, made it difficult to release existing personnel to attend training courses outside the country. He would suggest that part of the funds provided for in-service training programmes should be diverted to sending experts to the country concerned, where advice and training could then be given against the background of local conditions. The Group agreed that one of the most important ways of assisting the export promotion efforts of Uganda would be the provision of experts to organize the necessary services and techniques in the country itself.

49. Several experts drew attention to the work already done by the International Trade Centre of the GATT which, they felt, could possibly be extended as far as Uganda was concerned. The Chairman felt it would be useful to have the Centre's comments on this. Before dealing with the possible help which could be given to Uganda, in the light of what had already been suggested, the deputy head of the Centre said it was necessary to emphasize that trade promotion and aggressive marketing were indispensable adjuncts to the efforts currently being made by developing countries to increase their export earnings. The Centre's representative then outlined the activities of the Centre, together with an indication of the scope of the market investigations currently in hand.

50. The Swedish expert drew attention to the problem developed countries' importers had in obtaining information about presumptive exporters from less-developed countries. In the context of export promotion he felt it would be advisable for such enterprises to be organized into an export association. Membership of the organization would thus imply some sort of guarantee of ability. Such an organization would also help to promote standards of quality and presentation. The Swedish expert further suggested that to meet the high quality requirements of the industrialized countries the establishment of special inspection bodies should also be considered by the Ugandan authorities.

51. The Group also recalled their earlier discussion in which it had found that prospects for Ugandan exports of manufactured goods would be particularly favourable in the markets of other less-developed countries. However, as emphasized by the experts from developing countries, the marketing of semi-manufactured and manufactured goods in developing countries offered particular difficulties, largely because of lack of contacts. A basic problem here for Uganda, it was recognized, was that of putting importers and exporters in touch with each other. In this connexion, the Group of Experts recalled that the International Trade Centre had already actively assisted a number of countries in this field.

52. The deputy head of the Centre noted that, in the course of the Group's meeting on Uganda, a number of instances had been brought to his attention where the experts had felt that further work by the Centre could stand Uganda in good stead. As this could well lead to the beginning of wider developments in this field by the Centre, it was necessary to recall to the experts' attention that this would have implications for the Centre's resources, both human and financial. The Chairman felt that a recommendation to the CONTRACTING PARTIES calling for further attention to this matter would not be received unsympathetically. In any case, he said, the Trade Centre, by virtue of its organizational structure, was already well placed to act as a co-ordinating body through which the present offers of assistance to marketing could be channelled.

53. At the end of the discussion the Ugandan delegation thanked the Chairman and the experts for their work. The Ugandan expert said that from his country's point of view the Group's meeting had been a very interesting exercise. Its usefulness, he said, would depend on the action that was taken on the conclusions and recommendations reached by the Group. A pertinent example, he felt, was the extent of the aid to be given to the establishment of the Small Crops Marketing Board. In his summary the Chairman said that, though the Group had completed its discussion on Uganda, there would still be the question of ascertaining the extent of the Group's contribution. He noted that, whenever necessary, they had tried to arrive at a consensus in order to be unanimous in their findings. He said he hoped this would demonstrate to the CONTRACTING PARTIES and other interested organizations the Group's wish for practical action to be taken on the recommendations which they had reached.

E. General

54. In their concluding session the Expert Group discussed their future work under the programme of Trade and Aid Studies. The United Kingdom and German experts were of the opinion that some measures would have to be devised for maintaining the continuity of the Group. The Chairman agreed and stressed that the spirit of collaboration which had evolved, and the practicality of the advice and offers of assistance rendered, should not be lost through the physical dispersion of the Group. This, he said, was not only because the experts and the Ugandan delegation had personally stated that they attached great importance to knowing what would happen to the Group's recommendations, but also, as was suggested by the expert from the Netherlands, some means of follow up would prove to be necessary. This would assist their parent body, the Committee on Trade and Development, to assess the utility, practicality and efficacity of the GATT's country study programme.

55. Several of the Group also stressed that one of the positive aspects of their meeting was the fact that recommendations had been adopted unanimously by all the experts, as well as the representatives of the country under discussion. It was generally suggested that the secretariat should act as the agent through which the Group would maintain contact. Finally, the expert from the Federal Republic of Germany suggested to the secretariat that future studies, where possible, should devote more attention to the possibilities of trade with neighbouring countries. It was agreed that a recommendation would be drafted to this effect.

APPENDIX

NOTE ON UGANDA

Prepared by the Staff of the International Monetary Fund

In 1965 the existence of drought conditions adversely affected agricultural production in Uganda. Consequently, the country's gross domestic product is expected to increase at a rate lower than the 5 per cent originally projected by the Government. Simultaneously, there appear to have emerged growing strains in both the Government's fiscal position and the country's balance-of-payments situation. This has been accompanied by an increase in internal prices due to the shortages of staple food commodities in the country.

The fiscal pressures have arisen mainly from a substantial decline in Government revenues from export duties resulting from a sharp fall in the export price of coffee in the first half of the year. Current as well as capital expenditures have also increased. In the 1965/66 budget estimates, an overall deficit of £8.0 million ($22.4 million) was expected to be financed partly by a draw-down of cash balances (£3 million), and partly by additional external assistance. However, the subsequent recovery of the price of coffee in the third quarter of the year may mitigate the fall in Government revenues and reduce the deficit.

The fall in the export price of coffee plus a substantial increase in imports also adversely affected the country's balance-of-payments position in the first half of 1965. Export receipts were somewhat lower and import payments substantially higher than in the corresponding period of 1964. An additional source of strain on the balance of payments has been the net outflow of private capital. During the first six months of 1965 the official foreign assets of Uganda are estimated to have declined by some £4 million.

An important development in the monetary field has been the Government's announcement, simultaneously with Kenya and Tanzania, of its intention to dissolve the East African Currency Board - which presently acts as a common Central Bank for the three countries - and to establish a separate Central Bank of its own by June 1966. This announcement was accompanied by the introduction of exchange controls between Uganda and other sterling area countries except Tanzania and Kenya. Although comparable figures are not available, indications are that there was a decline in money supply and bank credit to the private sector during the first half of 1965. The cost of living for the Africans, however, shows an increase of nearly 25 per cent during the first three quarters of the year on account of a sharp fall in the availability of staple food products following a drought in the summer of 1965.