

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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Submission by the GATT Secretariat

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT 1964

THE ROLE OF GATT IN RELATION TO TRADE AND DEVELOPMENT

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THE ROLE OF GATT IN RELATION TO TRADE AND DEVELOPMENT

I. Introduction

1. This introduction deals briefly with the nature and objectives of the General Agreement on Tariffs and Trade, the functions of the CONTRACTING PARTIES, and the membership of the Agreement.
2. GATT is a multilateral treaty embodying reciprocal rights and obligations designed to achieve certain objectives. These objectives are set out in the preamble to the Agreement where the CONTRACTING PARTIES recognize that "... their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily-growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, and promoting the progressive development of the economies of all the contracting parties".
3. The detailed undertakings set out in the GATT, together with a body of case law built up by the CONTRACTING PARTIES, constitute a general code of conduct covering virtually the whole field of the commercial relations of the member countries.
4. The CONTRACTING PARTIES i.e. the member governments acting jointly, deal with questions arising from the implementation of the Agreement - among other things acting as a negotiating forum, and as a forum where any differences between member countries can be dealt with - and take such action as is necessary in the light of developments in international trade to further the objectives stated in the Agreement.
5. During the past ten years the GATT and the activities of the CONTRACTING PARTIES have been undergoing a significant evolution in the search for solutions to the trade and economic development problems of the less-developed countries. This has taken two forms:
 - (a) provision in the GATT for increased flexibility in the obligations of less-developed countries; this is referred to in Part II below;
 - (b) development of specific programmes, and a mechanism of international co-operation, designed to help these countries achieve an expansion in their export earnings; this is discussed in Part III below.

6. At the time of writing this paper, sixty-two countries were full contracting parties to the GATT, some two thirds of them less-developed countries. In addition, five other countries had acceded provisionally; five applied the GATT on a de facto basis; and two were associated in the work of the GATT. A list of the countries concerned is attached as Annex I.

II. Provisions of the GATT and their Implementation

7. The provisions of the GATT as they stand at present are based on the following main principles:

- (i) member countries should grant one another treatment at least as favourable as they grant any other country (the "most-favoured-nation" principle), subject to the right, provided certain conditions are met, to form free-trade areas or customs unions;
- (ii) protection should be afforded to domestic industries exclusively through the customs tariff and not through other commercial measures (such as quantitative restrictions), and the general level of tariff protection should be progressively reduced through successive tariff negotiations;
- (iii) contracting parties should use the procedure of consultation, directly with other contracting parties or with the CONTRACTING PARTIES collectively, in cases of dispute and to avoid damage to one another's trading interests;
- (iv) contracting parties should take such joint action - which may include the drawing up and implementation of programmes such as the Trade Expansion Programme described later in this paper - as is necessary to further the objectives of the Agreement.

8. It is recognized in the Agreement that the application of the second of these principles in the case of less-developed countries has to take account of the special problems raised by the economic development needs of these countries. In particular, it is recognized that:

- (a) less-developed countries need a greater degree of flexibility in their tariff structure to assist their economic development and to raise revenue;
- (b) the use of tariffs for this purpose may not always be practicable and less-developed countries may, therefore, need to use other measures, such as quantitative restrictions, to assist developing industries;

- (c) in view of the high level of demand for imports likely to be generated by development programmes, less-developed countries may need to have greater recourse to quantitative restrictions (which may in certain circumstances be discriminatory) to protect their balance of payments.

9. The original text of the General Agreement contained (in Article XVIII) exceptions to the general rules which were designed to take account of the special needs of the less-developed countries. When, however, the text of the GATT was reviewed in 1954/55, Article XVIII was amended, and certain other changes in the Agreement made, partly to facilitate action by less-developed countries of the sort referred to in the preceding paragraph and partly to make it clear that action of the sort provided for was regarded as contributing to the attainment of the objectives of the Agreement.

(a) Tariff reductions and general trade negotiations

10. One of the main activities of the GATT, provided for in Article XXVIII bis of the Agreement, has been the organization of a series of conferences, the first in 1947 and the most recent so far in 1961, to negotiate the reduction and stabilization of tariffs. The object of these conferences has been to promote international trade by securing a substantial reduction in the degree of tariff protection and by enabling trade to be planned against the background of an assurance that the negotiated tariffs will not be subject to sudden increase. As a result of these conferences the major part of the industrial tariffs of the developed countries (including many of the tariff headings of particular interest to less-developed countries) have been reduced and/or bound against increase.

11. While many of the less-developed countries have in the course of these tariff negotiations agreed to the reduction or binding of parts of their tariffs, most of the concessions have in the nature of things been made by the more developed countries. As a result, however, of the most-favoured-nation principle (in Article I of the Agreement), the benefit of these concessions has been extended to all contracting parties.

12. The negotiations between developed countries have been based on the principle of full reciprocity between concessions granted and received. Some less-developed countries have granted a number of reciprocal tariff concessions, especially in the earlier tariff conferences. It has, however, come to be increasingly recognized that the principle of reciprocity applied between developed countries cannot be applied vis-à-vis less-developed countries, and at the ministerial meeting in May 1963¹ which set in motion

¹The Resolutions and Conclusions adopted by the Ministers on the items of their agenda are set out in Annex II.

the "Kennedy" round of negotiations, it was formally recognized that "while every effort should be made to reduce barriers to the exports of less-developed countries, the developed countries cannot expect to receive reciprocity from the less-developed countries".

13. The tariff conferences held so far have mostly been based on the technique of item-by-item negotiation. The conviction has grown, however, that to continue future negotiations on this basis would be likely to lead to diminishing results. Accordingly the Ministers, when launching the "Kennedy" round, agreed that, so far as tariffs are concerned, the negotiations should be based on a general across-the-board reduction in tariffs, with a bare minimum of exceptions and with special rules for cases where there are significant disparities in tariff levels. In the preparation of a tariff negotiating plan which would meet these desiderata, it has been agreed as a working hypothesis to use for the general rule a 50 per cent across-the-board reduction in tariffs. This would mean that there would be a halving of the duties over the major part of the tariffs of the industrial countries, from which the less-developed countries would stand to benefit.

14. In addition to this new approach to tariff reduction, the "Kennedy" round will be more widely comprehensive than previous GATT negotiating conferences; in particular it has been agreed that it must cover non-tariff barriers as well as tariffs and agricultural as well as industrial products (see paragraph 40 below), elements which could be of significant interest to less-developed countries.

15. A special sub-committee of the Trade Negotiations Committee, which is the body set up to prepare for the negotiations, has been established to deal with the question of the participation of the less-developed countries. The discussions held so far in this body have shown that there is general recognition on the part of developed and less-developed countries alike that the "Kennedy" round presents a major opportunity to deal with and solve some of the important trade problems of the less-developed countries and that there is a genuine desire on the part of the less-developed countries to participate fully. One of the main tasks of the sub-committee is to consider how to ensure that effect is given to the Decision of Ministers (see paragraph 12 above) that "every effort should be made to reduce barriers to exports of the less-developed countries". Most of the industrialized countries have made it clear that, as far as possible, products of interest to the export trade of less-developed countries will not be included in their lists of exceptions to the general across-the-board reduction of tariffs.

16. Tariff conferences have traditionally provided the major occasion for countries which wish to accede to the GATT to negotiate with the existing members for accession. Developed countries have been expected on such occasions to make concessions on their own tariffs which afford reciprocity for the tariff concessions of the existing members which they will enjoy as of right on their accession. While less-developed countries have made some tariff concessions on their accession¹, relatively little reciprocity is expected from them and it is accepted that they must, in general retain freedom to use their tariff flexibly in the light of their development needs.

17. There are provisions, in Article XXVIII, under which countries can at certain intervals modify or withdraw tariff concessions on particular products. They are, however, required to do so through negotiation and to endeavour, where appropriate through the offer of compensatory new concessions, to maintain the general level of the tariff concessions.

18. There are separate provisions in Section A of Article XVIII, covering the modification or withdrawal of concessions by less-developed countries in cases where they consider such action necessary to protect developing industries. While these countries also are required to negotiate the modification or withdrawal of the concessions, it is recognized in Article XVIII that they need to maintain sufficient flexibility in their tariff structure to be able to promote industrial development, and the effect of the special provisions of the Article is to make the modification or withdrawal of concessions easier

¹Article XXXIII provides that governments possessing full autonomy in the conduct of their external commercial relations may accede to the GATT "on terms to be agreed between such governments and the CONTRACTING PARTIES". Countries acquiring full autonomy in the conduct of their external commercial relations may accede either under Article XXXIII or under the "sponsorship" provisions of Article XXVI:5(c) which provides that "if any of the customs territories, in respect of which a contracting party has accepted this agreement, possesses or acquires full autonomy in the conduct of its external commercial relations and of the other matters provided for in this agreement, such territory shall, upon sponsorship through a declaration by the responsible contracting party establishing the above-mentioned fact, be deemed to be a contracting party"

in their case.¹ These provisions are, of course, relevant only in cases where the less-developed countries have entered into commitments with regard to particular tariff rates; where they have not entered into such commitments - which is the case over by far the major part of the tariffs of most of them - they are free to set their tariffs at any level.

19. In some cases, less-developed countries have found it necessary, in order to protect their balance of payments or as part of general economic stabilization measures, to impose general surcharges on imports. In these cases the CONTRACTING PARTIES have, using their authority under Article XXV to "waive" obligations, granted the countries concerned² the necessary waivers to enable them to apply the surcharges (which would otherwise be inconsistent with the tariff "bindings"), to the items in respect of which they had bound the tariff.

(b) Quantitative restrictions

20. One of the basic provisions of the GATT is the general prohibition in Article XI of the use of quantitative restrictions. The main exceptions to this are the provisions which permit countries, in certain defined circumstances (which are stricter in the case of developed countries), to use quantitative restrictions to protect their reserves when in balance-of-payments difficulties.

21. In addition, less-developed countries may, where for example the use of the tariff is not practicable, use quantitative restrictions to protect developing industries. The relevant provisions (Article XVIII C) provide among other things that, if the product is not subject to a tariff binding, a less-developed country which has notified its intention to apply such restrictions is free to apply them within thirty days of the notification (or before if necessary to prevent a substantial increase in imports) if it is not asked by then to consult with the CONTRACTING PARTIES. If the CONTRACTING PARTIES do ask the country to consult, their concurrence in the proposed measure is given if it is established that there is no other measure, consistent with the normal GATT rules, which would achieve the developmental objective of the proposed measure.

¹In the absence of special authorization, a developed country can renegotiate tariff concessions only at certain intervals (normally three years); and if it fails to reach agreement in the renegotiations with the other interested contracting parties, but nevertheless modifies or withdraws the concession, those contracting parties can modify or withdraw substantially equivalent concessions originally negotiated with it. Under Article XVIII a less-developed country can renegotiate tariff concessions at any time; and, if in the renegotiation it fails to secure the agreement of the other interested contracting parties, those contracting parties can modify or withdraw concessions originally negotiated with it only if the CONTRACTING PARTIES find that it has not offered adequate compensation for the modification or withdrawal.

²Nicaragua, Peru, Chile and Uruguay.

22. Countries which maintain import restrictions for balance-of-payments purposes are required by the Agreement to consult with the CONTRACTING PARTIES as a whole, in the case of the developed countries annually, and in the case of the less-developed countries every two years, on the nature of the balance-of-payments difficulties, alternative corrective measures which may be available and the possible effect of the restrictions on the economy of other contracting parties.

23. In the early post-war years, many developed as well as less-developed countries found themselves in serious balance-of-payments difficulties and the use of import restrictions, and their discriminatory application was widespread. With the improvement in their balance-of-payments position, especially in the late fifties, most of the developed countries began to dismantle their restrictions, and now only a very few of these countries still maintain import restrictions for balance-of-payments reasons.

24. This development has, however, revealed a problem which the general use of quantitative restrictions for balance-of-payments reasons had hitherto concealed, namely the use of restrictions, particularly on agricultural products, for protective reasons. A considerable number of products of export interest to the less-developed countries are affected by these restrictions. Initially, the CONTRACTING PARTIES considered these cases of "residual" restrictions, as they came to be called, on an ad hoc basis, but in November 1960 they adopted a set of general procedures¹ for dealing with such restrictions. These procedures, among other things, require countries continuing to apply such restrictions to notify them and provide for consultations to be held at the request of any country which considers its interests affected. Should such consultations fail to result in a satisfactory solution, the complainant country may resort to the provisions of Article XXIII of the Agreement. These provisions (which are dealt with in more detail under the heading "Consultation" below) require the CONTRACTING PARTIES promptly to investigate the matter referred to them and make recommendations or give rulings as appropriate; and, where the circumstances are serious enough, to authorize the complainant country to suspend concessions or other obligations towards the country maintaining the restriction.

25. Consultations under these procedures have been held with several contracting parties applying such restrictions. In some cases, the consultations have been conducted without calling in the CONTRACTING PARTIES; the United States and the Netherlands, for example, subsequently joined by a number of other countries, have conducted consultations with Austria in relation to certain restrictions still maintained by that country. In other cases, such as the restrictions maintained by Italy², the consultations have been conducted by bodies set up by the CONTRACTING PARTIES.

¹ BISS, Ninth Supplement, page 18

² BISS, Tenth Supplement, page 117

(Note: The abbreviation BISS refers to the Basic Instruments and Selected Documents of the GATT. An annotated reference list of GATT publications is contained in Annex IV.)

26. Of particular interest are two cases where the provisions of Article XXIII were invoked. The first was a complaint by the United States about French import restrictions inconsistent with Article XI on certain agricultural products. The second case was a complaint by Uruguay regarding restrictions on Uruguayan exports maintained by fifteen industrialized countries. After examining in detail the restrictions involved, the CONTRACTING PARTIES among other things recommended to seven of the countries concerned the immediate withdrawal of certain of the restrictions, adding that, should the recommendation not be complied with, or other satisfactory adjustment effected, by a certain date, Uruguay would be entitled to request authority to suspend obligations or concessions. An examination in 1963 regarding the action so far taken showed that all the countries concerned had partly complied with the recommendations or had taken alleviating action with respect to some of the restrictions involved and that one country had fully complied with the recommendations.

(c) Provisions relating to State trading

27. Article XVII of the Agreement requires that, if a contracting party "establishes or maintains a State enterprise or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Agreement for governmental measures affecting imports or exports by private traders". A further provision explains that this is to be understood as requiring "that such enterprises shall, having due regard to the other provisions of this Agreement, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other contracting parties adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales".

28. The Article also provides for the possibility of "negotiations on a reciprocal and mutually advantageous basis" for the limitation or reduction of any obstacles to trade which the operation of State-trading enterprises may create. Such obstacles would normally be equivalent in their effect to the use of tariff protection in cases where products are not subject to State trading, and the point of the provision is to put any protection granted by the use of State-trading on a par with tariff protection by providing that it can be the subject of negotiation.

29. Finally, the Article provides for the notification by contracting parties of products subject to State trading and, subject to safeguards against the disclosures of confidential information, for the provision of information at request on certain aspects of the operation of State-trading enterprises.

(d) Provisions relating to subsidies and other measures

30. In addition to the rules so far referred to, the GATT also contains provisions on virtually all other governmental measures which can be restrictive of international trade.

31. Article III, for example, which deals with internal taxes, contains a series of provisions based on the general principle that internal taxes should not be applied so as to protect domestic industry. Article VI deals with anti-dumping and countervailing duties. Articles V, VII, VIII, IX and X set out general principles and detailed rules relating to transit trade, customs valuation, customs formalities and marks of origin. These have been supplemented by codes of standard practices and conventions (on, for example, documents required for importation) drawn up by the CONTRACTING PARTIES.

32. The position on subsidies varies with the type of subsidy involved. So far as export subsidies on industrial products are concerned, the industrial countries have agreed to a complete ban on their use by themselves. The less-developed countries are not bound by this agreement and are therefore free to use such subsidies, although in the case of both these subsidies and subsidies on primary products other contracting parties, under the provisions of Article VI are permitted to levy countervailing duties if imports into their markets enjoying such subsidies cause or threaten material injury to their industries.

33. As regards subsidies on exports of primary products, countries are required in principle to avoid such subsidies and, if they do use them, not to do so in such a way as to secure for themselves a more than equitable share in world trade in the product concerned. Among the individual cases considered by the CONTRACTING PARTIES under this last provision, and satisfactorily settled after consultation with the countries concerned, was a complaint by Australia in 1958 about the French subsidization of exports of wheat and flour.¹

34. As regards subsidies other than export subsidies, contracting parties are free to grant them, but they are required to notify any which have the effect of increasing exports or reducing imports, and, when requested, to consult on the possibility of limiting such subsidies. This provision has been effectively invoked on several occasions, for example by Chile in respect of an import subsidy granted by Australia on ammonium sulphate.²

¹BISD, Seventh Supplement, pages 22 and 46.

²BISD, Volume II, page 188.

35. There are no specific provisions in the General Agreement relative to restrictive business practices. In 1958, however, the CONTRACTING PARTIES adopted a Resolution in which they recognized that the activities of international cartels and trusts could hamper the expansion of world trade and the economic development of individual countries and appointed a group of experts to recommend whether the CONTRACTING PARTIES should deal with restrictive business practices in international trade and, if so, to what extent and how. The report of the Group of Experts recommended that the CONTRACTING PARTIES should deal with these matters and should be regarded as an appropriate and competent body to initiate action in this field. This recommendation was accepted by the CONTRACTING PARTIES and, in a decision taken in November 1960, they recommended that a contracting party should at request enter into bilateral or multilateral consultation, as appropriate, on business practices which restrict competition in international trade, with a view to reaching mutually satisfactory conclusions; and in particular should take measures to eliminate any harmful effects which it agrees these practices have.

(e) Temperate zone agriculture

36. While the tariff negotiating conferences, and the application of the GATT rules on quantitative restrictions and other measures, have resulted in a substantial reduction in barriers to trade in industrial products, it is recognized that they have had relatively little impact on barriers to trade in temperate agricultural products. This is a major trade problem only for relatively few less-developed countries, though for those few countries it is, of course, a matter of vital importance in the context of their export earnings.

37. In recent years the CONTRACTING PARTIES have been paying increasing attention to the problem of barriers to trade in temperate agriculture. This more recent work began with the detailed examination by Committee II (one of the committees set up under the GATT Programme for Trade Expansion, which was initiated in 1958 and to which further reference is made later in this paper) of the problems that arise in trade in agricultural products.

38. This Committee held consultations¹ during the following two years with most contracting parties on their agricultural policies and the effects of such policies on trade in agricultural products. It also examined the overall effects of the use of non-tariff measures on certain groups of commodities which enter importantly into international trade. The Committee's work brought out in detail the degree and extent of agriculture protectionism and the widespread resort to non-tariff barriers.

¹Committee II - Reports on Country Consultations, June 1962.

39. In the light of the Committee's report, Ministers, at their meeting in November 1961, instructed the CONTRACTING PARTIES to work out procedures designed to establish the basis for the negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural products. These procedures included in particular the setting-up of special groups on cereals and meat.

40. When GATT Ministers launched the "Kennedy" round in May 1963 they directed that the negotiations shall cover agricultural as well as industrial products and shall provide for acceptable conditions of access to world markets for agricultural products. As regards particular products they agreed that, since cereals and meat were amongst those commodities for which general arrangements may be required, the GATT special Groups on Cereals and Meat should convene to negotiate appropriate arrangements and that, for similar reasons, a special group on dairy products should also be established.

41. The work of preparing for the negotiations on agriculture has been entrusted by the Trade Negotiations Committee to a subsidiary body, namely the Committee on Agriculture. The Groups on Cereals and on Meat, and a pilot group on Dairy Products have made a start on their work and the first two groups have established the elements which would enter into general arrangements covering these products. The arrangements envisaged would be more complete in their coverage than previous or existing commodity agreements.

42. In addition to these activities of the GATT in temperate agriculture, the consultation procedures of the Agreement have also provided a medium for seeking ad hoc solutions for particular commodity problems. These procedures have been used, for example, in connexion with certain problems which arose on the marketing of butter in the United Kingdom.

(f) Commodity policy

43. The Havana Charter for an international trade organization contained a special section on commodity policy. This was not incorporated in the General Agreement, and much of the international work on commodity problems has been conducted in other bodies, in particular the FAO and the CICT. As, however, will be apparent from the preceding section, and the section in Part III below dealing with the work of the GATT on tropical products, the GATT has been dealing with an increasingly wide range of commodity problems.

44. Further, since 1957, the CONTRACTING PARTIES have undertaken annually a general review of trends and developments in the field of commodity policy on the basis of a report submitted by the chairman of ICCICA, who is nominated by the CONTRACTING PARTIES. This review was provided for in a Resolution adopted by the CONTRACTING PARTIES in 1956 which also recalled that "the

CONTRACTING PARTIES are competent to deal, upon the request of one or more contracting parties, with special difficulties arising in connexion with international trade in primary commodities". In other words the CONTRACTING PARTIES are free to take any initiative in this field should the necessity arise.

45. Mention might also be made of Resolutions adopted by the CONTRACTING PARTIES relating to the disposal of surplus stocks and the liquidation of strategic stocks which provide inter alia for consultations designed to ensure that such disposals do not provoke undue disturbances in world markets. There is an annual discussion on disposals by the CONTRACTING PARTIES.

(g) The most-favoured-nation principle and regional groupings

46. Reference has already been made to the basic principle of most-favoured-nation treatment, or non-discrimination. The GATT does, however, recognize (in Article XXIV), as an exception to this principle, "the desirability of increasing freedom of trade by the development, through voluntary agreement, of closer integration between the economies of the countries, parties to such agreements", provided that the purpose of the arrangement is "to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories". To this end the Article requires that, in order to qualify for exemption from the most-favoured-nation clause, regional integration arrangements shall take the form of a customs union or a free-trade area; and it sets out certain criteria which such unions or areas must satisfy, such as that they must not involve an increase in the barriers to imports from non-member countries. In the case of customs unions, Article XXIV:5(a) provides that the external tariff and other regulations of commerce of the union must not on the whole be higher or more restrictive than "the general incidence of the duties and regulations of commerce" previously applicable in the constituent territories (there is an analogous provision relating to free-trade areas in Article XXIV:5(b)); and Article XXIV:6 requires that, where the adoption of the common external tariff by a union results, in the case of any member of the union, in an increase in a previously bound duty, such increase must be renegotiated under the normal procedures for such negotiations (see paragraph 17 above), taking account of the compensation which may be provided by those cases where the adoption of the common tariff results in reductions in bound rates.

47. The CONTRACTING PARTIES have so far considered under these provisions three main regional arrangements, the European Economic Community, the European Free Trade Area and the Latin American Free Trade Area. Among the other arrangements considered by the CONTRACTING PARTIES are the Agreement of Association between the European Economic Community and Greece, the Agreement of Association between EFTA and Finland, the Central American Free Trade Area, the Nicaragua/El Salvador Free Trade Area and the Equatorial Customs Union.

48. All these arrangements have been, and continue to be, subject to close scrutiny by the CONTRACTING PARTIES. The general procedure adopted in the majority of cases (including the EEC, EFTA and LAFTA) following an examination of the arrangements, has been to agree, without prejudice to the rights of contracting parties under Article XXIV, to leave aside for the time being legal questions on the compatibility of the arrangements with Article XXIV and to direct attention to specific and practical problems for which the normal GATT procedures should be used.

49. In the case of the European Economic Community, a wide range of matters has been dealt with in pursuit of these procedures. A special working party on the association of overseas territories conducted consultations on trade in cocoa, coffee, tea, bananas, sugar, tobacco, oilseeds, cotton, hard fibres, wood, aluminium and lead. Further consultations (on lead, zinc and aluminium) were later held at the request of certain contracting parties at a time when the Community common external tariff rates for those commodities were not yet finally fixed.

50. Early in 1962 lengthy consultations were held in Committee II of the GATT on the first set of commodity regulations which the European Economic Community had adopted in beginning the process of formulating their common agricultural policy.

51. In 1961, the necessary negotiations under Article XXIV:6 (see paragraph 46 above) were carried out (with a number of less-developed as well as developed countries) and, while in one or two cases no agreement was reached, the negotiations resulted in a wide range of compensatory reductions in the common external tariff.

(h) Consultation

52. It has already been mentioned that the use of consultation to settle differences between contracting parties and to avoid damage to the trade of any one of them is one of the basic principles, and one of the most important and effective procedures, of the GATT. The application of this principle in some particular cases has already been referred to in connexion with, for example, residual import restrictions and subsidies.

53. The general provisions relating to consultation are set out in Articles XXII and XXIII. Under the first of these Articles a contracting party can ask for consultation with any other contracting party or parties on any question concerning the application of the General Agreement and, if agreement is not reached in such consultations, can request the CONTRACTING PARTIES collectively to consult with the contracting party or parties directly concerned.

54. Where a country considers that a benefit which should accrue to it under the Agreement is being nullified or impaired, or that the attainment of an objective of the Agreement is being impaired by the action of another contracting party or through the existence of any other situation, it can submit a "complaint" under the provisions of Article XXIII. The procedures under this Article are much the same as under Article XXII with, however, the important difference that the CONTRACTING PARTIES in cases of this sort are authorized to make recommendations or rulings and, should they consider the circumstances serious enough (which normally means should the recommendation not be complied with) to authorize the complainant country to suspend the application to the defendant country or countries of concessions or obligations under the Agreement. The recommendations are not legally binding on the governments to which they are addressed, but they do have behind them the sanction, which has proved effective in practice, that, should they not be complied with, the CONTRACTING PARTIES can authorize the suspension of concessions or obligations (on a discriminatory basis) against the governments concerned.

55. In some cases the use of the Article XXIII procedure has proved effective without the stage of formal recommendations being reached. For example, in 1957, Denmark, supported by certain other governments, submitted a complaint about the export of eggs from the United Kingdom. The Intersessional Committee, as it then was, which heard the complaint, recommended that discussions should take place under the provisions relating to subsidies in Article XVI, but appointed a panel which was to examine the complaint if at any time it was reported to the Executive Secretary that the discussions had not led to a satisfactory solution. The discussions which followed were, however, successful and the panel, therefore, did not meet.

56. In other cases, the CONTRACTING PARTIES have found it necessary to address formal recommendations to the governments against which complaints have been submitted. One example of this was the complaint, referred to in paragraph 26 above, by Uruguay about the import restrictions maintained by a number of industrialized countries. It will be noted that when, following examination of the question by a panel, the CONTRACTING PARTIES addressed recommendations to seven of the countries involved, calling for the immediate withdrawal of the restrictions, they specifically added that, should the recommendation not be complied with or other satisfactory adjustment effected by a certain date, Uruguay would be entitled to request authority to suspend obligations or concessions.

57. A wide range of other questions has been referred to the CONTRACTING PARTIES and has led to a satisfactory settlement between the countries concerned. In a recent important example, the advice of a GATT Panel of Experts helped in the settlement of a difference between two contracting parties. In the course of establishing the common external tariff, the European Economic Community had withdrawn a tariff concession originally granted under the GATT by the Federal Republic of Germany on poultry. Since it had not been possible to reach agreement on this withdrawal, the United States felt itself entitled to withdraw substantially equivalent concessions on its side. What withdrawals would be substantially equivalent depended on the value to the United States of the concession on poultry. The values ascribed to the concession by the two sides were very wide apart. The Panel established by the CONTRACTING PARTIES made an assessment and this was accepted by the two sides.

58. In practice, the consultation procedures have been invoked more by developed than by less-developed countries. As, however, a recent important case would show, (paragraph 26) the procedures can equally well be used by less-developed countries.

(i) General: Position of less-developed countries

59. Part III of this paper deals with the action which the CONTRACTING PARTIES have developed in recent years to deal specifically with the problems of less-developed countries. Before describing this, it might be useful briefly to summarize the position of the less-developed countries in relation to what can be termed the work of the GATT of general application.

60. On the one hand, less-developed countries in the GATT are bound by the obligations of the Agreement, in particular the most-favoured-nation obligation but also the other obligations referred to above in connexion with the use of tariffs, quantitative restrictions and other governmental measures and the obligation to consult at the request of any other contracting party (which may, of course, be another less-developed country). As regards certain main instruments of commercial policy, the position is broadly as follows:

- (a) Tariffs. While most less-developed countries have bound some of the rates in their tariffs, they are not expected to grant reciprocity for the concessions made by developed countries, and over the major part of their tariffs they retain freedom to apply whatever level of duties they find appropriate. In those cases where they have bound particular rates, they are able to modify or withdraw these under renegotiation procedures which enable them to take action without undue delay.

- (b) Quantitative restrictions. Less-developed countries can use such restrictions where necessary to protect their balance of payments and, in cases where the use of the tariff is impracticable, to protect developing industries.
- (c) Subsidies. In general, less-developed countries can use these freely subject to a general obligation, in case of subsidies on the exports of primary products, not to use such subsidies so as to secure for themselves "a more than equitable share in world trade in the products concerned", bearing in mind that other contracting parties, in certain circumstances, are permitted to apply counter-vailing duties.
- (d) State trading. Where less-developed countries have State trading, it is required that such enterprises should, in transactions relating to imports, act on the basis of ordinary commercial considerations such as price and quality and should, therefore, conform to the general provisions of the Agreement relating to non-discrimination.

61. On the other hand, less-developed countries gain certain rights and facilities, more particularly the following:

- (a) most-favoured-nation treatment as of right from all other contracting parties;
- (b) the opportunity to safeguard, by consultation and, where necessary, appeal to the CONTRACTING PARTIES, the application of the GATT rules to the treatment of their export trade;
- (c) the opportunity to secure benefits for their export trade by participation in GATT discussion and negotiations;
- (d) generally, the use of the international forum provided by the GATT for the formulation of programmes for the removal of barriers to the trade of less-developed countries and for the assistance by positive measures of the development of that trade.

III. Specific Action by the CONTRACTING PARTIES on Trade and Economic Development Problems of Less-Developed Countries

62. Reference has been made in the Introduction to the evolution which the GATT and the activities of the CONTRACTING PARTIES have undergone over the past years, and to the development of specific programmes by the CONTRACTING PARTIES designed to help the less-developed countries achieve an expansion in their export earnings.

63. The increasing urgency of the trade and economic development problems of the less-developed countries - which was underlined in the Haberler Report¹ commissioned by the GATT - was recognized by Trade Ministers at meetings held in 1957 and 1958 and, in the Programme for Trade Expansion inaugurated by the CONTRACTING PARTIES immediately following the Ministers' 1958 meeting, an important place was given to the consideration of these problems.

64. Three committees were established to implement the Programme. One of these was to deal with the question of further multilateral tariff negotiations; a second committee was to concern itself with the problems that arise in trade in agricultural products; and the third - Committee III - was to concern itself with the question of achieving an expansion in the export earnings of less-developed countries.

65. The problems of world trade are inter-related and, as is pointed out in Part II above, the question of tariff reductions and of trade in temperate agricultural products is also of considerable interest to less-developed countries. Nevertheless, it is Committee III which has had as its sole task the consideration of the problems of the less-developed countries and which has, therefore, been of main interest to these countries.

66. Committee III's approach to the problems of the less-developed countries has been systematic and continually expanding, and may be briefly set down as follows:

- (a) identification of barriers to trade on a commodity-by-commodity basis;
- (b) continuing efforts to achieve the removal of these barriers (using all available GATT machinery, such as Committee III, Action Committee, Special Group on Tropical Products, trade negotiations, consultation procedures, etc.);
- (c) parallel extension of the commodity-by-commodity approach into the broad study of development plans and export potential;
- (d) consideration of other measures to expand exports (e.g. preferences, trade information and trade promotion services, etc.):

¹Trends in International Trade, October 1958.

(a) Expansion of export earnings of less-developed countries

Removal of trade barriers

67. The principal effort of Committee III has been directed towards achieving an expansion of the less-developed countries' export earnings. In the process, it has built up a large body of information on trade barriers and trade flows and has, incidentally, helped to identify areas where export potential is developing in less-developed countries.

68. Committee III's approach has been to consider products by groups. It carries out its examination of a particular group of products, makes recommendations and, thereafter, applies pressure for the removal of the trade barriers which it has identified. It then moves on to another group. In this way more and more products of interest to less-developed countries have come, and continue to come, within the purview of Committee III, and trade barriers affecting an increasingly wide range of products have come under the attention of the Committee. The scope of the Committee's investigation now extends to some 270 tariff headings of the Brussels Nomenclature.

69. The CONTRACTING PARTIES considered the first report of Committee III at their Tokyo session in November 1959 and, following discussion of the report, they recommended that "contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures applied by them, with a view to facilitating an early expansion of the export earnings of less-developed countries; such an expansion would make the less-developed countries less dependent on external aid, strengthen their economies and accelerate their development".

70. Committee III continued to pay close attention to trade barriers and extended its list of commodities to be examined. At the same time it began to widen the scope of its activities to include such questions as trade promotion and the study of development plans.¹ Towards the end of 1961 it submitted a special report¹ to the CONTRACTING PARTIES which was before the Ministers when they met in November 1961.

71. The most significant outcome of the meeting of Ministers was the Declaration on Promotion of the Trade of Less-Developed Countries. Contracting parties agreed that their governments would undertake to observe the guiding principles embodied in the Declaration to the fullest extent possible with the object of reducing, in the near future, obstacles to the exports of less-developed countries. These principles, and certain facts regarding tariff

¹Committee III - Trade of Less-Developed Countries: Special Report. Development Plans: Study of Third Five-Year Plan of India. June 1962.

and non-tariff measures affecting access to markets, are set out in the Declaration under the headings of quantitative restrictions, tariffs, revenue duties, State trading, preferences, subsidies and disposal of commodity surpluses. As the Declaration has guided the subsequent work of the CONTRACTING PARTIES in this field, its text is reproduced in full in Annex III.

72. Implementing decisions by the CONTRACTING PARTIES and the consideration of specific measures for giving practical effect to these decisions led, towards the end of 1962, to the formulation of an eight-point Programme of Action, which was in general adopted, subject to certain understandings, by Ministers at their meeting in May 1963.¹ An Action Committee was set up to assist the CONTRACTING PARTIES in the implementation of the Programme. The Ministers of the European Economic Community and of the associated States expressed certain reservations as regards the Programme of Action. They pointed out that, while recognizing that some of the points contained in the Programme could be regarded as objectives to which, to the fullest extent possible, concrete measures should be adapted, the first seven points referred only to measures for the elimination of barriers to trade; whereas, in their view, more positive measures were required to achieve the marked and rapid increase in the export earnings of the developing countries as a whole, which was the fundamental objective.

73. The Programme of Action was a significant reinforcement of the attack on trade barriers. It provides in eight specific points that: (i) No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature; (ii) Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items would be progressively reduced and eliminated by 31 December 1965; (iii) Duty-free entry into the industrialized countries shall be granted to tropical products by 31 December 1963; (iv) Industrialized countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries; (v) Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years; (vi) Industrialized countries shall

¹The Ministers' Conclusions on the Action Programme will be found in Annex II, which contains all the Resolutions and Conclusions adopted by Ministers at their meeting in May 1963.

progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965; (vii) Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries; (viii) Contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

74. In the view of the less-developed countries, the first seven points of the Programme of Action represent only a minimum programme and positive measures other than the elimination of trade obstacles are needed under the eighth point in order to achieve the common objective of a marked and rapid increase in the export earnings of the less-developed countries as a whole.

75. The necessary machinery, in the form of three sub-committees, has been set up by the Action Committee, not only to assist in the implementation of the first seven points of the Programme but also to give consideration to other possible measures under point (viii), including those referred to later in this paper; in this context the work being done by such bodies as the Working Party on Preferences and the Group on Trade Information and Promotion is relevant.

76. Significant progress has been made in the reduction or elimination of barriers against the less-developed countries' exports of the products examined by Committee III. A survey which has been made of this progress by the GATT secretariat will be circulated separately.¹

77. The number of industrialized countries applying quantitative restrictions against these products has constantly decreased. Some countries have eliminated all restrictions or have reduced their application to one or two items. In fact, in many markets quantitative restrictions have ceased to constitute a significant barrier to trade. However, it is important to remember that, among these hard-core restrictions are some affecting products which are of very considerable and immediate importance to less-developed countries in the context of their export earnings and their economic development.

78. Progress in the removal of customs duties has been less pronounced but is also significant. As is indicated in Part II above, a major step forward in this field may be expected from the "Kennedy" round of trade negotiations.

¹/See UN Conference document.7

79. As regards compliance with the Programme of Action, the position, as at the beginning of 1964, may be summarized as follows:

- (i) The standstill provision had so far been applied by all industrialized GATT countries.
- (ii) Further progress in the removal of quantitative restrictions had been announced by all the industrialized countries still maintaining such restrictions. Further significant progress was to be expected as a result of the indications given by industrialized countries at the series of consultations held by one of the sub-committees of the Action Committee early in December 1963.
- (iii) Nearly all industrialized GATT countries had indicated that they had already taken, or were seeking parliamentary authority to take, the necessary steps to implement the Ministers' decision in relation to duty-free entry for tea and tropical timber.
- (iv) & (v) As regards the elimination or reduction of tariffs on primary products and on semi-manufactured and manufactured products, industrialized countries had already indicated that they did not envisage including in their exceptions lists for the forthcoming tariff negotiations products identified by Committee III as being of special export interest to less-developed countries.
- (vi) Sweden, one of six industrialized countries which had been applying fiscal charges, had reported that an internal tax on coffee was to be removed with effect from the beginning of 1964. (This has been done.)

80. Although the progress that has so far been made has been welcomed, the less-developed countries have pointed out that there is certainly no reason for complacency in the existing situation. They are dissatisfied with the rate at which barriers to their trade are being removed and have shown concern about the remaining barriers. At a meeting in December 1963 the Action Committee expressed the hope that all contracting parties would continue to show a positive attitude towards meeting the trade and development needs of the less-developed countries and that they would be prepared to take whatever practical measures were necessary to solve these problems. Meanwhile the sub-committees of the Action Committee are continuing their work.

Tropical products

81. Tropical products have occupied a prominent place in the list of commodities considered by Committee III. The Committee examined in detail the obstacles which confront an expansion of exports of these products and drew attention to the adverse effects on such expansion which result in particular from high customs tariffs and internal fiscal charges imposed by importing countries.

82. The GATT has since concentrated particular attention on the question of trade in tropical products in a Special Group which was established early in 1962, following a proposal by Nigeria at the meeting of Ministers in November 1961 that there should be duty-free entry for these products. A number of African and Latin American countries which were not at that time contracting parties to the GATT also participated in the work of the Special Group.

83. The Special Group's terms of reference are as follows: "Taking into account all factors bearing on present and future problems in international trade in tropical products ..., to consider ways of overcoming difficulties confronting less-developed countries exporting these products and to make appropriate proposals"

84. The task given to the Special Group reflects the GATT's approach to the problems that arise for less-developed countries in trade in primary commodities generally. This approach is broad in character and encompasses all factors relating to trade and economic development which are relevant to the particular problems under consideration.

85. The problems involved were discussed by the Special Group in their broadest aspects, so that considerations of price and access were linked with those of production, consumption, future prospects, obstacles to trade, the effects of the removal of preferential arrangements on countries at present benefiting from them, and the possibility of offsetting any adverse effects on these countries, for example through financial aid and the encouragement of alternative lines of production for export.

86. All of these elements had been examined in detail by the GATT secretariat in studies¹ which covered individual tropical commodities, namely cocoa, coffee, bananas, vegetable oilseeds and oils, tea and tropical timber, and certain individual countries, namely Ivory Coast, Nigeria, Senegal and Somalia, and which provided a basis for the discussions in the Special Group.

¹See Trade in Tropical Products, 1963.

87. The recommendations put forward by the Special Group reflected agreement on a number of important elements, but in the case of some recommendations there was not unanimity.

88. When Ministers considered these questions at their meeting in May 1963 they likewise reached agreement on a number of important elements.¹ These included unanimous agreement that customs duties on tea and tropical timber should be eliminated and, inter alia, confirmation of the intention of governments to apply in an efficacious manner the International Coffee Agreement. As regards the most appropriate measures for dealing with certain of the other problems involved, however, there were divergencies of view which led to reservations on the part of the European Economic Community and the Associated States.

89. Less-developed countries have pointed out that the inadequate progress made in the Special Group has been due to differences of approach between industrialized countries. However, at a recent meeting of the Special Group in February requested by the less-developed countries following the breakdown of the United Nations Conference for the negotiation of an international cocoa agreement, industrialized countries, including the United States and the European Economic Community, agreed with other members of the Group that it should be possible to make concrete progress concerning the problems affecting tropical products during the "Kennedy" round of trade negotiations. In that connexion, the less-developed countries noted the statement of the Chairman that prices in respect of tropical products could be dealt with by governments in the Trade Negotiations Committee, as is being done in the case of other agricultural products.

Preferences

90. When, at their meeting in May 1963, the Ministers discussed the need to facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales, it was suggested that one of the possible measures which should be studied promptly was the accordence of preferential treatment to the semi-manufactured and manufactured goods exported by less-developed countries. There are two aspects to be considered: first, the granting of preferences on selected products by industrialized to developing countries as a whole and, secondly, the granting of preferences on selected products by developing countries to all other developing countries. This question is now under active consideration in the GATT.

¹See Trade in Tropical Products, 1963.

Trade in cotton textiles

91. Because of the special situation which developed in trade in cotton textiles, particular consideration has had to be given to this sector of world trade. From this consideration has resulted the Long-Term Arrangement on Cotton Textiles, which came into force for five years on 1 October 1962. The objective of the Arrangement is to provide for growth in trade in cotton textiles while avoiding disruptive effects in this important sector of national economies of both developed and less-developed countries.

92. The Long-Term Arrangement was considered desirable, and preferable to possible alternative action, both by importing and exporting countries. It offers the possibility for action to be taken when there is market disruption, or the threat of market disruption, subject to the definition of market disruption laid down in an Annex to the Arrangement; restraint actions must provide for annual growth in import levels. Existing restrictions of all importing countries must be progressively eliminated. The less-developed countries attach great importance to the strict conformity in particular with the provisions on market disruption, and certain conclusions on this as well as on certain other questions about the interpretation and implementation of the Arrangement were adopted by the Cotton Textiles Committee when it undertook its first review of the operation of the Arrangement in December 1963.

93. A key rôle will be played by the Cotton Textiles Committee, which is made up of countries party to the Arrangement. The Committee has the constructive task of helping to find solutions to the problems affecting international trade in cotton textiles, having regard to the objectives set out in the Preamble to the Arrangement and, in particular, to the desire of promoting an expansion in the export earnings of less-developed countries.

Trade information and trade promotion

94. Committee III has had before it a proposal that the GATT should establish a centre for the provision of trade information and trade promotion services.

95. A group of experts has recently recommended that such a centre should be established in the GATT and this recommendation is likely to be approved by the CONTRACTING PARTIES. It may be expected that the centre will begin operating in 1964.

96. Such a centre would provide greater access for less-developed countries to market information, commercial channels and the other data which are necessary in their export trade; the potential value of such data has been apparent from discussions in the GATT where it has become evident that less-developed countries have sometimes been unable, for technical reasons and because of administrative difficulties which they sometimes encounter in importing countries, to take up quotas open to them or to take full advantage of open markets.

(b) Development of export potential

97. The GATT has not so far been intimately concerned with measures related directly to the development of the export potential in less-developed countries although, in the course of its normal work programme, Committee III carried out a profitable examination of the trade and payments aspects of the development plans of India¹ and Pakistan².

98. In 1963, however, it was decided that the work already done in connexion with the study of development plans should be extended and expanded. The Committee's work on individual commodities has produced positive results and is being vigorously pursued, but the CONTRACTING PARTIES have felt that this commodity-by-commodity approach should now be supplemented by a broader approach which would permit the trade problems of less-developed countries to be examined against the wider background of their economic development and international trade policy generally.

99. A proposal that the Committee's work on the study of development plans should be expanded in this way was submitted to the meeting of Ministers in May 1963. The growing feeling that there should be closer co-ordination between trade and aid policies led the Committee to suggest that the proposed studies should also bear on the relationship of trade and aid policies. These proposals were unanimously accepted by the Ministers and Committee III was instructed to carry out, on that basis, a programme of studies covering a large number of less-developed countries. This represents a systematic evolution in the work of Committee III. The GATT is co-operating closely with other agencies in connexion with this study programme.

100. A main purpose of the studies and, for that matter, of the discussion in Committee III would be to help identify those sectors where export potential exists in the countries studied and to discuss problems which arise from the development of this potential, in the light of a realistic assessment of trade possibilities. This assessment would take into account inter alia general economic factors but would not consider investment decisions as such or the technical feasibility of any particular project.

101. The studies would acquaint importing countries with the export potential which exists in the less-developed countries concerned and would build up a better understanding of the way exports from these countries are likely to develop. It would also considerably reinforce the less-developed countries' case for the removal of barriers against their exports.

¹Committee III - Development Plans: Study of Third Five-Year Plan of India.

²Committee III - Development Plans: Study of Second Five-Year Plan of Pakistan.

102. The less-developed countries which are the subject of the studies would benefit from seeing their development activities and export potential within a global framework. Both the studies and the discussion in Committee III would acquaint them in a systematic way with the views of others on particular difficulties in the trade field, and the possibilities for finding solutions to these difficulties, and should enable them to see more clearly those sectors which offer the best opportunity for an expansion of exports.

103. Furthermore, the information on development plans and targets which would be available from the studies to other less-developed countries, and the discussion and consideration which would be given to these on a broad basis, must also have an impact on these countries and assist them in deciding on the sectors they themselves should select for development, and particularly the lines of production for export which they should develop. This could also be a factor contributing towards the avoidance of surpluses.

104. The studies would also provide supporting material for the operations of the CONTRACTING PARTIES themselves and for concrete measures to be taken by them to assist the economic development and export trade of less-developed countries. The work generally should provide impetus for the removal of obstacles to the trade of less-developed countries through appropriate action in the GATT.

105. An important aspect of the studies from the GATT's point of view is the hope that this close scrutiny of trade and development policies and the information which would become available as the study programme proceeds, including information on new and advantageous possibilities for economic diversification, would be useful to the lending agencies and governments who no doubt would wish to take into account in their financial operations the information and any conclusions contained in the studies, together with any consequential action by the CONTRACTING PARTIES. The GATT attaches considerable importance to the complementary character of its work in this field and is co-operating closely with other agencies.

Financial assistance

106. At the meeting of Ministers in May 1963 many Ministers considered that the problem of financing the gap between the export proceeds and the import requirements of less-developed countries needed to be given careful consideration and, in this connexion, less-developed countries have suggested that the activities of the GATT should be extended to embrace the financing aspect.

107. At a recent meeting of a group of experts to consider this matter, a specific proposal was put forward and this was given consideration. The experts of the less-developed countries wished to reserve their right to revert to the discussion of the proposal at an appropriate time in the future.

108. However, the meeting did stress the rôle of GATT in helping to bring about a closer relationship between trade and aid policies and, in this connexion, emphasized the importance of the study of development plans being undertaken by the GATT. Experts from other international organizations declared the readiness of their organizations to continue - and, particularly in the case of those from the International Bank for Reconstruction and Development their readiness to intensify - the already close co-operation with the GATT in this field.

IV. Legal and Institutional Framework of GATT

109. The extent to which the scope of the GATT's activities specifically relating to the trade and economic development problems of the less-developed countries is increasing will be apparent from what has been stated in Part III above. While these activities are, of course, intimately related to the objectives of the GATT, they are not at present set out expressis verbis in the text of the Agreement itself, although the Decisions, Declarations, etc. which have been adopted since the inauguration of the Trade Expansion Programme in 1958 represent an important body of doctrine regarding the trade relations between industrialized and less-developed countries.

110. In the light of the growing activity and importance of the GATT in this field, the Ministers, at their meeting in May 1963, recognized "the need for an adequate legal and institutional framework to enable the CONTRACTING PARTIES to discharge their responsibilities especially in connexion with the work of expanding the trade of less-developed countries". A special committee, the Committee on Legal and Institutional Framework, was set up to consider this question. A number of specific proposals have been formulated and submitted by both developed and less-developed countries.

ANNEX I

GATT MEMBERSHIP

1. Contracting parties to the GATT (62)

Australia	Ghana	Norway
Austria	Greece	Pakistan
Belgium	Haiti	Peru
Brazil	India	Portugal
Burma	Indonesia	Senegal
Cameroon	Israel	Sierra Leone
Canada	Italy	South Africa
Central African Republic	Ivory Coast	Southern Rhodesia
Ceylon	Jamaica	Spain
Chad	Japan	Sweden
Chile	Kenya	Tanganyika
Congo (Brazzaville)	Kuwait	Togo
Cuba	Luxemburg	Trinidad and Tobago
Cyprus	Madagascar	Turkey
Czechoslovakia	Malaysia	Uganda
Dahomey	Mauritania	United Kingdom of Great
Denmark	Kingdom of the	Britain and Northern
Dominican Republic	Netherlands	Ireland
Finland	New Zealand	United States of
France	Nicaragua	America
Gabon	Niger	Upper Volta
Federal Republic of	Federation of	Uruguay...
Germany	Nigeria	

2. Countries which have acceded provisionally (5)

Argentina	Tunisia	Yugoslavia
Switzerland	United Arab	
	Republic	

(Iceland has applied for provisional accession)

3. Countries which participate in the work of the CONTRACTING PARTIES under special arrangements (2)

Cambodia
Poland

4. Countries to whose territories the GATT has been applied and which now, as independent States, maintain a de facto application of the GATT pending final decisions as to their future commercial policy (5)

Algeria	Congo (Léopoldville)	Rwanda
Burundi	Mali	

ANNEX II

CONCLUSIONS AND RESOLUTIONS ADOPTED AT
MEETING OF MINISTERS, MAY 1963

MEASURES FOR THE EXPANSION OF TRADE OF DEVELOPING COUNTRIES
AS A MEANS OF FURTHERING THEIR ECONOMIC DEVELOPMENT

Conclusions Adopted on 21 May 1963
on Item I of the Agenda

1. The Ministers during their meeting from 16 to 21 May 1963, discussed the question of measures for the expansion of trade of developing countries as a means of furthering their economic development. The Ministers had before them the reports of Committee III and of the Special Group on Trade in Tropical Products, and considered the following Programme of Action¹ which had previously been examined in Committee III;

(i) Standstill provision

No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature.

(ii) Elimination of quantitative restrictions

Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items would be progressively reduced and eliminated by 31 December 1965.

(iii) Duty-free entry for tropical products

Duty-free entry into the industrialized countries shall be granted to tropical products by 31 December 1963.

¹The Action Programme was sponsored by the following GATT countries: Argentina, Brazil, Burma, Cambodia, Ceylon, Chile, Cuba, Ghana, Haiti, India, Indonesia, Israel, Federation of Malaya, Federation of Nigeria, Pakistan, Peru, Tanganyika, Tunisia, United Arab Republic, Uruguay and Yugoslavia.

(iv) Elimination of tariffs on primary products

Industrialized countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries.

(v) Reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries

Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years.

(vi) Progressive reduction of internal fiscal charges and revenue duties

Industrialized countries shall progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965.

(vii) Reporting procedures

Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries.

(viii) Other measures

Contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

2. The Ministers of all industrialized countries, with the exception of the Ministers of the member States of the European Economic Community,

agreed to the above Programme of Action¹ subject to the understandings set out in paragraphs 3 and 4. The Ministers of the member States of the European Economic Community endorsed, in principle, the general objectives of the Programme of Action and declared themselves ready to contribute, for their part, to the fullest extent possible, towards the development of the developing countries. With respect to the most appropriate methods of achieving the objectives mentioned above, the position of the Ministers of the member States of the European Economic Community is contained in paragraph 6.

3. It was agreed by the Ministers of the industrialized countries, other than those of the EEC, that, in the first instance, the above Programme of Action relates to the products identified by Committee III, it being understood that the Programme of Action might subsequently be extended to an enlarged list of products to be agreed upon. It was also recognized that acceptance of the Programme was without prejudice to the rights and obligations of contracting parties under the provisions of the General Agreement, under arrangements negotiated within the framework of the GATT or covered by international commodity arrangements. Further, it should be understood that, where action under the Programme would affect the interests of third countries, as under preferential arrangements, countries granting such preferences would need to take into account the interests of the trade partners concerned. As regards tariffs on primary products, these Ministers indicated that their governments would work towards the elimination or, where this was not possible, at least towards the substantial reduction of tariffs on these products. In respect of tariffs on semi-processed and processed products of substantial interest to the developing countries, these Ministers indicated that their governments would work towards a substantial reduction of the tariffs on these products. Action in connexion with the reduction of tariffs on primary, semi-processed and processed products from less-developed countries would be taken within the framework of the GATT trade negotiations, and, while not precluding action in advance of the trade negotiations, these Ministers proposed to ensure, as far as possible, that these products would be included in their offer lists in the negotiations and not be excepted therefrom in accordance with the principles agreed on for the negotiations.

¹The additional conclusions of Ministers on the points of the Action Programme relating to the removal of barriers to trade in tropical products (point (iii) and also point (vi)) are set out in paragraphs 10 to 23 while the conclusions on point (viii), relating to other action for assisting the less-developed countries, are taken up in paragraphs 24 to 31.

4. Ministers of industrialized countries, other than those of the EEC, stated that they would conform to the standstill provision except where special and compelling circumstances rendered departure from it unavoidable, in which case adequate opportunity for consultation would be afforded to the developing countries mainly interested in the products concerned. Such consultation would occur prior to the introduction of measures constituting a departure from the standstill unless this were impossible or impracticable. The Austrian and Japanese Ministers indicated that, while it was their intention to remove quantitative restrictions maintained inconsistently with the GATT as soon as possible, they regretted that they might not be able to meet the target date of 31 December 1965 in respect of a few products. With respect to tariff reductions, the United States Minister pointed out that United States legislation required such reductions to be staged over a period of five years.

5. The Ministers of a small number of countries, mainly dependent for their export earnings on a narrow range of primary products, welcomed the Action Programme and undertook to give effect to it to the best of their ability. However, since they, like many less-developed countries, were in the process of diversifying their economies through industrial development, they would have difficulty in accepting inflexible tariff commitments for certain products.

6. Addressing themselves to the Action Programme, the Ministers of the European Economic Community and the States associated with the EEC stated that, while they recognized that some of the points contained in the Programme could be regarded as objectives to which, to the fullest extent possible, concrete policies should be adapted, the first seven points of the Programme referred only to measures for the elimination of barriers to trade, whereas, in their view, more positive measures were required to achieve the marked and rapid increase in the export earnings of the developing countries as a whole, which was the fundamental objective. Accordingly, these Ministers urged:

- (a) that international action should, in particular, be directed to a deliberate effort to organize international trade in products of interest to the less-developed countries. Such an effort would have to take into account economic inequalities between the less-developed countries themselves and the fact that certain less-developed countries cannot at present, without a transitional phase, face competition from the countries which have already achieved a certain degree of development or from the long-industrialized countries without suffering damage;
- (b) that an effort should therefore be made to ensure increasing exports at remunerative, equitable and stable prices for the less-developed countries producing primary products. In this respect any desirable arrangement made at the world level could be inspired by arrangements already tried out on a regional, bilateral or even national level. As regards processed and semi-processed products, a study should be made to determine the selective measures, specially conceived to meet the needs of developing countries, which could assure these countries the necessary markets for the products in question. In this connexion

various relaxations of present rules regarding non-discrimination might be considered (in particular the suggestions made at the ministerial meeting by Mr. Brasseur, Minister for Foreign Trade and Technical Assistance of Belgium). A rapid study of them by a special group should enable decisions to be taken without delay.

In the view of the Ministers of the EEC, the decisions which would be taken following the report by such a group could eliminate many of the reasons which have prevented or still prevent the effective implementation, in a manner beneficial to all, of the Programme of Action set forth in paragraph 1.

7. In the opinion of certain Ministers, the same special group could, as a matter of urgency, analyze the possibility and conditions for establishing within the framework of GATT a centre for trade information and market research with a view to the expansion of exports of the less-developed countries.

8. The Ministers finally emphasized that further measures and more ambitious goals should not stand in the way of, or serve as an excuse for not implementing as quickly and as fully as possible, the present Programme of Action which would represent a positive contribution which the industrialized countries could make to the development of the trade of the less-developed countries within the field in which GATT was specially competent.

9. The Ministers of the less-developed countries sponsoring and supporting the Programme of Action, expressed disappointment with the understandings and positions as set out by some industrialized countries and found them to be unhelpful. They emphasized that the eight point Programme of Action fell far short of the minimum conditions necessary to enable the less-developed countries to make their full contribution to the expansion of international commerce and represented a practical compromise between the difficulties stated by some industrialized countries and their responsibilities under the GATT. In particular, attention was drawn to the fact that all contracting parties are committed to carry out their obligations in respect of quantitative restrictions, without any qualifications. The Ministers of these less-developed countries therefore urged that the Programme of Action should be implemented in full, within the time-table proposed therein, in the interest of the accelerated economic development of their countries. They trusted that industrialized countries would be able to make substantial tariff concessions on primary, semi-processed and processed products, exported by less-developed countries in advance of the forthcoming trade negotiations. They also expressed the hope that products of interest to the less-developed countries should not be excluded from offer lists during negotiations.

Trade in Tropical Products - Free Access
to Markets of Industrialized Countries for Tropical Products

General conclusions

10. The Ministers other than those of the EEC and the States associated with the Community:

- (a) endorsed the general objective of free access to markets for tropical products, in view of the great importance of these products to the foreign exchange earnings and economic development of many less-developed countries;
- (b) agreed that the instability of prices and inadequacy of earnings are the principal problems affecting producers of tropical products;
- (c) agreed that governments should not erect any new tariff or non-tariff barriers against trade in tropical products. If, in practice, a government for compelling reasons felt that it had to take any measures which would have such effects, it should afford adequate opportunity for prior consultations with the exporting countries mainly interested in the products affected;
- (d) regretted the difficulties which had delayed the implementation of the relevant part of the Ministerial Declaration of November 1961 relating to the removal of revenue duties and internal charges and urged governments to take the necessary steps to secure such implementation as soon as practicable, but in any event not later than 31 December 1965;
- (e) decided that, where prior action had not already been taken on barriers to trade and restraints on consumption of tropical products, these should be dealt with in the context of the forthcoming GATT trade negotiations.

11. The Ministers of the EEC and the States associated with the Community were unable to support the above general conclusions. They emphasized their belief that the general and primary objective was to organize markets and to increase the export earnings of the less-developed countries. With that end in view they referred to their Declaration concerning the Programme of Action as set forth in paragraph 6.

12. The Minister for Austria indicated that his Government agreed to the programme relating to tropical products under present conditions and without prejudice to its rights and obligations under the General Agreement. He added that his Government could feel compelled to reconsider certain aspects of its acceptance if circumstances would require this.

Conclusions on individual products

Cocoa

13. The Ministers, other than those of the EEC and the States associated with the Community:

- (a) endorsed the commodity agreement approach to cocoa and agreed that an international agreement should be negotiated speedily with the aim, inter alia, of stabilizing prices at remunerative and equitable levels and increasing the export earnings of producing countries so as to facilitate their economic development;

- (b) agreed that internal charges and other non-tariff barriers in respect of raw and semi-processed cocoa should be removed by joint action, and wherever possible, by the end of 1963;
- (c) agreed that the removal of tariffs in respect of raw and semi-processed cocoa should be accomplished in the context of a cocoa agreement which was otherwise satisfactory to the principal producing countries.

14. The Ministers of the Community and of the associated States stated that the work of the Sub-Group on Trade in Tropical Products had shown that the basic question was the price problem. In their opinion it was not desirable to make this problem more difficult by linking it with other problems of less importance, as the report by the Sub-Group has shown. These Ministers confirmed their intention to co-operate positively in order to reach an international cocoa agreement so as to ensure equitable prices at remunerative levels for producers.

Coffee

15. The Ministers confirmed the intention of their governments to apply in an efficacious manner the International Coffee Agreement and recommended that the governments signatories to this Agreement collaborate in a positive manner in the Coffee Council within the foreseen time-limits with a view to the efficacious application of the Agreement so that coffee prices are established and maintained at an equitable level, and so that the trade in and consumption of this product are developed.

16. The Ministers, other than those of the EEC and the States associated with the Community:

- (a) agreed that tariffs, internal charges and other non-tariff barriers in respect of coffee should be removed by joint action, and wherever possible, by the end of 1963;
- (b) recognized that the proposed GATT trade negotiations would give an opportunity to eliminate all remaining barriers affecting trade in coffee.

Bananas

17. The Ministers noted that arrangements for the further study, in collaboration with the FAO, of the question of trade in bananas were being put in hand. The Ministers agreed that each consuming country should consider possibilities to increase the consumption of bananas.

18. The Ministers, other than those of the EEC and of the States associated with the Community, agreed that, while the study referred to above was in progress, there should be a "standstill" and governments should refrain from any measures which might represent an intensification or extension of trade barriers and should make an effort to enlarge their markets for bananas on a universal basis.

Tropical oilseeds and oils

19. The Ministers noted the need for the further study of the question of trade in tropical oilseeds and oils and the fact that arrangements for this work would be put in hand.

20. The Ministers, other than those of the EEC and the States associated with the Community:

- (a) agreed that governments should consider the desirability of including the problems of tropical oilseeds and oils in the framework of the GATT trade negotiations and in international discussions on internal agricultural price and production policies;
- (b) agreed that governments should, in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers.

21. The Ministers of the States associated with the EEC and of the Community itself stated that the studies referred to above should relate in particular to conditions of competition in respect of fats and oils from the tropical and temperate zones. It should be reaffirmed that the final objective of such studies is to maintain and increase the export earnings of the developing producer countries. Pending the completion of such studies, they recommend that governments should in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products.

Tea

22. The Ministers agreed that the customs duty on tea should be removed with the least possible delay and, if practicable, before the end of 1963. The Ministers also recognized the need for ensuring that the removal of the duty was not nullified by increases in internal taxes. They addressed themselves to the question of reducing and eliminating internal taxes on tea and hoped that these taxes could be removed as soon as possible.

Tropical timber

23. The Ministers agreed that the customs duty on tropical timber should be removed with the least possible delay and, if practicable, before the end of 1963.

Additional Action to Further the Trade and Development
of Less-Developed Countries

24. The Ministers agreed that contracting parties should give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales. In this connexion it was suggested that one of the measures which should be studied promptly would be the accordance of preferential treatment to the semi-manufactured and manufactured goods exported by the less-developed countries. It was agreed that a working group should be established to study the following proposals and report to the CONTRACTING PARTIES at their twenty-first session:

- (a) the granting of preferences on selected products by industrialized countries to less-developed countries as a whole; and
- (b) the granting of preferences on selected products by less-developed countries to all other less-developed countries.

25. The Ministers agreed that industrialized countries, in drawing up and implementing their policies which affect the pattern of production and trade, should take full account of the need to facilitate the efforts of less-developed countries to strengthen their export capacity and to diversify their economies.

26. The Ministers agreed that the fundamental need of the less-developed countries in the field of trade was to achieve an increase in their export earnings. In those cases where under present conditions their export trade was heavily dependent on a limited number of primary products, efforts on the part of the less-developed countries to increase their earnings by a higher volume of exports were often frustrated by declining prices and violent price fluctuations. Effective joint action was required to arrest the deterioration of the terms of trade of the less-developed countries and to mitigate and eliminate excessive fluctuations in their exports and export earnings. Some Ministers felt that this action might, for instance, take the form of commodity agreements, price stabilization schemes, compensatory financing and market organizations.

27. The Ministers agreed that the work of Committee III should be extended, in collaboration with other interested agencies, particularly the lending agencies, through the adoption of concerted, systematic and prompt studies of trade and aid relationships in individual less-developed countries aimed at obtaining a clear analysis of export potential, market prospects and any further action that may be required to overcome any difficulties that the studies reveal. In this connexion many Ministers considered that the problem of financing the gap between the export proceeds and import requirements of the developing countries needed to be given careful consideration. Ministers of

less-developed countries considered that in order to extend the activities of the GATT to embrace the financing aspect, and as a practical measure to achieve this end, a working group should be formed to study the ways and means for enabling the less-developed countries to obtain from the industrialized contracting parties loans on soft terms, and thus enable the GATT to realize its objectives of fostering trade between the contracting parties.

28. The Ministers recognized the need for an adequate legal and institutional framework to enable the CONTRACTING PARTIES to discharge their responsibilities in connexion with the work of expanding the trade of less-developed countries.

29. The Ministers of the less-developed countries and of the EEC recognized that there was urgent need for an amplification of the objectives and for revision of the principles and rules of the General Agreement to enable the CONTRACTING PARTIES to discharge these responsibilities, with a view to safeguarding the interests of these countries in their international trade and development programmes. This action should not prejudice, but contribute to, broader negotiations in which contracting parties might participate, such as the United Nations Conference on Trade and Development.

30. While many Ministers did not agree with the views expressed in paragraph 29 above, all Ministers agreed that a committee of the CONTRACTING PARTIES should be established with instructions to examine all aspects of the problems outlined in paragraphs 28 and 29, taking full account of the views expressed by the Ministers, and to report with appropriate recommendations to the twenty-first session of the CONTRACTING PARTIES.

31. The Ministers agreed that the Council of Representatives should take the action necessary to set up the working group and the committee referred to in paragraphs 24 and 30 above.

Resolution Adopted on 21 May 1963

Recognizing that a maximum expansion of the export opportunities of less-developed countries would make an essential contribution to the development of their economies and the improvement in their standards of living,

Recognizing that to this end the highly industrialized countries especially, can make a major contribution by the elimination or drastic reduction of tariffs and other barriers to the importation and consumption of those products which the less-developed countries now produce or manufacture, or which may be produced or manufactured by their developing industries,

Recalling the Ministerial Declaration of November 1961 and recognizing that, although some progress had been made in its implementation, there still remained a substantial gap between intent and performance.

Having considered the Programme of Action submitted by a group of less-developed countries,

Having agreed that the consideration of further measures and the pursuit of more ambitious goals should not stand in the way of implementing as quickly and as fully as possible the Programme of Action which represented a positive contribution which the industrialized countries could make to the development of the trade of the less-developed countries within the field in which GATT was specially competent, and

Recognizing that an adequate legal and institutional framework to enable the CONTRACTING PARTIES to carry out the work of expanding the trade of the less-developed countries was needed and that all aspects of this question should be urgently examined,

The Ministers hereby Resolve that:

1. The CONTRACTING PARTIES do set up an Action Committee, firstly to assist them in the implementation of the Programme of Action and secondly as appropriate to initiate, process and co-ordinate further positive measures mentioned in the Conclusions adopted by Ministers (MIN(63)7) to help developing economies to strengthen their production potential and export capacity in order that the expansion of international trade may contribute to their economic development;
2. The Action Committee and other appropriate bodies of the CONTRACTING PARTIES in their further work shall take into account the measure of agreement reached on the Programme of Action and the views expressed by Ministers, as reflected in the Conclusions adopted by them; and
3. The Council of Representatives shall take the procedural steps necessary to establish the Action Committee referred to above and the Working Party and Committee referred to in paragraphs 24 and 30 respectively of the aforementioned Conclusions.

ARRANGEMENTS FOR THE REDUCTION OR ELIMINATION OF TARIFFS
AND OTHER BARRIERS TO TRADE, AND RELATED MATTERS

and

MEASURES FOR ACCESS TO MARKETS FOR
AGRICULTURAL AND OTHER PRIMARY PRODUCTS

Resolution Adopted on 21 May 1963 on Items II and III of the Agenda

The Ministers agreed:

A. PRINCIPLES

1. That a significant liberalization of world trade is desirable, and that, for this purpose, comprehensive trade negotiations, to be conducted on a most-favoured-nation basis and on the principle of reciprocity, shall begin at Geneva on 4 May 1964, with the widest possible participation.
2. That the trade negotiations shall cover all classes of products, industrial and non-industrial, including agricultural and primary products.
3. That the trade negotiations shall deal not only with tariffs but also with non-tariff barriers.
4. That, in view of the limited results obtained in recent years from item-by-item negotiations, the tariff negotiations, subject to the provisions of paragraph B 5, shall be based upon a plan of substantial linear tariff reductions with a bare minimum of exceptions which shall be subject to confrontation and justification. The linear reductions shall be equal. In those cases where there are significant disparities in tariff levels, the tariff reductions will be based upon special rules of general and automatic application.
5. That in the trade negotiations it shall be open to each country to request additional trade concessions or to modify its own offers where this is necessary to obtain a balance of advantages between it and the other participating countries. It shall be a matter of joint endeavour by all participating countries to negotiate for a sufficient basis of reciprocity to maintain the fullest measure of trade concessions.
6. That during the trade negotiations a problem of reciprocity could arise in the case of countries the general incidence of whose tariffs is unquestionably lower than that of other participating countries.
7. That, in view of the importance of agriculture in world trade, the trade negotiations shall provide for acceptable conditions of access to world markets for agricultural products.

8. That in the trade negotiations every effort shall be made to reduce barriers to exports of the less-developed countries, but that the developed countries cannot expect to receive reciprocity from the less-developed countries.

B. PROCEDURES

1. That a Trade Negotiations Committee, composed of representatives of all participating countries, shall be set up, and that it shall be the function of the Trade Negotiations Committee, directly or through committees (including the Special Groups referred to in paragraph 3(d) below):

(a) To elaborate a trade negotiating plan in the light of the principles in paragraphs A 1-8 above, with a view to reaching agreement on the details of the plan of tariff reductions referred to in paragraph A 4 above by 1 August 1963, and to completing the remainder of the task by the date of the beginning of the twenty-first session of the CONTRACTING PARTIES.

(b) To supervise the conduct of the trade negotiations.

2. That the trade negotiating plan will have to take into account the issues raised by the Ministers, and that the acceptability of the trade negotiating plan, from the point of view of individual countries, will depend upon the degree to which it succeeds in dealing with such issues.

3. That the Trade Negotiations Committee in elaborating the trade negotiating plan, shall deal inter alia with the following issues and special situations:

(a) The depth of the tariff reductions, and the rules for exceptions.

(b) The criteria for determining significant disparities in tariff levels and the special rules applicable for tariff reductions in these cases.

(c) The problem for certain countries with a very low average level of tariffs or with a special economic or trade structure such that equal linear tariff reductions may not provide an adequate balance of advantages.

(d) The rules to govern, and the methods to be employed in, 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. Since cereals and meats are amongst the commodities for which general arrangements may be required, the Special Groups on Cereals and Meats shall convene at early dates to negotiate appropriate arrangements. For similar reasons a special group on dairy products shall also be established.

- (e) The rules to govern and the methods to be employed in the treatment of non-tariff barriers, including inter alia discriminatory treatment applied to products of certain countries and the means of assuring that the value of tariff reductions will not be impaired or nullified by non-tariff barriers. Consideration shall be given to the possible need to review the application of certain provisions of the General Agreement, in particular Articles XIX and XXVIII, or the procedures thereunder, with a view to maintaining, to the largest extent possible, trade liberalization and the stability of tariff concessions.

ANNEX III

PROMOTION OF THE TRADE OF LESS-DEVELOPED COUNTRIES

(Declaration adopted by the CONTRACTING
PARTIES on 7 December 1961)

1. The CONTRACTING PARTIES recognize that there is need for rapid and sustained expansion in the export earnings of the less-developed countries if their development is to proceed at a satisfactory pace. They recognize the magnitude of the task before the governments of those countries in increasing per capita incomes and raising the standard of living of their peoples. To achieve these ends, increasing amounts of foreign exchange will be required for financing the imports needed to sustain and develop the economy. Although international aid is now and will continue to be essential in covering these needs, aid can be no substitute for trade. In the final analysis, economic development will have to be paid for from the earnings of the countries concerned.
2. The export trade of the less-developed countries is not growing at a pace commensurate with the growth of their foreign exchange needs or with the growth of world trade generally. The CONTRACTING PARTIES accordingly recognize the need for a conscious and purposeful effort on the part of all governments to promote an expansion in the export earnings of less-developed countries through the adoption of concrete measures to this end. The success of the efforts of developing countries will depend to a great extent upon their ability to find the necessary markets. Accordingly, contracting parties should reduce to a minimum restrictions inhibiting access to markets for the export products of the less-developed countries. The governments of the major industrialized areas, on whose markets the less-developed countries must necessarily largely depend, recognize a particular responsibility in this respect.
3. The CONTRACTING PARTIES agree that, if the needs of the less-developed countries for enlarged and diversified export trade are to be met, these countries must develop trade in other than traditional products. They note that some developing countries already have the investment and technological resources for the processing of raw materials and are able to produce efficiently some manufactured goods. They recognize that it is desirable that these countries and others possessing the necessary materials and skills be provided with increased opportunities to sell in world markets the industrial goods which they can economically produce, and urge that governments give special attention to ways of enlarging these opportunities.

4. The CONTRACTING PARTIES recognize that governments can contribute to the general objectives outlined above by observing the following principles and taking into account the following facts regarding tariff and non-tariff measures affecting access to markets.

(a) Quantitative restrictions. Governments should give immediate and special attention to the speedy removal of those quantitative import restrictions which affect the export trade of less-developed countries. Where it is necessary for a government to maintain such restrictions under appropriate provisions of the GATT, it should apply them in a non-discriminatory manner causing the minimum hindrance to international trade, pursue policies designed to remove the underlying conditions requiring the use of such restrictions and, pending their elimination, give careful and sympathetic consideration to progressive increases in quotas. Contracting parties which are in process of moving out of balance-of-payments difficulties should take particular care that liberalization benefits are extended in the fullest measure to the trade of less-developed countries, having regard to the urgent need for helping these countries attain rapid, self-sustaining growth.

(b) Tariffs. Governments should give special attention to tariff reductions which would be of direct and primary benefit to less-developed countries. In this connexion, they should consider the elimination of tariffs on primary products important in the trade of less-developed countries. They should also consider reducing those tariffs which differentiate disproportionately between processed products and raw materials, bearing in mind that one of the most effective ways in which less-developed countries can expand their employment opportunities and increase their export earnings is through processing the primary products they produce for export.

(c) Revenue duties. Fiscal charges, whether imposed as tariff duties or internal taxes, may inhibit efforts directed towards increasing consumption of particular products important in the trade of less-developed countries and, even where applied equally to imports and to competing domestic products, can be a serious obstacle to the expansion of trade. The CONTRACTING PARTIES appreciate that adjustments in a fiscal system may be a complex matter, with important financial, economic and other consequences which have to be taken into account. Bearing in mind, however, the urgent development needs of less-developed countries and the current financial and economic situation in the industrialized countries mainly concerned, they agree that the removal or considerable reduction of revenue duties and fiscal charges in industrialized countries would be a useful contribution to the foreign exchange earning capacity of less-developed exporting countries.

(d) State trading. Access to markets for products of the type studied by Committee III should not be unnecessarily impeded through the operations of State import monopolies or purchasing agencies. For many products exported by less-developed countries, the prices charged on resale by some State monopolies, whether in countries with centrally-planned economies or in others, involve an implicit heavy taxation of imports. Countries operating State import monopolies or purchasing agencies should endeavour to improve access to their markets for products of less-developed countries by decisions to import larger quantities of the products concerned and, if necessary, by reductions in the difference between import and sales prices.

(e) Preferences. Some less-developed countries benefit neither from the preferential tariff systems which were in operation when the GATT came into being nor from the preferential treatment being established in the new customs unions or free-trade areas. The CONTRACTING PARTIES appreciate the concern of these less-developed countries whose export trade in certain products may be placed at a competitive disadvantage by the preferred treatment given to certain less-developed suppliers. They note, however, that the benefits afforded participating less-developed countries may include not only tariff preferences but other forms of assurances in the marketing of the products concerned. While it is important that these various advantages should not operate to the detriment of other less-developed countries, it is also necessary that action to deal with this problem should be on a basis that meets the marketing needs of supplying countries now enjoying preferred access to markets.

(f) Subsidies. The subsidization of either the production or export of primary products may restrict the market opportunities of less-developed countries. Where this is so, the governments concerned should seek to limit the use of the subsidies in question with a view to avoiding injury to the export earnings of less-developed countries.

(g) Disposal of commodity surpluses. Governments disposing of commodity surpluses should bear in mind that the products concerned are generally important in the export trade of one or more less-developed countries, and that this is an added reason for careful observance of the principles and guidelines regarding such disposals accepted in the GATT Resolutions of 4 March 1955¹ on the Disposal of Commodity Surpluses and on the Liquidation of Strategic Stocks, and in the Principles of Surplus Disposal of the Food and Agriculture Organization of the United Nations.

¹BISD, Third Supplement, pages 50-51.

5. In negotiations for reductions in barriers to the exports of less-developed countries, contracting parties should adopt a sympathetic attitude on the question of reciprocity, keeping in mind the needs of these countries for a more flexible use of tariff protection. In making arrangements to bring about a general reduction of tariffs, account should also be taken of the special needs of less-developed countries.

6. An important contribution to the expansion of export earnings can also be made by intensified efforts to improve the production and marketing methods of the less-developed countries. The efforts of the less-developed countries along these lines would be greatly assisted if the industrial countries would give greater attention to this matter in the framework of their technical and financial assistance programmes.

7. Efforts to expand the export earnings of the less-developed countries and efforts to lessen the instability of such earnings which results from fluctuations in primary commodity markets should proceed concurrently. Progress towards reducing market instability, or towards offsetting its effects on foreign exchange receipts, is essential if the maximum benefits of the trade expansion effort are to be realized; at the same time, progress towards a diversified export trade will reduce the vulnerability of primary exporting countries to market fluctuations.

8. Finally, it is recognized that there are important possibilities for encouraging sound economic development in the less-developed countries through increased trade among themselves and that these countries should keep this in mind in formulating their tariff, commercial and economic policy measures. Less the development of this important trade potential be prevented or unduly delayed, they should strive to attain and preserve liberal access to one another's markets in the same manner as they now seek to secure improved access to the markets of the economically advanced countries.

ANNEX IV

ANNOTATED REFERENCE LIST OF SELECTED GATT PUBLICATIONS

Agenda Items I, II and III

1. Trends in International Trade ("The Haberler Report") (Sales No. GATT/1958-3, English, French and Spanish available). A study by a panel of experts which touches on all aspects of international trade, in particular on trends, prospects for exports of primary and industrial products, and the effects of policies upon future prospects.
2. International Trade, published annually, surveys and analyses trends in international trade. International Trade 1956 (Sales No. GATT/1957-2, English and French available) contains on pages 17-35 an analysis of long-term market prospects for primary products up to 1975. International Trade 1959 (Sales No. GATT/1960-3, English and French both out of print but available for consultation at GATT secretariat) discusses the terms of trade of primary producing countries on pages 10-33. The 1960 and 1961 reports contain a special section on trade in primary products on pages 21 and 25 respectively (English and French available). International Trade 1962 examines the growth of manufacturing since the war in certain countries in the process of industrialization, and its influence on the structure of their imports and exports. (Sales No. GATT/1963-2. English and French available, Spanish available in 1964).
3. The Seventh Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1959-1, English, French and Spanish available) contains on pages 27-29 details of the establishment of the GATT Programme of Action for the expansion of international trade. It sets out the terms of reference for the three Committees which have been considering inter alia the possibilities for the reduction of tariff barriers, the problems of trade in agriculture, and obstacles to the expansion of the export earnings of the less-developed countries.
4. The Eighth Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1960-1, English, French and Spanish available) contains under the section "Programme for Expansion of Trade" the First and Second Reports of Committee I. These reports contain the basic preparations for the Tariff Conference which took place in 1960-61. Under this section is also found the First Report of Committee II, in which is set out the plan for consultations with countries on their agricultural policies. There are also the First and Second Reports of Committee III which contain the establishment of the initial work programme of the Committee, the products which were initially studied and the guiding considerations which would influence the Committee's work on the obstacles to the trade of less-developed countries.

5. The Ninth Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1961-1, English and Spanish available, French out of print). In the section "Programme for Expansion of International Trade" is found the Second Report and a progress report of Committee II. The Second Report examines measures affecting trade in agricultural products. Immediately following in the same section are contained the Third and Fourth Reports of Committee III, the Third Report contains a detailed examination of tariffs, revenue duties, internal charges, quantitative restrictions and other measures applied in importing countries with regard to vegetable oils and seeds, tobacco, cotton manufactures, tea, coffee, cocoa, jute manufactures, cotton, timber, copper and lead. The Fourth Report of Committee III includes a review of progress made by individual contracting parties to the GATT in reducing obstacles to the expansion of trade with respect to the eleven products mentioned above. It also includes a detailed examination of the obstacles to trade in selected light engineering goods of interest to less-developed countries.

6. The Tenth Supplement to the Basic Instrument and Selected Documents (Sales No. GATT/1962-1, English, French and Spanish available). This contains under the section "Programme for Expansion of International Trade", the Third Report of Committee II. This report sets out the Committee's general findings on conclusions arising from its studies in the Second Report. The appendix to this report contains the detailed findings of the Committee on dairy products, meat, cereals, fish, sugar, vegetable oils and oilseeds. This supplement also contains the report on a meeting of Committee III in March 1961 which discussed inter alia, the participation of less-developed countries in the general round of tariff negotiations which were then taking place, the arrangements for the examination by the Committee of development plans of less-developed countries in order to study the possibilities of channelling expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers. The Fifth Report of Committee III is also published in this supplement. It contains a review of progress made by individual contracting parties to the GATT in reducing or removing obstacles to the trade of less-developed countries with respect to all of the products which had been selected by the Committee for detailed study. The Committee also examined obstacles to trade on a further list of products. There is also contained in the Tenth Supplement a Special Report by Committee III. The special report lists the principal findings of Committee on obstacles to the trade of less-developed countries and sets out recommendations to the CONTRACTING PARTIES. The annex to the report contains an account of the Committee's approach to the problems facing the expansion of export earnings of less-developed countries and to a large extent brings together the results of the earlier work of the Committee. This supplement also contains the Conclusions and Declaration on the promotion of the trade of less-developed countries adopted at the GATT ministerial meeting in 1961 and action taken by the CONTRACTING PARTIES to implement the conclusions of Ministers and carry forward the programme for expansion of trade initiated in 1958.

7. The Eleventh Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1963-4, available in English, French and Spanish). This contains under the heading "Programme for Expansion of International Trade" the report of Committee III on its future programme of work based on the 1961 ministerial Declaration. It also contains the report of Committee III on meetings in May 1962 and October/November 1962. In this last-mentioned report, the Committee reviewed the progress made in implementing the Conclusions of the 1961 ministerial meeting and discussed a proposal for a programme of action submitted by representatives of eighteen less-developed countries in the GATT with respect to a standstill on new tariffs and non-tariff barriers, elimination of quantitative restrictions, duty-free entry of tropical products, restrictions and elimination of tariffs on industrial raw materials, and on certain semi-processed and processed products, the progressive reduction of internal charges and revenue duties.

8. Trade in Agricultural Products - Reports of Committee II on Country Consultations (English and French available). This publication reproduces the reports on consultations held on their agricultural policies with thirty-eight countries based on the plan for consultations established in the Committee's First Report.

9. Trade in Agricultural Products - Second and Third Reports of Committee II (Sales No. GATT/1962-2, English and French available). These reports, which have been referred to under (5) and (6) above, are available also in this separate publication.

10. Trade of Less-Developed Countries: Special Report of Committee III and Study of the Third Five-Year Plan of India (Sales No. GATT/1962-3, English, French and Spanish available). This publication contains the Special Report of Committee III mentioned under (6) above, and a study of the trade and payments aspects of the Third Five-Year Plan of India. This is the first in a series of studies of the development plans of the less-developed countries for which arrangements were made in the report on the meetings of Committee III in March 1961 (see (6) above). This work is being done to give a clearer idea, inter alia, of the foreign exchange requirements of these countries, their production and export potential, and the effects which the removal of trade restrictions would have on their export targets.

11. Trade of Less-Developed Countries - Study of the Second Five-Year Plan of Pakistan (Sales No. GATT/1962-7, English, French and Spanish available). This is the second in the series of the study of development plans by Committee III and is similar in scope to the study of the Third Five-Year Plan of India described in (10) above.

12. Trade in tropical products

Based upon the Conclusions of the ministerial meeting of November 1961, the GATT Council in February 1962 established a Special Group on Trade in Tropical Products to consider ways of overcoming difficulties confronting less-developed countries exporting these products. In June 1962, at its first meeting, the Special Group established a Sub-Group with the task of making an intensive examination of certain aspects of trade in specified tropical products, including preferential access enjoyed by certain less-developed countries, existing tariff and other barriers to trade, and the examination of all possible ways and means for solving the problems of countries exporting tropical products. This publication reproduces the report of the Sub-Group, which met in December 1962 and March 1963. At the request of the Sub-Group the GATT secretariat undertook studies on cocoa, coffee, bananas, tropical oilseeds and oils, as well as on certain individual less-developed countries: Ivory Coast, Nigeria, Senegal and the Somalia Republic. These studies are set out in this publication; there is an appendix of trade statistics. (English and French available. Spanish available in 1964.)

13. Press Release GATT/703. Summarizes the results of the 1960-61 Tariff Conference.

14. Press Release GATT/794. Conclusions and Resolutions adopted at Meeting of Ministers, 16-21 May 1963. (i) Conclusions concerning measures for the expansion of trade of developing countries as a means of furthering their economic development (including the question of free access to markets of industrialized countries for tropical products and conclusions on individual products - cocoa, coffee, bananas, tropical oilseeds and oils, tea and tropical timber) with resolution establishing an action committee, a working party on tariff preferences for the exports of less-developed countries and a committee on the legal and institutional framework of the GATT in relation to less-developed countries. (ii) Resolution concerning arrangements for the reduction or elimination of tariff and other barriers to trade and measures for access to markets for agricultural and other primary products (establishing principles for trade negotiations beginning in May 1964 and setting up a trade negotiations committee to prepare a trade negotiating plan and to supervise the conduct of the negotiations).

Agenda Item V

15. The Possible Impact of the EEC upon World Trade (Trade Intelligence Paper No. 6). In part II of this paper there is an analysis of the possible repercussions of the EEC upon trade in manufactures and primary products. The paper which was published in 1957, also considers the effect of the association of overseas territories with the EEC and other examples of association on preferential terms of primary producing areas with industrial countries. (English available.)

16. The Sixth Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1958-1, English, French and Spanish available), contains under the heading "Customs Unions and Free-Trade Areas" the first examination by the GATT of the Treaty of Rome establishing the European Economic Community and the association of the overseas States with the Community.
17. The Seventh Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1959-1, English, French and Spanish available), contains a report by the GATT Intersessional Committee on arrangements for dealing with specific and practical problems by means of consultations between members of the EEC and other contracting parties.
18. The Ninth Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1961-1, English and Spanish available, French out of print), contains under the heading "Customs Unions and Free-Trade Areas" an examination of the European Free Trade Association. It contains a discussion of the effects of the Stockholm Convention on trade in industrial products, agriculture and fish. In the same section there is also a report on the Latin American Free-Trade Area.
19. The Tenth Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1962-1, English, French and Spanish available), contains a report on the association of Finland with the EFTA.
20. The Eleventh Supplement to the Basic Instruments and Selected Documents (Sales No. GATT/1963-1, English, French and Spanish available), contains a report on the association of Greece with the European Economic Community.
21. Report of the Working Party on the Association of Overseas Territories with the EEC, including Commodity Trade Studies (English and French available). This report, issued in 1958, discusses economic and general issues raised by the Treaty of Rome in its provisions relating to the association of the overseas territories. It also contains commodity reports on twelve primary products which would be affected by the EEC arrangements, viz: cocoa, coffee, tea, bananas, sugar, tobacco, oilseeds, cotton, hard fibres, wood, aluminium and lead.
22. Trade in Agricultural Products - Report of Committee II on the Consultation with the EEC (Sales No. GATT/1962-6, English, French and Spanish available). This contains a description of the common agricultural policy of the EEC at 30 July 1962 with respect to cereals, pigmeat, eggs, poultry meat, fruit and vegetables. Chapter 2 contains a technical and general policy discussion on trade in these products.

GENERAL

23. Addresses by the Executive Secretary. From time to time the Executive Secretary delivers addresses on particular aspects of the work undertaken in the GATT and current problems in the field of international trade. The following is a selection of these texts which are available, free of charge, from the GATT secretariat.

The First Ten Years of GATT May 1958
International Trade: Challenge and Response May 1959
Looking Outwards April 1960
Commercial Policies in the Nineteen-Sixties June 1960
GATT as an International Trade Organization June 1961
Some Structural Problems of International Trade June 1961
The Changing Framework of International Trade June 1962
Europe and World Trade October 1962
The United States between Multilateralism and the European Economic Community April 1963
Statement made at the Preparatory Committee, United Nations Conference on Trade and Development May 1963
Commercial Policies in a Changing World August 1963

24. List of GATT Publications (1962) (1963 edition to be published shortly)