

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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REPORT BY THE CHAIRMAN OF THE ACTION COMMITTEE

1. In the Resolution adopted at their May 1963 meeting, Ministers of contracting parties affirmed the crucial importance of a maximum expansion in the export opportunities of developed countries to the development of their economies. To this end they stressed first, the need for rapid implementation, to the fullest extent possible, of the Programme of Action and secondly, the need for the adoption of other measures which would help developing countries to strengthen their production potential and export capacity. The Action Committee was set up by Ministers to carry ahead this two-fold task.
2. Over the last seventeen months, the Action Committee has held four meetings. Of the Sub-Committees set up by it, Sub-Committee 1 has met five times and Sub-Committee 2 twice. A note summarizing the main points of the discussion at the last meeting of the Action Committee, held on 9 November 1964, is annexed to this report. The secretariat has also prepared a survey of the progress made in implementing the different points of the Action Programme. This survey too is annexed to this report.¹
3. The Special Session of the CONTRACTING PARTIES represents an important stage in the consideration of problems relating to the trade and development of less-developed countries in the GATT. The CONTRACTING PARTIES may, naturally, expect the Chairman of the Action Committee to review the work done by the Action Committee in carrying out the Ministerial mandate and to report on the tasks that still remain unfinished.
4. The less-developed countries have attached great importance to the avoidance of any action in the tariff and non-tariff field which might have the effect of further limiting present export opportunities in the markets of the industrialized countries. During the period under review, most industrialized countries have, it is a matter for some gratification, found it possible to deal with inflationary or balance-of-payments pressures without resorting to import restrictions which might adversely affect world trade and the trade of less-developed countries. It is unfortunate that there has been a recent exception in the case of the United Kingdom which, we are assured, has, because of compelling reasons, found it necessary to impose certain surcharges which adversely affect also exports from less-developed countries. The United Kingdom Government has indicated that these charges are intended to be strictly temporary. But it is to be hoped that they will give urgent consideration to the need for the adoption, during this period, of measures to avoid damage to the exports of less-developed countries.

¹The two annexes will be circulated separately.

5. The progress made in the elimination of quota restrictions has been substantial, even though we must allow for the fact that discussions under the Action Programme do not cover a major concern of less-developed countries - cotton textiles. Considerable efforts have been made by industrialized contracting parties to fulfil the obligations accepted by them. At the same time, the last meeting of the Action Committee shows that there is still considerable concern on the part of less-developed countries over the continued maintenance of quantitative restrictions on a number of items of great importance to their export trade. There is also anxiety over the fact that, in respect of these items, there is no assurance yet that the target dates mentioned in the Action Programme will be met. The contracting parties whose interests continue to be injured by the indefinite continuation of these restrictions in breach of GATT obligations, have been suggesting that the time has come for contracting parties to consider the question of compensation due to them for loss of their export opportunities. The CONTRACTING PARTIES may wish to consider what specific steps need to be taken to (a) consider the case for compensation; (b) reiterate the dates fixed for the termination of quantitative restrictions; and (c) devise ways and means for the enforcement of obligations in this regard and for the expansion of trading opportunities for developing countries while quantitative restrictions continue to be maintained.

6. There has been gratifying progress in creating better conditions in world markets for some of the tropical products exported by less-developed countries. Most industrialized contracting parties have taken action to eliminate or suspend duties on tea and timber. In some instances where this action has not yet been completed, there is prospect of progress in the early future. In those instances where tariffs have been suspended provisionally, less-developed countries look forward to duties being eliminated on a permanent basis. In respect of certain other items, such as coffee and cocoa, sufficiently rapid progress in the elimination of duties, within the context of appropriate commodity arrangements or otherwise, has not been made though some duty suspensions or reductions have been effected. On yet other items, the detailed studies envisaged by the Ministers are still in progress. The pace has been slow but it is to be hoped that the CONTRACTING PARTIES will be able to determine how best they can make a decisive contribution to solving the problems of the less-developed countries in this field.

7. The less-developed countries asked that the Action Programme should aim at the early elimination of tariffs on primary products and a 50 per cent reduction in the tariffs on semi-processed and processed products over a period of three years. There has been some limited response to the request of less-developed countries that, in view of their developmental and trade needs, action wherever possible to reduce or eliminate tariffs on products of interest to them should be taken in advance of these negotiations. It is for contracting parties to consider how some progress can be made to this end.

8. It is generally appreciated that the Kennedy negotiations would provide a major opportunity for the tariffs on exports of less-developed countries to be substantially reduced. The major expectations of less-developed countries are known to the developed countries. These include the keeping out of products of interest to them from the list of exceptions, the putting into effect, wherever possible, of tariff cuts of 50 per cent or more on such items, so as, inter alia, to bring about a narrowing of present tariff differentials between raw materials, semi-processed and processed products, without phasing the tariff cuts over an extended period of time. Less-developed countries have indicated their desire to contribute to the success of the tariff negotiations. Some disquiet has, however, been expressed in regard to the basis of their participation in these negotiations. It is to be hoped that the discussions in the Sub-Committee on the Participation of Less-Developed Countries would help to resolve the uncertainties that may exist.

9. There is one point to which attention needs to be drawn. In considering the Action Programme, the Ministers had not intended to limit themselves to the relatively short list of commodities which have, until now, been considered in Committee III, but had looked forward to the enlargement of these lists to cover other items of interest to less-developed countries. The review which the Action Committee has been carrying out until now has been limited to quota restrictions or tariffs applied to a relatively small range of products. One of the main tasks which lie ahead is the extension of this examination to a wider range of products. The less-developed contracting parties have already made it clear that they expect action, not merely in respect of the products examined in Committee III, but also on other items which have been notified as of interest to them. It is to be hoped that the CONTRACTING PARTIES will consider, how best this expectation can be fulfilled.

10. The second main task assigned to the Action Committee was the processing of proposals initiated under point (viii) of the Action Programme. Here certain important initiatives have been taken. Some of these tasks have been shared between Committee III and the Action Committee and on certain points such as the study of trade and aid relationships and the development of export promotion services, progress has been made. The study on the granting of preferential treatment to semi-manufactured and manufactured goods from less-developed countries, which was initiated in terms of the Ministerial Resolution has, however, not yet yielded agreed conclusions. Similarly, the Action Committee has not been able to put forward any specific proposals on problems in the field of commodity trade or on the promotion of adjustments in patterns of production and trade which would afford larger export opportunities for less-developed countries. These are points to which many less-developed countries attach great importance. It is to be recognized that contracting parties have not moved

very far towards agreeing upon the further positive measures to help less-developed countries to strengthen their export capacity and expand their export earnings mentioned in the Ministerial Conclusions. Perhaps, to some extent their attention has been held by initiatives taken in other forums. There is some satisfaction to be had from the fact that the new Chapter on Trade and Development will embody an appropriate legal and institutional framework, the need for which had also been recognized by Ministers, which would allow contracting parties to continue their urgent search for solutions. It has, however, not been possible, for want of time, for all the suggestions that had been put forward in this connexion to be taken care of. The CONTRACTING PARTIES will, no doubt, consider how further progress is to be made in processing these suggestions.

