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## PROGRAMME FOR EXPANSION OF INTERNATIONAL TRADE

### Obstacles to Trade of Developing Countries

#### Note by the Director-General

(Reference: Item 3(c) of the Provisional Agenda - L/2854)

This note gives a brief summary of the important developments since 1958 in regard to the Programme for Expansion of Trade of developing countries and sets out certain suggestions relating to future work in this field.

Following the adoption of the Programme for the Expansion of Trade in 1958 and the establishment of Committee III, attention was concentrated on the identification of products important to the trade of developing countries and of obstacles inhibiting the expansion of export of these products in markets of developed countries. By 1961, Committee III had completed the major exploratory and fact-finding stage of its work. Some progress, though admittedly of a limited character, was also made in the reduction of trade barriers to the export of developing countries, particularly in the removal of quantitative restrictions. In November 1961, the Ministers adopted a declaration on promotion of the trade of developing countries, and a programme was adopted for the implementation of that declaration. In pursuance of this programme, Committee III continued its efforts at securing the reduction and removal of trade barriers affecting exports of developing countries. At the same time, it also addressed itself to the task of establishing more effective procedures and formulating a programme of action. Such a programme was proposed at a ministerial meeting in May 1963. Essentially this consisted of provisions concerning a standstill on the use of tariff and non-tariff barriers and the phased removal or reduction of existing barriers, including the elimination of duties on tropical products, as well as other action for the expansion of trade of developing countries. The Ministerial Conclusions on the Action Programme also provided for the setting up of an Action Committee to supplement the work of Committee III. The efforts at removing trade barriers were thus intensified in 1963 and 1964, and at the same time new measures to promote the trade of developing countries, to facilitate the diversification of their economies and to strengthen their export capacity were considered.

At their meeting in May 1963 the GATT Ministers recognized that activities in GATT developing countries had become so broad and far reaching as to require the creation of a new legal and institutional framework. This conviction led to the formulation and adoption of Part IV of the GATT and the establishment of the Committee on Trade and Development to administer its provisions.

Part IV contains commitments aimed at ensuring priority for the reduction and elimination of tariff and non-tariff barriers maintained by developed countries on products of interest to developing countries. It also seeks, at the same time, to promote joint action by the CONTRACTING PARTIES in the development of other measures aimed at stabilizing and expanding the export earnings of developing countries in the interests of their economic development.

Some of the most important results of this activity are before us. When the Action Programme was drawn up, it was known that the major opportunity for eliminating or reducing tariffs on products of interest to developing countries would come with the Kennedy Round of trade negotiations. The Ad Hoc Group on the Assessment of the Results of the Kennedy Round for Developing Countries has just submitted its report to the Committee on Trade and Development. While, inevitably, all countries do not take the same view of these results, it is evident that, in many sectors of the trade of developing countries, these have been significant and substantial and provide new opportunities for access to the markets of the developed countries. It is also equally clear that, in several areas, the results have fallen considerably short of the expectations of developing countries and have not provided adequate solutions for a number of their problems. In the elimination or reduction of revenue charges on products of interest to developing countries, such as coffee, tea or cocoa, also no appreciable progress has been made.

The almost continuous consultations and discussions on this subject in Committee III, the Action Committee and the Committee on Trade and Development have resulted in a very substantial liberalization of quota restrictions by developed countries on products of interest to developing countries in the industrial sector. In addition to cotton textiles, there are, however, certain items of major interest to developing countries which continue to be restricted in some markets. Restrictions in the agricultural sector, of course, tend to be more widespread, to a large extent because they are rooted in national systems for the protection of agriculture.

The examination in GATT of other measures to promote the export earnings of developing countries has covered a broad field. It has included such matters as the establishment of preferences by developed

countries for exports of developing countries, the liberalization of trade between developing countries through the use of preferences and other forms of tariff and non-tariff action, collaboration by contracting parties in action aimed at stabilizing commodity prices at equitable and remunerative levels, the study of aid and trade relationships in the context of the development programmes of developing countries, and the provision of technical assistance to improve marketing and promotion services.

On some questions, as, for example, that of tariff preferences, the initiatives taken in GATT have helped to clarify issues and have provided an exchange of views on problems which have since been taken up for more detailed treatment in the UNCTAD. Certain other initiatives, notably the proposal for the establishment of an International Trade Centre, have already borne fruit. The studies carried out in Committee III and in the Committee on Trade and Development of the export plans and prospects of individual developing countries and trade and aid relationships have helped to focus attention on trade policies and other measures based on international co-operation that could facilitate an increase in the export potential and the export earnings of these countries and thus contribute to their economic development. The examination of measures aimed at the expansion of trade between developing countries has contributed to the growing awareness of the helpful results that a lowering of trade barriers between developing countries can produce by way of maximizing efficiency and productivity through increased specialization and has led to the development of certain proposals for the exchange of trade concessions between developing countries to this end.

The CONTRACTING PARTIES would, no doubt, wish to base their future work in relation to the trade problems of developing countries on the possibilities offered by the specific GATT techniques and procedures for consultations and negotiations between governments. A part of this activity would represent a follow up of work done in the Kennedy Round and some of its broad lines of further work in the field of tariff and non-tariff barriers may be expected to emerge from the current meeting of the Committee on Trade and Development. The Committee will no doubt be seeking the broadest possible action towards immediate implementation of tariff cuts negotiated in the Kennedy Round on products of interest to developing countries. The Committee also has been seized with the proposal that consultations be initiated at an early date with a view to instituting negotiations within the framework of GATT on specific sectors. The product groups which have been mentioned in this context, apart from meat and dairy products, include citrus and other fruits, fruit products, non-ferrous metal products, textiles and tropical products. It would be helpful if a unified view were to emerge in regard to the modalities and scope for action in respect of these product sectors.

The Committee on Trade and Development is also likely to come up with a list of studies and analyses which it wishes to see undertaken by the GATT secretariat. These might include a study of escalated tariffs disproportionately protecting

processed products, a detailed analysis of the effects of specific duties on selected products of interest to developing countries, a comparative study of the general incidence of duties resulting from the Kennedy Round on products of particular interest to developing countries and other products, a review of the more important trade opportunities opened up by the Kennedy Round for developing countries, etc. Most of these projects will, no doubt, be of significant value to the Committee in its future task.

The Committee on Trade and Development is also expected to give consideration to a proposal which the secretariat put forward earlier this year concerning the setting up of expert groups to deal with import restrictions affecting different products of export interest to developing countries. It is to be hoped that this would lay the foundation for a final assault on the few remaining import restrictions in the industrial sector which have been so irksome to developing countries. I shall not here take up the question of cotton textiles, which will be dealt with under another heading of the agenda.

In L/2875 there is set forth a proposal for an enlarged programme of consultations with developing countries on their problems of trade expansion. This proposal is intended to broaden the scope of consultations to be carried out under article XVIII:B and under the programme of development plan studies under Part IV with a view to providing more positive and systematic support to measures directed towards the strengthening of the export capacity and the export earnings of developing countries.

Following the consideration given to this matter by the CONTRACTING PARTIES last year and the initiative already taken by developing countries in the context of the Kennedy Round to explore the possibilities of a mutually beneficial tariff and trade concessions between these countries, I have also circulated certain suggestions on the ground rules that might be adopted for trade negotiations between developing countries and suggested the convening of a Negotiations Committee comprising developing countries having an interest in the matter.

Finally, it is to be expected that the International Trade Centre will play an increasing rôle in helping developing countries to take advantage of the opportunities of access to markets of developed countries provided by the Kennedy Round.

Under agenda item - GATT/UNCTAD relations, I hope to report on the collaboration between the two secretariats in certain areas relating to the trade of developing countries.