

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TN.64/W/16  
23 June 1967

Special Distribution

---

## Trade Negotiations Committee

### DRAFT NOTE BY THE SECRETARIAT ON THE MEETING OF THE SUB-COMMITTEE ON THE PARTICIPATION OF LESS-DEVELOPED COUNTRIES ON 13 JUNE 1967

1. The Sub-Committee met on 13 June 1967 to deal with the items still outstanding on its agenda.
2. The Chairman said that the situation with respect to these items had been summarized by the Director-General in his statement to the press on 15 May 1967. The relevant part of the Director-General's statement, which had been agreed in an informal drafting group, read as follows:

"The tariff reductions agreed in the trade negotiations will, in general, be phased over a period of years. The participants in the negotiations have, however, recognized that, for the developing countries, the immediate implementation of such tariff cuts would be of great value in maximizing the benefits to them of these negotiations. It has therefore been agreed by participants that efforts must continue to secure the best advance implementation of such concessions. All participants have declared their determination to reach a decision on this point by the time the Protocol embodying the results of the trade negotiations is open for signature. Participating developing countries have stated that the solution found to this question will be a major determining factor in their overall appraisal of the concessions received.

"Participating developing countries have urged that those requests for tariff reductions on items of special importance to them, which had not yet been fully met by participating developed countries, should be favourably reconsidered and that further concessions on these items be made.

"The question of compensation for loss of preferences resulting from the trade negotiations will be pursued further.

"The participating developed countries declare their willingness to continue to examine to what extent they could improve access for products exported by developing countries which have special characteristics such as handicrafts and handloomed fabrics."

Delegations are requested to communicate any comments they may have on statements attributed to them to the secretariat (telephone 34.60.11, extension 4478), by Monday 26 June.

In previous meetings the Sub-Committee had agreed that these matters should be actively pursued on a bilateral basis before being the subject of a final discussion in the Sub-Committee.

Advance implementation

3. The representative of the United States said that this matter was still under consideration by his Government. It presented some difficulty for them, because any further action on their part would require new legislation and because it was linked to the comprehensive review of United States trade policy that was being conducted. No decision could, therefore, be expected before 30 June. He pointed out, however, that the first reductions would not be made until 1 January 1968. His delegation felt that the question as to whether the advance implementation should be on a preferential or on a most-favoured-nation basis should, at present, be left open. His delegation would be having consultations with other developed countries and hoped to reach a conclusion on the matter by the fall.
4. The representative of the Nordic delegation recalled the fact that the Nordic countries had already implemented their reductions on most tropical products. It was possible that reductions on certain other items which could be identified as being of interest to developing countries would also be implemented without phasing.
5. The representative of the United Kingdom said that the view of his delegation was well-known. They agreed in principle to advance implementation, subject to consultation with their Commonwealth partners. They favoured advance implementation on a most-favoured-nation basis. They hoped to provide in the schedule for the advance implementation of cuts on tropical products. For other products they agreed with the representative of the United States that there was ample time in which to draw up the detailed arrangements.
6. The representative of the European Economic Community said that his delegation had already agreed in principle to implement the reductions on a number of products without phasing on a most-favoured-nation basis. His delegation was actively engaged in drawing up such a list. The question of preferences should not be dealt with incidentally in a negotiation which had been conducted on another basis. To do so would be to downgrade the importance of this question.
7. The representative of Japan said that his delegation had already indicated the possibility of implementing without phasing certain concessions of interest to developing countries, largely on tropical products. It was the intention of his delegation to make provision in their schedule for the unphased implementation on two major tropical products, cocoa and coffee beans. The duties on these products had already been completely suspended; this treatment would be consolidated in the schedule. He supported the representative of the United States on

the question of timing and procedure with respect to other products. The action which his delegation would take would depend largely on what other developed countries would be prepared to do. He concluded by stating that his delegation supported a most-favoured-nation basis for advance implementation.

8. The representative of Canada distinguished two groups of products, tropical products and other products. With respect to tropical products, the problem of his delegation was not unlike that of the United Kingdom. Commonwealth developing countries had preferential access to the Canadian market. These countries attached importance to this. The ability of the Canadian delegation to take action depended largely on what others did. If there was a general movement Canada would be able to move as fast as others. The question of the advance implementation of reductions on other products was still under study. His delegation would work with other participants with a view to bringing the reductions into effect as rapidly as possible.

9. The representative of Chile stated that developing countries were facing two questions: Firstly, what solutions could be found to certain issues of interest to less-developed countries which were still outstanding, secondly, what was the future of less-developed countries in the GATT, in the light of the result of the negotiations.

10. He recalled that the Director-General in his press release of 15 May had emphasized the importance that developing countries would attach to advance implementation in evaluating the result of the negotiations. For industrialized countries, the package deal agreed upon represented a successful conclusion of the negotiations. For developing countries the package deal could not be considered balanced, in particular because no favourable decision had been reached on advance implementation. Had this decision been reached these negotiations would have been different from all previous negotiations. This possibility of improving the access to the market of industrialized countries for products of interest to less-developed countries had been lost. The request was not unreasonable taking into account the very different economic circumstances of the developing and the developed countries. Developing countries for instance, experienced problems connected with shipping especially because they had no control over freight rates. They might be described as "f.o.b." countries as opposed to "c.i.f." developed countries. Developing countries were also handicapped because they did not command the advanced technology of developed countries. Developing countries had experienced the first, but not the second industrial revolution.

11. It had been said in the press of industrialized countries that the results of the trade negotiation would only benefit developed countries and that GATT continued to be a rich man's club. He did not share that view. A constructive dialogue has been pursued over the last years. The problems arose when the time came for decisions to be taken. Developing countries then heard that certain

countries did not have legal authority, that others had certain sensitive sectors, and that others still were prepared to act only if other developed countries acted in the same manner. Finally Part IV had been interpreted and applied in different manners. It would soon be possible for the Committee on Trade and Development to evaluate the results of the negotiations in the light of Part IV. Meanwhile it was necessary to take stock of the situation and include, in the Final Act or in some other appropriate document, a statement to the effect that it had not been possible to reach a positive decision on the question of advance implementation, cuts of more than 50 per cent, compensation for loss of preferences, etc. The work of the CONTRACTING PARTIES should then continue with this in mind.

12. There was an urgent need for the revision of ideas on the future of less-developed countries in GATT. One of the first conclusions to be drawn from the negotiations was that a new trade policy geared to the needs of developing countries was needed. The future of international institutions dealing with the problems of development, was also in question. The representative of Chile asked if the time has not come to merge into a single body the institutions where ideas were exchanged and where negotiations took place. He was thinking of GATT and UNCTAD. A decision to merge the two bodies would be a political decision. He wished to put forward this idea however, because it was one of the main conclusions that his delegation had drawn from its evaluation of the trade negotiations.

13. The representative of Peru was disappointed by the position taken by developed countries on the issue of advance implementation. It was now clear that a decision on this question had been postponed to an undetermined date in the future and that the longer discussions continued the smaller would be the resultant benefits. It was also clear that concessions would not be implemented on a preferential basis, but on a most-favoured-nation basis which meant giving equal benefits to unequal partners. The principle of non-reciprocity as embodied in Part IV seemed to have been forgotten in this matter. He appreciated the efforts made to solve this problem, but said that no valid solution had in fact been found.

14. The representative of Yugoslavia said that his delegation had believed that the present trade negotiations were to be different from the five previous trade negotiations in the GATT because reciprocity would not be demanded from less-developed countries and because concessions would be implemented immediately for them. In practice this had not been so, and developed countries had not honoured the obligations they had undertaken in the Ministerial Resolutions of 1963 and 1964 and in Part IV.

15. Summing up, the Chairman said that it was clear that it would not be possible for the Sub-Committee to make concrete recommendations to the Trade Negotiations Committee on the question of advance implementation of concessions in favour of developing countries. This was he said, a matter of regret. Among the reasons

which had been invoked were the lack of legal authority, and, the relationship between advance implementation and the broader question of preferences for developing countries, which made it difficult to take a decision at this moment since the issue of preferences was still under study in various international bodies. It was, therefore, perhaps not surprising that no decision could be reached before 30 June. All agreed however that a positive result should be obtained before the first tariff cuts came into effect on 1 January 1968. The staging specified in the protocol embodying the results of the negotiations would be minimum requirements and signature of the protocol would not constitute a legal impediment to the implementation of concessions without staging. The Sub-Committee should report the discussions which had taken place to the Trade Negotiations Committee. It should recommend that the Trade Negotiations Committee consider the most appropriate way in which this question should be dealt with and referred to in the legal documents resulting from the negotiations.

16. The representative of Chile said that it should be noted in the Final Act that it had been impossible to arrive at a solution to this question satisfactory to developing countries. The Chairman said that this would be caught up in his proposal that the Trade Negotiations Committee should "consider the most appropriate way in which this question should be dealt with". The Sub-Committee then agreed the summing up of the Chairman.

#### Compensation for loss of preferences

17. The Chairman said that this issue had already been discussed in the Sub-Committee but no common ground had been found. He suggested that, if there were no new proposals or views, the Sub-Committee should recommend to the Trade Negotiations Committee that the records of its previous meetings be considered to constitute its report on this question.

18. The representative of India wished it to be recorded that some of his country's preferences in its traditional markets had been abridged in the negotiations and that compensation for this was due to India.

19. The Sub-Committee noted the statement of the representative of India and agreed the proposal of the Chairman.

#### Requests made by developing countries

20. The Chairman said that developing countries had had time to check the draft schedules most of which had by then been tabled. The responses to the requests of the developing countries, in particular the hard-core requests and the requests on products with special characteristics such as handicrafts and handloomed fabrics, were now known. He asked if there were any points which delegations wished to raise in a multilateral forum.

21. The representative of India said that the position of his delegation had been made clear inter alia at the meeting of the Trade Negotiations Committee of 8 July 1966 (TN.64/SR/13, page 9) and at the meeting of the present Sub-Committee of 9 May 1967 (TN.64/LDC/40). Since this latter statement had been made, his delegation had had several meetings with delegations of industrialized participants. They had also examined the draft schedules submitted by industrialized participants; this had revealed that their hopes and aspirations had not been met in fact a deterioration had taken place. He suggested that the Trade Negotiations Committee should carry out an analysis of the results of the negotiations in the light of the principal requests of the developing countries which had been grouped under five headings by the Director-General (TN.64/SR/13, page 3). His delegation was still negotiating on cotton textiles. Much had been heard of certain non-tariff barriers to the trade of industrialized countries but very little had been heard on the subject of quantitative restrictions which discriminated against developing countries and which official spokesmen of industrialized countries had described as inexcusable. Negotiations in the sector should be continued and the results reported to the Trade Negotiations Committee or to the next session of the CONTRACTING PARTIES. In many cases reductions of 50 per cent would not be made in rates on products of interest to developing countries. In many cases these rates were very high. The relatively competitive position of the export products of developing countries on the highly competitive markets of the industrialized countries and the case for preferential treatment for these products had now been fully recognized. It was essential that decisions were taken and implemented before the first cuts came into operation. In addition, developing countries should receive compensation for the nullification and impairment of GATT rights as a result of the imposition of discriminatory quantitative restrictions on bound items. In conclusion he stated that negotiations with industrial countries were still going on but that his delegation expected to be in a position to submit its schedule in the course of the following week.

22. The Chairman, referring to points made by the representatives of Chile and India, noted that the Committee on Trade and Development was carrying out an analysis of the results of the negotiations. The discussion which had taken place would constitute the report of the Sub-Committee to the Trade Negotiations Committee on this point.