1. In accordance with its terms of reference (AC/3, para.34), Sub-Committee 3 submits the present report to the Action Committee. The report takes up under seven headings the work of the various subsidiary bodies of the CONTRACTING PARTIES which is of direct relevance to the Programme of Action. The report was drawn up at the first meeting of the Sub-Committee, held on 18/19 December 1963.

I. Working Party on Preferences

2. The Working Party on Preferences, which was established by the ministerial Resolution adopted on 21 May 1963, has held two meetings, namely from 7-11 October and from 11-18 December. A summary of the points discussed at the first meeting is contained in document L/2073.

3. In accordance with its terms of reference, the Working Party has under examination possibilities for action on the following two proposals:

   (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.

Discussion at the first meeting centred mainly on the first proposal. The discussion related both to questions of principle and to the elements which would have to be present for implementing the proposals. Discussion on these points was continued at the second meeting. At the second meeting, the Working Party also had a preliminary discussion of certain conditions which the less-developed countries generally felt might form a basis for the exchange of preferences between them.

4. The Working Party has had a useful exchange of views but, on the whole, work at present is still at a formative stage. To permit more rapid headway to be made, it was suggested that the Working Party should examine the possibility of drawing up an enabling clause to permit contracting parties to put into effect such agreements as might be reached on the issues before the Working Party, and that simultaneously work might proceed on finding more general solutions to the problem encountered in acting on the proposals.
5. The Working Party will resume its work on 24 February 1964. In preparation for that meeting, governments have been invited to inform the secretariat by the end of January of the type of preferences which they might be prepared to grant and also to submit concrete proposals in this regard.

II. Committee on the Legal and Institutional Framework of GATT in Relation to Less-Developed Countries

6. The Committee, which was also established by the ministerial Resolution adopted on 21 May 1963, has held two meetings, namely from 14-18 October and from 9-17 December. For the second meeting of the Committee, the secretariat had prepared, at the Committee's request, a note entitled "Model Chapter on Trade and Development" (Spec(63)716/Rev.1), which took up various suggestions made by members of the Committee at the first meeting regarding changes to be made in the General Agreement. A summary of the proceedings of the second meeting will be circulated shortly.

7. While the work of the Committee is still at a formative stage, the Committee has had a full discussion of the possible changes which might be made in the General Agreement with a view to making the Agreement a more useful instrument for assisting the less-developed countries in their efforts to promote the expansion of their export earnings, and more generally, their rapid development. The Committee agreed that the note prepared by the secretariat and the suggestions for a revision of the Agreement contained therein, which had been further elaborated and expanded in the course of the discussions, constituted a good point of departure. Nevertheless, with a view to establishing a firm basis for rapid progress being made, it seemed essential that governments themselves should submit concrete proposals for a new chapter on trade and development.

8. The Committee agreed, therefore, that governments should be invited to submit such proposals by the end of January. The proposals will be collated by the secretariat and issued as a document for study by members of the Committee in the first three weeks of February, so that a meeting of the Committee, beginning on 24 February, might continue its work on the basis of proposals by governments.

III. Committee III

9. Committee III, which is engaged in work closely related to that of the Action Committee, has held its first meeting following the ministerial meeting from 21-31 October. The report of the Committee was distributed in document L/2080.

10. The Committee took up seven major items, as set out in paragraph 1 of L/2080, including several items in respect of which the Action Committee had suggested that they should, in the first instance, be examined by Committee III (AC/3, paragraph 33).

11. Major points of relevance to the Action Committee under each of the seven items on the agenda of the last meeting of Committee III are as follows:

   (i) Review of progress in the elimination of trade barriers affecting products examined by Committee III

   In view of the important responsibility entrusted to the Action Committee for supervising the implementation of the Action Programme, and taking account of the work in progress in Sub-Committee I of the Action
Committee, Committee III agreed that it should not enter into its normal consultation procedure. The Committee reviewed, however, on the basis of a survey paper prepared by the secretariat (COM.III/119), progress made since it had started its work and remaining barriers affecting products included in lists 1 to 3. The Committee's findings in this regard are set out in paragraphs 6 and 7 of L/2080.

Also under this heading, the Committee took note of a report on the outcome of the UN Cocoa Conference which had been adjourned sine die on 24 October, without having reached substantive agreement designed to improve the conditions of trade in cocoa. Committee III recommended that the Special Group be reconvened to re-examine the problems facing the cocoa industry and to seek solutions to these problems in so far as they come within the purview of the GATT. A meeting of the Special Group on Trade in Tropical Products has been scheduled for the period 17-20 February.

(i) Examination of further products of export interest to less-developed countries

In the Conclusions adopted by Ministers, it was agreed that the Action Programme related to products identified by Committee III, it being understood that the Action Programme might subsequently be extended to an enlarged list of products, to be agreed upon (MIN(63)7, paragraph 3). It is therefore of special significance for the Action Committee that Committee III at its last meeting drew up a further list of products of special export interest to less-developed countries, comprising some 190 tariff items or sub-items in terms of the Brussels Tariff Nomenclature (BTN). Out of this comprehensive list, the Committee selected thirty-seven products or product categories (seventy-eight tariff headings or sub-headings in terms of the BTN; as set out in Annex I to L/2080) for examination by the Committee on a priority basis, analogous to the examination carried out in respect of the products included in lists 1 to 3, so as to enable the Committee to make specific recommendations regarding the adoption by the CONTRACTING PARTIES of further products to be covered by the Action Programme.

(iii) Expanded programme of development plan studies

To carry out the mandate given by Ministers to Committee III (MIN(63)7, paragraph 27) in respect of the studies of trade and aid relationships, the Committee adopted at its last meeting a programme and time-table for implementing the programme of studies. Inter alia, the programme envisions that some twenty studies will be carried out over a period of twenty-four months, with a first series of approximately seven studies to be completed by the middle of 1964 (see L/2080, Section III and COM.III/118 and Add.1).

(v) Examination of possibilities of extending the activities of GATT to embrace the financing aspect of bridging the gap between export proceeds and import requirements.

The examination of possibilities for action in this regard was one of the questions which the Action Committee had suggested should, in the first instance, be taken up by Committee III (AC/3, paragraph 33).
Committee III has had a first discussion of this question, as recorded in Section IV of its report, basing itself on specific proposals in this regard submitted by the United Arab Republic. The Committee agreed that the proposals should be examined by a small expert group. The terms of reference and the membership of the group are set out in paragraph 34 of document L/2080. The group will meet from 27-29 January.

(vi) Establishment of an International Trade Information Centre in the framework of GATT

Basing itself on a survey carried out by the secretariat on behalf of the Committee, Committee III noted that the provision of trade information services on an international basis would meet a real need of the less-developed countries and would make a useful contribution to their efforts to increase their export earnings.

The Committee agreed, therefore, that it would be desirable for the CONTRACTING PARTIES to consider, on the basis of the advice of experts, the establishment of an international trade information service in the framework of GATT. With this in mind, the Committee recommended that a meeting of experts in the field of trade information services should promptly be convened. The terms of reference of the expert group are set out in paragraphs 61 and 62 of L/2080.

The first meeting of the expert group has been scheduled for the period 4-6 February 1964.

(vii) Use of export subsidies by less-developed countries under the provisions of the General Agreement

This question was taken up by Committee III (as recorded in Section VII of L/2080) following a suggestion by the Committee on the Legal and Institutional Framework of the GATT in Relation to Less-Developed Countries.

In the absence of sufficiently comprehensive data regarding the use of export subsidies by less-developed countries and possible resort by importing countries to Article VI of the General Agreement, Committee III only had a preliminary discussion of this question. The Committee instructed the secretariat to gather information from contracting parties on this subject. Accordingly, a questionnaire was sent to governments and a summary of the replies to the questionnaire was circulated in document L/2097. Certain aspects of this question were discussed at the last meeting of the Committee on the Legal and Institutional Framework of the GATT in Relation to Less-Developed Countries, in connexion with the discussion of the Model Chapter on Trade and Development.

IV. Sub-Committee I of Action Committee

12. The Sub-Committee met first on 24 and 30 October 1963. The Sub-Committee drew up a list of quantitative restrictions and fiscal charges, and arranged for direct discussions with each of the contracting parties applying such measures. Less-developed countries were requested to indicate to the Sub-Committee, in concrete terms, the barriers which particularly affected their exports, and the
industrial countries applying the barriers were invited to state their intentions as to their reduction or removal and any difficulties in this regard (see AC/SC1/3).

13. When the Sub-Committee reconvened on 2 December to begin the country-by-country discussions, only some less-developed countries had responded to the request for indication of their principal interests, and only a few industrialized countries supplied written statements of their intentions. The Sub-Committee was informed that the time interval allowed for the preparation of such statements was rather inadequate. All the contracting parties concerned, however, were prepared to state their case orally and to participate fully in the discussions in the Sub-Committee. In the circumstances, the Sub-Committee proceeded with a preliminary discussion with each of twelve industrial countries which had quantitative restrictions or fiscal charges listed in AC/SC1/3, namely, Austria, the Benelux countries, Denmark, France, the Federal Republic of Germany, Italy, Japan, Sweden, the United Kingdom and the United States.

14. In the course of the country-by-country discussions, the Sub-Committee was informed of a few cases in which restrictions had been removed since the adoption of the Action Programme by the Ministers last May. In other cases the governments concerned had reviewed the situation and undertaken to remove the restrictions either by a specified date or at an unspecified date in the near future. While in some cases the announced date was within the time-limit of one year after the adoption of the Programme, in other cases, the promised time-limit extended towards the end of 1964. In these cases, the Sub-Committee felt that there was no need to discuss at length the reasons for this additional delay, but merely urged that the governments concerned constantly review the possibility of removing these restrictions at an earlier date. The progress thus made has been briefly listed in a secretariat note (AC/SC1/8).

15. There were other cases in which, for various reasons, the government concerned was unable to indicate when the restrictions would be removed. The Sub-Committee held a preliminary discussion on these reasons. A secretariat note will be issued later to summarize these arguments.

16. The Sub-Committee completed its first round of discussions with governments applying the specified restrictions and fiscal charges. Some progress was noted, and the Sub-Committee proposed to continue to explore possibilities of removing the remaining restrictions and fiscal charges. It was agreed that the Chairman of the Sub-Committee, in the light of the new information available, and in consultation with the Executive Secretary, would decide some time next year whether the circumstances warranted reconvening the Sub-Committee for a round of discussions with the governments applying the barriers.

V. Sub-Committee 2 of Action Committee

17. Sub-Committee 2 held its first meeting on 18 December 1963. At that meeting the Committee took note of a report by the secretariat on follow-up action by Committee III on a number of items relating to point (viii) of the Action Programme, which the Action Committee had suggested might, in the first instance be taken up by Committee III (AC/3, paragraph 33).
18. The Committee took note of a statement by the spokesman for the European Economic Community in which he emphasized that the governments of the member States of the Community would give full support to measures which would avoid excessive fluctuations in the export earnings of less-developed countries and to measures for establishing prices at a remunerative and equitable level, possibly an increasing level, for those primary products which account for the overwhelming share of the export earnings of the less-developed countries. A better organization of markets for primary products leading to an equilibrium between supply and demand, for instance, through the mechanism of commodity agreements, could lead to that end. He stated that a practical way to proceed in this direction might be to examine possibilities for action on a product-by-product basis.

19. As regards measures relating to assistance in export promotion schemes, the Sub-Committee agreed to give, at a later stage, consideration to a proposal envisaging the establishment of machinery to assist, where required, industries in importing countries to adjust to the changing pattern of trade and increasing import competition from developing countries (see AC/3, paragraph 18(iv)). This point, although related in some form to the question of export promotion schemes which are being considered by Committee III, has not yet been taken up by that Committee.

VI. Sub-Committee on the Participation of the Less-Developed Countries

20. The Sub-Committee held its first meeting on 27 November 1963. The discussion showed that there was a general recognition on the part of developed and less-developed countries alike that the Kennedy round presented a major opportunity to deal with and solve some of the important trade problems of the less-developed countries and that there was a genuine desire on the part of the less-developed countries to participate fully in the negotiations.

21. The Sub-Committee found that it would be difficult to form a definite opinion as to the participation of the less-developed countries in the negotiations until further progress had been made in other bodies dealing with problems of great importance to these countries. The Sub-Committee, however, identified some issues in connexion with the negotiations which would be of particular interest to them and which the Sub-Committee would have to discuss in detail.

22. The Sub-Committee also considered what contributions the less-developed countries could make, taking into account their development needs and the fact that reciprocity would not be required from them. It was, inter alia,
suggested that they could bind or reduce rates on some products in their own economic interest or in the interest of other less-developed countries.

VII. Sub-Committee 3 - other matters.

In the discussion of other matters to be taken up by Sub-Committee 3, the Sub-Committee took note of an undertaking by the secretariat to submit for the next meeting a factual report on developments in other international organizations relevant to the work of the Action Committee.