In April 1966, the Secretary-General of UNCTAD made a request for information relevant to the activities of the CONTRACTING PARTIES, for use in his annual report to the UNCTAD Board.

In response to the request, the GATT secretariat supplied various relevant documentation, and in the course of inter-secretariat consultations UNCTAD officials were informed about certain aspects of the GATT trade negotiations. Further, the secretariat prepared a note highlighting recent activities in GATT related to trade and development. The text of this note is herewith circulated for the information of contracting parties.
ACTIVITIES OF GATT RELEVANT TO UNCTAD BOARD RESOLUTION 19(II)

Note by the GATT Secretariat (June 1966)

I. INTRODUCTION

This paper deals with the activities of GATT in the recent past, with particular reference to activities in the field of trade and development. After a brief discussion in Section II of recent juridical and organizational developments, the paper presents, in the succeeding sections, a description of the specific and substantive activities of particular interest to the developing countries in which the CONTRACTING PARTIES have been engaged.

II. JURIDICAL AND ORGANIZATIONAL ASPECTS

The GATT is a legal treaty embodying rights and obligations. A major objective of GATT is, through the operation of the provisions of the Agreement and through the process of trade negotiations, to bring about a lowering of barriers to trade. There are specific procedures for consultation on matters affecting the application of the Agreement aimed at safeguarding the interests of individual contracting parties.

In the work of the CONTRACTING PARTIES over the last decade particular attention has been paid to the trade and economic development problems of the developing countries. This has manifested itself in the Decision of November 1958 inaugurating the Programme for Trade Expansion, the Resolution of May 1963 launching the Action Programme and by the recent incorporation in a new Part IV of the Agreement itself of provisions which specifically deal with problems of trade and development.

Part IV of GATT

In February 1965, the CONTRACTING PARTIES agreed on the text of a new Part IV on trade and development to be added to the GATT, and adopted a Declaration to provide for the de facto application of its provisions pending their formal entry into force.

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1 See UNCTAD document E/CONF.46/38 and Add.1, distributed at the time of the United Nations Conference on Trade and Development in 1964, for a description of GATT's activities in earlier years, and some observations on the provisions of GATT and their implementation.
The first of the three Articles of the new Part IV, Article XXXVI, spells out the general principles and objectives which are to govern the policies of the contracting parties in relation to the trade of developing countries. It contains provisions concerning the access to world markets for primary products and the devising of measures aimed at improving and stabilizing commodity markets. The developed countries agree not to expect reciprocity in return for concessions extended to developing countries in the course of trade negotiations by way of contributions inconsistent with the individual development, financial and trade needs of such developing countries. The second Article, Article XXXVII, sets out certain undertakings by developed and developing countries in furtherance of the objectives. Except where compelling reasons make it impossible, developed countries agree to refrain from increasing barriers to exports of products of special interest to the developing countries, and to give high priority to the reduction of existing barriers. High priority is also to be given in any adjustments of fiscal policies to the reduction or elimination of fiscal taxes. A procedure for consultation is provided for to deal with any difficulties arising in the implementation of these commitments. The developing countries, for their part, undertake to implement to the greatest extent possible the provisions contained in this Article for the benefit of their mutual trade. Article XXXVIII lists various forms of joint action to promote the trade and development of developing countries and covers studies and consultations in respect of trade and development needs of these countries.

The Committee on Trade and Development

Upon the adoption of Part IV, the CONTRACTING PARTIES established a Committee on Trade and Development for the purpose of supervising the implementation of its provisions. The Committee superseded Committee III, which had been set up in 1958 within the framework of the GATT Trade Expansion Programme, and the Action Committee, which had been established to supervise the implementation of the Ministerial Conclusions of May 1963.

The terms of reference of the Committee on Trade and Development are: to keep under continuous review the application of the provisions of Part IV; to formulate proposals for consideration by the CONTRACTING PARTIES in connexion with any matter relating to the furtherance of the provisions of Part IV; to consider any questions which may arise as to the eligibility of a contracting party to be considered as a developing contracting party in the sense of Part IV and to report to the CONTRACTING PARTIES; to consider, on the basis of proposals referred to it by the CONTRACTING PARTIES for examination, whether modifications of, or additions to, Part IV are required to further the work of the CONTRACTING PARTIES in the field of trade and development and to make the appropriate recommendations; and to carry out such additional functions as may be assigned to the Committee by the CONTRACTING PARTIES.
At its first meeting in March 1965, the Committee on Trade and Development established its programme of work under the following main headings:

(a) Implementation of the provisions of Part IV and the Ministerial Conclusions.

(b) Amendments to the General Agreement to meet the special trade and development needs of developing countries.

(c) Trade and aid studies.

(d) Expansion of trade among developing countries.

(e) Preferences in favour of developing countries.

(f) Measures for assisting adjustments in the structure and pattern of production and trade.

(g) International commodity problems.

(h) Examination of products of export interest to developing countries.

As indicated above, one of the tasks assigned to the Committee has been the examination of certain outstanding proposals for amending the GATT. One of these proposals relates to the provisions of Article XXIII of the General Agreement on procedures for the settlement of situations in which a contracting party considers that benefits accruing to it under the Agreement are being impaired by measures taken by another contracting party. The object of the proposal is to make these provisions more effective from the point of view of developing countries. For the time being, the CONTRACTING PARTIES have adopted a Decision providing for more speedy and comprehensive examination of such situations when these affect a developing contracting party; work will be continued by the Committee on Trade and Development on certain other outstanding and related proposals submitted by developing countries for modifications to Article XXIII. The Committee has also examined a proposal for the inclusion in the General Agreement of provisions to enable developing countries to apply surcharges on imports for balance-of-payments reasons without the necessity of having to apply for waivers in each case; the Committee has identified the main problems involved and will continue to work on this matter. In order to enable the GATT to adapt itself to new situations and developments in the trade field, the CONTRACTING PARTIES have recently authorized the Committee on Trade and Development to receive and consider any other proposals that might be put forward by developing countries for improving the provisions of the General Agreement and which are relevant to the work of the Committee.
International Trade Centre

In response to requests from a number of developing countries, the CONTRACTING PARTIES decided in March 1964 to provide trade information and trade promotion advisory services for all developing countries. In May 1964 the International Trade Centre was established within the GATT secretariat to provide these services.

III. RECENT ACTIVITIES

A. REDUCTIONS OF BARRIERS TO TRADE

1. The Kennedy Round of trade negotiations

The CONTRACTING PARTIES have organized several negotiating conferences - the first in 1947 - and these have succeeded in bringing about a substantial reduction and stabilization of tariffs. The current trade negotiations - the Kennedy Round - aim at the further liberalization of barriers to trade on a deeper and more comprehensive scale and are concerned with non-tariff as well as tariff barriers.

It has been recognized from the outset that special provisions should be laid down for the participation of developing countries in the current trade negotiations. When establishing the principles on which the negotiations are based, Ministers directed that every effort should be made to reduce barriers to the exports of developing countries, and developed countries have repeatedly stated that the negotiations provide an opportunity for them to contribute in a substantial way to the solution of the trade and development problems of the developing countries. The negotiations between developed countries are being conducted on the basis of reciprocity, but these countries have formally recognized that they cannot expect to receive reciprocity from the developing countries for the benefits received from the negotiations.

A special body has been given the task of examining any problems arising in the negotiations which are of particular interest to the developing countries and of acting as a focal point for bringing together all issues of interest in this connexion. This body has laid down the principal ground rules for the participation of the developing countries and is considering certain specific problems, for instance the possibility of implementing benefits on products of particular interest to the developing countries in advance of the conclusion of the negotiations and without the phasing provided for in the general rule. At present seventeen countries have become full participants in the negotiations under the special rules for the participation of developing countries. These rules permit them to negotiate on the offers made by developed participants on items in which they have an export interest before making known the contribution they themselves might make towards the objectives of the Kennedy Round.
In the initial stages of the negotiations developing countries indicated, in accordance with the agreed procedure, the products of particular export interest to them on which they wished to receive benefits in the negotiations and, in particular, tariff reductions of more than 50 per cent which has been accepted as the rate of linear reduction on non-agricultural goods by the industrialized participants. The latter have stated that they are prepared to consider the possibility of taking such steps as are open to them to make cuts deeper than 50 per cent in, or to eliminate completely, duties on products of special interest to developing countries. As would be normal in the course of the process of negotiation, the developing countries will have been looking at their original list of products with a view to establishing priorities.

The following industrialized participants have tabled the lists of products they propose to except from the linear reduction: the European Economic Community, Finland, Japan, United Kingdom, United States. The following participants have indicated that, subject to obtaining reciprocity from their developed negotiating partners, they are not tabling lists of exceptions: Austria, Denmark, Iceland, Norway, Sweden, Switzerland. Czechoslovakia has also tabled a linear offer, with additional provisions on the level of imports. Other developed countries, Australia, Canada and New Zealand for instance, have tabled offers on a product-by-product basis. Poland which participates in the work of the CONTRACTING PARTIES, has tabled an offer and is taking part in the negotiations. While a number of items of particular export interest to the developing countries are not included in the offers tabled, these offers are by far the most important that have ever been made in an international forum. Negotiations have since been carried on, in the main, bilaterally, or in small groups of countries when a more multilateral method of negotiation was found to be necessary. Developing participants now have to engage actively in negotiations on products in which they have an interest. The aim of all participants, including developing countries, has to be to secure the maintenance of the offers made and to work for their improvement.

The negotiations on industrial products are to cover non-tariff as well as tariff barriers to trade and it is open to developing countries to propose that specific non-tariff barriers be brought within the scope of the negotiations.

It is agreed that the agricultural negotiations are to provide for acceptable conditions of access to world markets for agricultural products, including tropical products, in furtherance of a significant development and expansion of world trade in such commodities. It is also agreed that the negotiations in this sector shall be conducted on the basis of specific proposals and concrete offers. A number of participants tabled their agricultural offers on 16 September 1965. Negotiations on those products cannot, however, be fully engaged until offers are tabled by all major participants.
Included in the offers tabled are important offers on tropical products, envisaging in some cases the complete abolition of duties. Some participants, however, have made their offers conditional on similar action being taken by other major importers. Others feel that there should be a joint approach. The offer of certain countries is conditioned by contractual obligations as regards entry into their markets. In recognition of the importance of this sector to the developing countries a Special Group is dealing with tropical products in the trade negotiations.

An acceptable result in the negotiations on agriculture is of great importance both to developing countries exporting temperate agricultural products and those exporting tropical products and to developing countries generally.

An aspect of the negotiations which can be carried on to a large extent independently is the negotiation between the developing countries themselves. All countries participating under the procedures for the developing countries have indicated that they are willing to study and negotiate measures designed to expand trade between them.

2. Action on trade barriers by the Committee on Trade and Development

The work being done by the bodies set up in connexion with the Kennedy Round must not, of course, be viewed in isolation. It should be seen against the background of the continuing GATT efforts to bring about the reduction of barriers to world trade. As regards the developing countries, the work done in the past by Committee III and the Action Committee, and now by the Committee on Trade and Development, is also of continuing importance.

Many contracting parties have expressed their intention of taking appropriate action in the current trade negotiations to enlarge access to their markets for the products of developing countries. The Committee on Trade and Development has noted this intention, particularly in the context of the review of the implementation of Part IV during the first year of its application, which the Committee carried out in March 1966 on the basis of reports submitted by governments in accordance with procedures adopted by the Committee. In its report to the CONTRACTING PARTIES the Committee noted that some progress had been made by a number of developed countries in reducing or removing some of the barriers affecting the exports of developing countries and that progress had been made by some countries in increasing significantly the level of imports from developing countries of such products as cocoa, tropical fruits, certain manufactures and semi-manufactures. The Committee felt however that the progress made appeared to have fallen short of the expectations raised by the commitments under Part IV. Moreover, while the standstill provisions as set out in Article XXXVII:1(b) and (c) had, on the whole been adhered to, there had been instances in which customs duties or other charges had been increased on certain items of export interest to developing countries.
At the March meeting the Committee also considered trade problems affecting products of interest to developing countries during its review of the implementation of the 1963 Ministerial Conclusions on tropical products. The Committee noted in its report that the Ministerial Conclusions of 1963 on tropical products had not been implemented in all cases. It expressed the hope that progress would be made in the course of the Kennedy Round both as regards tropical products and other items of interest to developing countries. The CONTRACTING PARTIES requested the Trade Negotiations Committee to take note of the views expressed by the Committee and also agreed that governments concerned should be reminded of the commitments they undertook in 1963.

As regards the work of the Working Group on international commodity trade established by the Committee, the Committee has, with respect to one particular commodity - cocoa - brought to the urgent attention of the body specifically concerned in the trade negotiations - the Special Group on Trade in Tropical Products - the need to explore the possibilities of speedy progress in the removal of barriers affecting trade and consumption in that commodity. In the case of cotton, the Committee has drawn the attention of the International Cotton Advisory Committee to the discussions in the Working Group relating to developments affecting international trade in cotton.

The Committee also noted at its March meeting that a number of quantitative restrictions covered by the Ministerial Conclusions of 1963 had not yet been eliminated. On the basis of the Committee's report the CONTRACTING PARTIES decided to invite the governments concerned to give immediate consideration to the elimination of these import restrictions and to report by June 1966 on compliance.

The Committee will consult with governments on problems of trade in tropical products in the light of the decisions taken by the CONTRACTING PARTIES as well as carrying out the appropriate follow-up action on the recommendations made by the CONTRACTING PARTIES in respect of quantitative restrictions.

3. Integration and preferential arrangements

The General Agreement permits, as an exception to the most-favoured-nation rule, the conclusion of agreements for the establishment of customs unions and free-trade areas provided that they meet certain specific criteria. During their twenty-third session the CONTRACTING PARTIES examined the agreement for the establishment of an Arab Common Market, and the Yaoundé Convention associating African and Malagasy States and Overseas Countries and Territories with the European Economic Community.
As usual at their sessions, the CONTRACTING PARTIES took note of information supplied by parties to integration arrangements already considered in GATT, i.e. in addition to the EEC and EFTA Agreements, those relating to the LAFTA, the Central American Common Market, and the Central African Economic and Customs Union.

In March 1965, the Committee on Trade and Development appointed a Working Group on Preferences to examine proposals for the establishment of preferences by industrialized countries in favour of developing countries. Prior to 1965, questions relating to the establishment of such preferences had been discussed in a GATT Working Party on Preferences which identified the principal technical and legal problems involved. In July 1965, the Committee reviewed the work done by its own sub-groups dealing with the subject but did not proceed immediately with further discussions.

A number of the questions raised have since come up for consideration in connexion with the Australian request in May 1965 for a waiver from the most-favoured-nation rule to allow it to introduce preferential rates of duty on imports of specified manufactured and semi-manufactured products exported by developing countries. After consideration by a working party, the CONTRACTING PARTIES in March 1966 decided by a substantial majority to grant the waiver. It contains safeguards against serious detriment to Australian industries and also against disruption of the trade of existing suppliers to the Australian market. Accordingly, imports from developing countries at the new preferential rates will be subject to tariff quotas. The waiver provides for notification by Australia of any intention to vary any details of the scheme and for consultation with interested contracting parties before the change is actually introduced. The CONTRACTING PARTIES will review annually the operation of the waiver.

The Committee on Trade and Development has further been examining the problems involved in the expansion of trade between developing countries, with particular reference to the rôle of preferences between them in promoting such trade. In its report to the CONTRACTING PARTIES the Committee has concluded that the establishment of preferences among developing countries, appropriately administered and subject to the necessary safeguards, can make an important contribution to the expansion of trade among these countries and to the attainment of the objectives of the General Agreement. The Committee noted, in particular, the rôle that these preferences could play in helping developing countries to find larger markets and achieve economies of scale. The Committee considered that the establishment of such preferences should most appropriately be the subject of negotiations between developing countries, in which due account should be taken of the different stages of economic development of the negotiating partners. The Committee agreed that before an attempt was made to draw up specific legal provisions or formulae for the exchange of preferences,
it would be helpful to see what concrete proposals or arrangements might, in practice, be made or negotiated by developing countries acting within the spirit of Part IV. Developing countries have stated that they propose to enter into exploratory talks in this regard at an early date. The Committee has recommended that arrangements be made for the examination of any such proposals when they are received. A group of developing countries have since proceeded to exchange views and to identify products with a view to starting negotiations in the near future.

In the CONTRACTING PARTIES' study and discussion of the question of preferences in recent years account has been taken of the discussions which have taken place in other bodies, particularly in the UNCTAD.

4. Adjustment assistance

An important subject taken up by the Committee on Trade and Development is the use by developed countries of governmental measures to assist industrial adjustment with a view to facilitating the expansion of imports from developing countries. The Committee has studied material submitted by governments of industrialized countries on measures applied, or proposed to be applied, by them in the field of adjustment assistance which have a bearing on possibilities for creating better trading opportunities for developing countries. In its report on this subject, which was endorsed by the CONTRACTING PARTIES at their twenty-third session, the Committee recorded its agreement that adjustment assistance could make some contribution to the solution of the problem of creating greater access for the exports of developing countries. The Committee noted that adjustment assistance could be used in particular to ease the problems of individual firms and groups of workers faced with difficulties through increases in the flow of exports from developing countries. It was agreed that contracting parties participating in various activities in GATT should be invited to consider to what extent adjustment assistance could be employed in dealing with the issues with which the various GATT bodies were concerned. Further, where it was thought that more detailed examination of the contribution which adjustment assistance could make to the solution of particular problems not taken up elsewhere could be helpful, the necessary arrangements for further work would be made. Provision has also been made for a review of detailed information to be submitted on a periodic basis by governments on application of adjustment assistance measures.

5. Trade in cotton textiles

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 resulted the Long-Term Arrangement Regarding International Trade in Cotton Textiles, in force for five years from
1 October 1962, and adhered to by twenty-nine countries. The objective of the Arrangement is to provide for growth in trade in cotton textiles, particularly for developing countries, while avoiding disruptive effects in this important sector of national economies of both developed and developing countries and to bring about the relaxation of existing restrictions in importing countries.

Through detailed annual reviews and consultations between the countries concerned over the past three years, attempts have been made to improve the administration of the Long-Term Arrangement; in some respects, these attempts have been successful. At the last review, however, the developing countries reiterated their concerns and apprehensions about the operation of the Arrangement.

A study\(^1\) prepared by the GATT secretariat for the 1965 review brings out the developments in production and international trade in cotton textiles since the Long-Term Arrangement was concluded. It shows, inter alia, that, notwithstanding existing restrictions, there was an increase in imports of cotton textiles into the industrialized countries from the developing countries although the rate of growth was lower than it had been during the 1950's. This study will also be background material for the Cotton Textiles Committee when, as provided for in the Long-Term Arrangement, it meets in September 1966 in order to consider whether the Arrangement should be extended, modified or discontinued at the expiry of its five-year term, i.e. 30 September 1967.

Cotton textiles also play an important rôle in the Kennedy Round of trade negotiations and there is, de facto, a link between the future of the Long-Term Arrangement and the process of trade liberalization.

**B. TRADE AND AID STUDIES**

Following a decision by Trade Ministers that the work of the GATT in the field of trade and development should be expanded in this way, and reflecting the relevant provision of Part IV, the GATT secretariat has completed two trade and aid studies surveying the export potential of Uganda and Nigeria and outlining the policy measures through which the two economies in question could achieve a diversification and expansion of their exports. The studies were discussed by a Group of Experts, delegated by governments and representatives of certain international organizations. The experts formulated a series of conclusions and recommendations which were endorsed by the Committee on Trade and Development and by the CONTRACTING PARTIES. In the case of both countries,

\(^1\) A Study on Cotton Textiles, General Agreement on Tariffs and Trade, Geneva, 1966.
The experts identified a number of industries which would be in a position to respond promptly to an increase in demand, and urged contracting parties to give consideration in their trade negotiations to the possibility of reducing or abolishing tariffs, as well as other charges and trade barriers affecting the products of these industries. The Group also examined the possibility of improving the internal and external marketing of the minor commercial crops in the agriculture of the two countries and recommended that international agencies, such as the GATT International Trade Centre, extend appropriate assistance, both for this purpose and in dealing with other export-marketing problems. The Group further discussed the technical assistance needs of Uganda and Nigeria in connexion with the development of manufacturing industries of the two countries. The CONTRACTING PARTIES have undertaken to support, by advice, assistance and active co-operation, the efforts of Uganda and Nigeria to develop and intensify their regional trade. The secretariat has informed other international organizations of the results of these studies and discussions in the hope that they will be able to take appropriate action with respect to those recommendations on matters which fall outside the competence of GATT. The secretariat has also been authorized to keep in touch with delegations with a view to following up any action taken on the recommendations by individual governments and to report the progress achieved in this respect.

C. TRADE PROMOTION

The primary objective of the GATT International Trade Centre established by the CONTRACTING PARTIES in May 1964 is to assist the developing countries in their efforts to expand their export trade. It is designed to provide information on export markets and marketing, and to help them both to develop their export promotion services and to train the personnel required for these services. The facilities offered by the Centre are available to all developing countries irrespective of whether they are members of GATT.

Fifty-four developing countries (of whom sixteen are not members of GATT) have already used the Centre's services. The Market Information Service has investigated markets for twenty-four of these countries, thirty-seven have used the Centre's Publications Service; and thirty are using its training facilities.

The Centre has built up a liaison network in both developed and developing countries that embraces government agencies, trade associations, chambers of commerce and major companies engaged in the infra-structural foreign trade services. It has also established liaison arrangements with practically all intergovernmental and international bodies, concerned with international trade. The Centre either uses this network to collect the information needed, or the staff undertakes market surveys on its own with the collaboration of its liaison agencies.
The Centre operates a Market Information Service to handle enquiries by
developing countries, covering such facets of trade as market potential in
importing countries, commercial policy measures affecting trade, marketing
channels and techniques, price ranges, names of importers, etc.

In so far as these enquiries confirmed that certain products are of
importance for the present or potential export trade of many developing countries,
the Centre has undertaken more extensive market surveys on such items, which
cover primary commodities as well as processed goods. During 1965 studies were
completed on citrus juices, and plywood and veneer. Other products, including
oilcakes, canned shrimps, and leecher have been selected for similar studies
in 1966.

The Centre's main regular trade promotion publications are the
International Trade FORUM and its Supplement, appearing eight times a year in
separate English, French and Spanish editions.

Pamphlets have already been published on matters of particular utility to
developing countries in their export efforts. The following additional pamphlets
are under preparation: lists of trading organizations in countries with centrally-
planned economics; methodology of market research for developing countries; the
organization of trade commissioner services; a bibliography of sources of
commodity trends and prices, and export-import statistics with particular
reference to developing countries.

The Centre, in collaboration with governments of developed countries, has
arranged for the participation in training courses which they organize of trade
officials from developing countries. Arrangements have so far been made for
thirty-four officials from developing countries to attend courses arranged by
Belgium, Ireland, Italy, the Netherlands, New Zealand, and the United Kingdom.
As other governments, including France, Japan, and the Federal Republic of
Germany, have made offers to make available additional training facilities, it
is expected that in 1966 the number of trainees will be more than doubled.
Under the joint aegis of the Organization of American States and the GATT Centre
a group of ten Latin American officials is currently finishing a four-month tour
of Scandinavia, Belgium, Switzerland and Israel, as guests of these countries.

In May 1966 the Centre began a new Trade Promotion Advisory Service designed
to give advice to developing countries on the organization of trade promotion
services and on marketing arrangements conducive to maximizing exports. A Centre
mission has already visited Zambia at the request of the United Nations Develop-
ment Programme; another is under negotiation for Uganda with the co-operation
of the Australian Government; and a third for Brazil with the participation of
an Austrian expert.
D. Training

So far, some 170 officials have participated in the twice-yearly courses on foreign trade and commercial policy - each of about five and a half months duration - organized in Geneva by the GATT secretariat since 1956 for officials holding fellowships granted by the United Nations technical assistance authorities. The twenty-first course, which began in January 1966, welcomed participants from over twenty developing countries. These courses are arranged primarily to assist the participants to acquire in the shortest possible time essential knowledge and information needed for the carrying out of policy-making work in international trade and for the conduct of intergovernmental trade relations.

Further, since 1962, GATT has organized in Africa, in co-operation with the United Nations Economic Commission for Africa, and with the financial assistance of the United Nations technical assistance, short introductory courses in foreign trade and commercial policy. The eight courses so far arranged have been held at Dakar, Dar-es-Salaam, Kampala, Abidjan, Nairobi, Yaoundé-Douala, Lomé and Addis Ababa, and have been attended by about 130 officials from member countries of the Commission. The basic feature of these courses is to combine lectures and discussions of the various aspects of commercial policy, as applied to developing countries, with study and discussion of the practical trade problems existing in the countries where the courses are held.