GROUP OF THREE

Third Report

I. Introduction

1. At their twenty-eighth session the CONTRACTING PARTIES agreed that the Group of Three should continue to seek ways of securing the implementation of the recommendations made by its predecessors and follow up any matters brought to its attention by any developing country, with a view to seeking a solution. Several delegations considered that the Group could perform a useful advisory role in relation to the trade interests of developing countries in the context of the forthcoming trade negotiations.

2. For the purpose of acquainting itself in greater detail with the trade problems of developing countries the Group carried out informal consultations with a number of delegations of these countries. The Group continued the earlier practice of consulting with developed countries and in this connexion addressed itself to the recommendations contained in the two reports presented in 1971 and 1972, with a view to exploring problems connected with the implementation of the general and specific recommendations made in these reports. The consultations held with both developed and developing countries also provided an opportunity for an exchange of views of certain aspects of the participation of developing countries in the negotiations. In the concluding paragraphs of this report the Group has attempted to put forward a few suggestions on certain types of action that might be envisaged and the possible contribution the Group itself might make towards facilitating the active participation of developing countries in the negotiations.

3. The Group wishes to place on record its appreciation for the positive and co-operative spirit shown by all delegations in the consultations and for the information supplied and the many helpful suggestions put forward by them. The Group also wishes to record its thanks to the secretariat for the useful services and assistance extended to the Group.

4. In submitting this Third Report to the Committee on Trade and Development and the CONTRACTING PARTIES, the Group expresses the hope that the results of the consultations and the points and recommendations made might be of some assistance in the final stage of the work of the Preparatory Committee for the Trade Negotiations which is about to begin.
II. Background

5. The Group noted certain recent developments in the trade position of developing countries. Advance data provided by the GATT secretariat in the context of its preparation of the next annual report "International Trade 1972" indicate that, according to preliminary estimates, the dollar value of exports of developing countries, taken together, increased by about 18 per cent in 1972 and their imports rose by a little more than 13 per cent. The rise in exports lagged slightly behind that of developed countries, whereas that in imports was distinctly lower. For both exports and imports a substantial proportion of the increase reflected higher prices, partly resulting from the parity changes of currencies. No reliable estimate is available as yet for the increase in export prices of developing countries but the rise in import prices can be tentatively put at 8-9 per cent, implying a very modest volume growth in imports of these countries.

6. Though their overall export value increased in 1972, it is obvious that individual developing countries shared very unevenly in this expansion. In certain countries in the Middle East and Asia exports rose rapidly reflecting expanded sales of petroleum and manufactured goods. A number of countries witnessed however a stagnation or even a decline in their export earnings. The value of exports of the Latin American region also increased substantially following a near stagnation in 1971. This development corresponded to better prices for various primary products together with a further advance in exports of manufactures. Nevertheless, some countries lagged behind and had little or no increase in export earnings. Available data on trade in Africa during 1972 are still incomplete but there are indications of a marked increase in export growth for the region as a whole after the stagnation in the preceding year.

III. Follow-up Action on Earlier Recommendations

7. Under its initial mandate, agreed upon by the Committee on Trade and Development at its meeting in January 1971, the Group was requested "to present for consideration by the Committee and by CONTRACTING PARTIES proposals in regard to the concrete action that might be taken to deal with the trade problems of developing countries having regard to the provisions of GATT and the relevant conclusions of the CONTRACTING PARTIES". In the first series of consultations, held in the spring of 1971, the Group concentrated its examination on possibilities for: (i) eliminating or reducing remaining quantitative restrictions on products of export interest to developing countries, (ii) eliminating in respect of such products other non-tariff barriers, (iii) action to improve trade in tropical products, and (iv) resolving the problem of tariff escalation, in particular as regards tropical products and vegetable oils. The Group also paid close attention to developments regarding implementation of the Generalized System of Preferences and other matters affecting the trade of developing countries. The Group's findings and recommendations are set out in its First Report, L/3610.

8. Progress in the implementation of the recommendations made in the First Report was reviewed by CONTRACTING PARTIES at their twenty-seventh session. It was agreed that the Group should be retained in order to ensure follow-up action
on its recommendations. In addition, the Group was asked by CONTRACTING PARTIES
to give consideration as to how the implementation of Part IV of the General
Agreement might be facilitated. The Group's mandate was subsequently further
extended by the Committee on Trade and Development to include the exploration of
possibilities for resolving problems faced by developing countries in regard to
trade in oilseeds and vegetable oils and to examining how the work of the Group
on Residual Restrictions could be given a new orientation. The Group's findings
and recommendations in regard to these matters are reflected in its Second
Report, L/3710. The report also contains some suggestions for the promotion of
imports of "specialty products" from developing countries and on assistance that
could be provided to these countries in respect of sanitary regulations and related
measures.

9. Acting on a proposal made by the Group in its second report, the implementa-
tion of the Group's recommendations was one of the subjects taken up by the
Committee on Trade and Development in its annual review of the implementation
of Part IV of the General Agreement, held in October 1972. Information supplied
by developed contracting parties in connexion with the review on follow-up
action on the recommendations of the Group of Three is contained in COM.TD/W/170
and Addenda and on pages 2 and 3 of the Committee's report, document L/3760.

10. In pursuance of the mandate given to the Group at the twenty-eighth session,
developed countries were invited to report action taken since submitting their
notifications on implementation. Developing countries were invited to notify any
specific problems they would wish the Group to take up with developed countries.
Notifications were received from most of the developed as well as from a number
of developing countries. Further details on recent follow-up action were provided
by delegations concerned in the course of the consultations. The following
paragraphs summarize action since the second series of consultations was held in
the spring of 1972. Additional details of follow-up action taken in response to
earlier recommendations and certain comments by the Group are given in the
annexed country notes.

Import restrictions

11. The Group noted with satisfaction that in all of the countries concerned
further progress had been made in reducing the number of restrictions applicable
to imports from developing countries or in enlarging access for various restricted
products. Countries that reduced the number of items subject to controls and also
enlarged access under quota restrictions include Denmark, Federal Republic of
Germany, France, Japan, Australia, Sweden and the United States. Austria, which
retains restrictions or equivalent measures on a number of agricultural and a few
industrial products, relaxed some of the restrictions. Italy reported the
enlargement of its banana quota. The country continues however to differentiate
its import treatment for different developing country suppliers in respect of a
few products.
12. Discriminatory country listings continue to be used in France and in the Federal Republic of Germany. The Federal Republic has, however, eliminated discriminatory restrictions for agricultural imports, the remaining discrimination affecting certain textiles as well as certain ceramic goods. The so-called dollar area quotas applied by the United Kingdom on certain products have recently been examined by a GATT panel.

13. Disappointment was expressed in the consultations by developing countries that a number of developed countries continue to apply restrictions on a considerable number of products of special export interest to them. Particular concern was expressed about continuing discrimination by some developed countries against imports from certain developing countries. Developing countries stressed that the opening of the multilateral trade negotiations in the near future was not, and should not be considered, a reason for retaining quantitative restrictions on products of export interest to developing countries, particularly any restrictions that are inconsistent with the GATT.

14. The Group noted that, although in most of the developed countries, as a result of progressive liberalization over the years, quantitative import restrictions had largely disappeared or been reduced to a few residual hard core items, some developed countries continue to apply restrictions on a fairly extensive list of products of export interest to developing countries. As noted in the annexed country notes, the Group has urged the countries concerned to intensify their efforts for eliminating these remaining restrictions. The Group wishes to reiterate the request made by its predecessors that remaining discriminatory country listings which affect the trade of developing countries be eliminated forthwith.

15. The Group has noted with some concern a tendency towards increasing recourse by developed countries to export restraints, or to the invocation of safeguard and escape clause provisions in respect of certain categories of products, notably textiles, exported by the developing countries.

Other non-tariff measures

16. In its previous report the Group had noted the difficulties experienced by a number of developing countries with regard to certain health and sanitary regulations applied in developed countries. The Group noted with satisfaction that one of the problems notified in respect of regulations in Japan for citrus fruit had been resolved bilaterally. Action had also been taken on the recommendation addressed to the United States to provide assistance to developing countries, if required, for overcoming certain technical difficulties with respect to the fulfilment of health and sanitary regulations. The United States has sent technical assistance missions for dealing with problems in this sector to five developing countries. Progress in this regard has also been reported by Switzerland, thereby enabling a country in Africa to supply the product concerned to the Swiss market.
17. The Group has taken note of the explanations given by some of the developed countries that monopolies in their respective countries for tobacco and, in some instances, wines and spirits or for salt, grains and rice follow in their purchasing policies purely commercial considerations. On the other hand, the desirability of diversifying their sources of supply to include to an increasing degree developing countries has been brought to the notice of the monopolies. While appreciating the efforts already made by developed countries in response to the recommendations on this subject contained in the preceding reports, the Group considers that further scope remains for increasing the share of developing countries in overall imports effected by such monopolies. It would be useful if in their reports on the implementation of Part IV, or alternatively in the notifications on State trading, developed countries could give an indication of the evolution - perhaps over a three or five-year period - of the share of developing countries in imports by, or on behalf of, the monopolies and also in overall consumption.

Generalized System of Preferences and other tariff matters

18. The Group has noted with satisfaction that most donor countries had made progress in improving their Generalized System of Preferences schemes or were in the process of revising their schemes with a view to effecting such improvements. In the EEC's GSP scheme the product coverage has been enlarged and quotas and ceilings increased. Preparations are under way in the EEC for further improvements in the common preference system that will come into effect on 1 January 1974 for the enlarged Community. In the meantime, Denmark's GSP scheme has been improved by streamlining its administration and by enlarging the list of beneficiaries. Ireland has also added to the list of beneficiaries. Progress in enlarging the product coverage and the number of beneficiaries, accompanied by other improvements - deeper cuts, higher ceilings and a relaxation of the safeguard mechanisms - was made by Japan. Sweden has extended the product coverage to certain additional items in BTN Chapters 1 to 24; Finland has enlarged the product coverage and has streamlined the administration of its scheme. Norway's scheme is presently being revised so as to include additional products in BTN Chapters 1 to 24; the list of beneficiary countries will also be enlarged. The Austrian scheme is likewise under review; legal procedures envisaging more favourable import treatment for a number of tropical products are currently being worked out. Switzerland is preparing for the implementation of the second phase of its scheme. Australia has considerably enlarged the product coverage of its preferences for 1973; administrative procedures are being streamlined and relaxed. Moreover, preparations are under way which should have the effect of bringing the scheme more closely into line with the Generalized System of Preferences generally. In Canada, the scheme has recently obtained Parliamentary approval but it remains to be implemented. The United States scheme has been included in the proposed "1973 Trade Reform Act" submitted to Congress.

19. Developing countries, while appreciating the improvements made by some of the preference donor countries in their respective Generalized System of Preferences schemes and the indications given by other donor countries of certain improvements
intended to be made, noted, however, that in most cases the increase in product coverage was limited to a few items. Further, notwithstanding some increases in quota limits, the very existence of ceilings, and the thereby necessitated fragmentation of preference entitlement as between supplying countries resulted in significant limitations of the possible benefits that can be derived from these schemes. Another unresolved problem was that donor countries were not granting cumulative origin entitlement to products incorporating imports from other developing countries. Finally, it is a matter of disappointment to developing countries that the United States and Canadian GSP schemes have not yet come into force.

20. Developing countries have also expressed apprehension, which the Group shares, about the erosion of preferences in the Generalized System of Preferences schemes of a number of donor countries as a result of the enlargement of the EEC and the implementation of the free-trade agreements in industrial products between the EEC and a number of European countries. Concern was also voiced about a further erosion of the benefits under the Generalized System of Preferences that might result from the multilateral trade negotiations.

21. In regard to other action in the tariff field, the Group noted that Canada had temporarily reduced duties last February, concerning about $1.3 billion worth of imports in 1972, including various products of particular interest to developing countries. These cuts are valid for one year, but might perhaps be consolidated in the trade negotiations. Japan has put into effect a linear cut of 20 per cent for a large number of tariff positions, including many of interest to developing countries, such as vegetables, prepared and preserved fish, instant coffee, instant tea, groundnut oil, wine, crude alcohol and textiles. In the United States, import duties remain suspended on manganese ore, bauxite, alumina and on certain yarns of non-continuous fibres. The United States Congress has been asked to restore, retroactively, duty suspensions which expired in 1972 on istle, certain tanning materials, copper ores and various unwrought copper items.

Specialty items exported by developing countries

22. The Group noted that a number of developing countries had followed up the preceding Group's suggestions that facilities might be provided in respect of developing country's "specialty products". Representations made by developing countries to developed countries in regard to the provision of improved conditions of access for such products had, in a number of cases, led to the inclusion of specialty products in the preference scheme, or had qualified such products for duty exemption or reduced duty rates under special provisions for imports of hand-made products. The Group is of the opinion that further scope exists for giving special accommodation to developing country "specialty products" and invites developing and developed countries to explore further possibilities in this sector.
Tropical products

23. As regards tropical products, the Group noted that the International Cocoa Agreement of 1972 had been accepted by the number of signatory countries required to bring it into force. The Group also took note that, as a result of certain measures in the fiscal sector or changes in tax structure, chocolate and confectionery items now benefited from reduced internal taxes in France and were exempted from federal sales tax in Canada and the value-added tax in the United Kingdom. Moreover, it has been confirmed that the Canadian GSP scheme would include cocoa products. In Australia, prime age duty on chocolate has been eliminated and the same applies to ground pepper and mustard flour. Australia also indicated that imports of coffee were benefiting from zero duty on the condition that customs by-laws are met. In Austria, the suspension of the import equalization tax on coffee and tea has remained in force. The same applies to France in regard to the selective tax on coffee. Japan has reduced the higher of the two different seasonal duty rates on bananas from 60 to 55 per cent and will further reduce that rate to 50 per cent in 1974. Developing countries, while appreciative of this move, feel that even at the reduced rates the duty incidence on bananas will remain exceptionally high. They have asked the Japanese authorities to give early consideration to more significant reductions.

Temperate zone agricultural products

24. In its previous reports the Group had noted the desirability of at least limited action in favour of developing countries in respect of trade in agricultural products, pending more general action on problems in this sector in the multilateral trade negotiations. Reference had been made in this context to the Agreement between Argentina and the EEC. The Group noted that recently a similar Agreement has been concluded between the EEC and Uruguay. Negotiations with a view to concluding such agreements are under way between other developing countries and the EEC. A suggestion was made during the consultations that problems arising from seasonally higher duty rates on fruits and vegetables might also be alleviated through appropriate undertakings or agreements.

Technical assistance and other matters

25. In its second report the Group had emphasized the importance it attaches to technical assistance being provided to the developing countries in respect of export promotion and marketing and to active import promotion measures by developed countries in favour of developing countries. The Group noted with satisfaction the indications given by many of the developed countries in their reports on the implementation of Part IV and of follow-up action on the Group’s recommendations in regard to technical assistance provided to developing countries either bilaterally or through such bodies as the UNCTAD/GATT International Trade Centre. The Group also noted the measures taken by a number of countries for actively promoting imports from developing countries.
26. The Group wishes to express its appreciation of the positive response of several countries, for instance Norway, Italy and Switzerland — which latter country has also introduced proposals for legislation on co-operation with developing countries — to the Group's recommendation for the establishment of special procedures or machinery for continuous review of developments of relevance to the implementation of, and compliance with, Part IV of the General Agreement.

27. As regards some of the more general observations set out in its Second Report the Group has noted with satisfaction that Denmark has eliminated its import surcharge — in accordance with the time schedule (imports from developing countries of items covered by the GSP scheme had already been exempted) by 1 April 1973. Further, the Group welcomes the establishment by the International Monetary Fund of the "Group of Twenty", and hopes that the Group, which includes nine developing countries, will contribute to ensuring that the special needs of the developing countries will be fully taken into account in the establishment of a new monetary order just as the forthcoming multilateral trade negotiations should provide the conditions for enabling developing countries to obtain a larger and fairer share in international trade.

28. In regard to the studies it had proposed, the Group welcomes the progress made by the secretariat in preparing a series of individual country studies to help these countries to determine more precisely their specific interests in the trade negotiations. More than thirty developing countries have so far availed themselves of the opportunity to obtain for items of major export interest to them comprehensive documentation, down to tariff-line level detail, on trade flows and tariffs and non-tariff barriers in the markets of developed countries. Studies of this kind for other developing countries are in progress.

29. In its last report the Group had recommended that developing countries be given such technical assistance as may be required in connexion with the examination in the GATT of the Treaty Relating to the Enlargement of the European Economic Community. Several developing countries have availed themselves of such assistance by the secretariat.

IV. Consultations with Developing Countries

30. In accordance with its mandate, the Group arranged for informal consultations with developing countries, with the aim of: (i) acquainting itself with the trade problems which developing countries would wish to be taken into account in the context of the multilateral trade negotiations, (ii) examining any specific suggestions with respect to methods or procedures which would make for more effective participation of developing countries in the trade negotiations and (iii) securing information on any specific trade barriers, particularly in the non-tariff field, not so far notified or taken up by the Group, which affect the export trade of developing countries. When extending its invitation for informal consultations the Group also pointed out that it was not expressing an opinion regarding the status of any country for the purpose of its classification as a developing country or for any other purpose.
31. Responding to the invitation addressed by the Group to GATT and non-GATT developing countries, thirteen countries\(^1\) participated in the informal consultations held in March - May 1973. Certain other developing countries that were not in a position to participate made written submissions to the Group, outlining the points and problems they wished to be taken up in the consultation with developed countries.

32. Both the general and specific points raised by developing countries, whether in the consultations or the written submissions, were brought to the attention of the developed country or countries concerned. Points made by developing countries relating specifically to the implementation of the recommendations made by the Group in its first and second reports are reflected in Section III above.

33. The following summary of points of more general relevance in the context of the forthcoming trade negotiations reflects the views of developing countries as put forward in the course of the consultations and the Group's appreciation of these points. The Group took into account also the points raised in the various discussions that had taken place over the past year on this subject. The points and any suggestions regarding action which might be envisaged are without prejudice to the negotiating position which developing or developed countries, individually or jointly, may wish to adopt or any proposals for negotiation they may wish to make.

34. From the indications given to the Group it would appear that the developing countries, while appreciative of the background material and studies already supplied to them, continue to be in need of technical assistance from the secretariat. This assistance is needed not only in the form of data on trade, tariffs, and non-tariff measures, but, in view of the wide compass of the forthcoming negotiations, also by way of analysis of different negotiating possibilities as well as possible implications for the trade and development prospects of developing countries of any specific provisions, agreed understandings or codes of conduct that may result from the negotiations as solutions in respect of non-tariff barriers. Problem areas specifically mentioned by developing countries in this context include administrative formalities, licensing, standards, labelling and packaging requirements, health and sanitary regulations, customs valuation and subsidies.

35. As regards tariffs, the attention of the Group was drawn to high duty rates which continue to affect many items of major export interest to developing countries including in some instances certain tropical products, various processed agricultural products and certain manufactured items in which a number of developing countries have significant export potential. To resolve this problem developing countries urged that the Generalized System of Preferences be extended to cover also the classes of goods included in Chapters 1 to 24 of BTN and those

\(^1\)Ecuador, Ethiopia, Ghana, Indonesia, Israel, Korea, Malaysia, Mexico, Philippines, Romania, Spain, Thailand and Yugoslavia.
in the remaining BTN chapters that are presently excluded from certain preference schemes. The comments made in Section III above, as regards the desirability of further improvements in the respective preferential schemes and early implementation of the Generalized System of Preferences by those countries that have not so far put these preferences into force are, of course, directly relevant.

36. The Group fully supports the requests by the developing countries for further improvements in the Generalized System of Preferences. The Group is, however, also aware that for many items the longer-term interest of the developing countries might be to obtain a zero duty rate binding, particularly if the inherent limitations of the present GSP schemes - in some cases duty reduction rather than elimination, existence of quotas or ceilings and limits on individual countries' share in preferential imports and incomplete product coverage - are not eliminated.

37. Tariff escalation remains a problem which is of particular concern to developing countries in that it acts as a hindrance to a more rational division of labour between developing and developed countries by hampering the development and expansion of developing country exports of processed and manufactured items produced from domestic raw materials. Developing countries rightly consider this to be an important problem which should be dealt with in the trade negotiations. The Group feels that consideration should be given to evolving a special formula or plan and time-table for eliminating tariff escalation, at least for those products in which developing countries have manifested export interests.

38. The general question of export restraints is included in the examination of import restrictions being carried out by Group 4 of the Committee on Trade in Industrial Products. The Group has noted with interest a suggestion by developing countries that wherever protection to the domestic producers is made effective by means of an import quota or export restraint, goods from the exporting country or countries affected should be exempted from payment of duty so that exporters can benefit from increased price margins for their goods.

39. The Group has noted the concern expressed by many developing countries about the effect of levies, and in particular variable levies, on items of export interest to them, for instance, on various prepared and preserved foodstuffs. While recognizing that such levies are generally only the concomitant of other measures affecting production and trade which may also be the subject of negotiation, developing countries have expressed the hope that in cases where it might not be possible to achieve complete elimination of such levies, the variable element of protection should be reduced to the minimum. Developing countries would also wish to obtain a preference in the application of the remaining levies.

40. Consulting countries considered it an anomaly that such tropical products as coffee, cocoa, (black) tea, and bananas and products thereof are among the few items which some developed countries have singled out for selective taxes. They have pointed out that the incidence of these fiscal charges is sometimes several times higher than the import duty and have suggested that if the countries
concerned feel that for budgetary reasons they could not eliminate these taxes immediately, progressive elimination or suspension, to be consolidated in due course, should be envisaged.

41. As regards trade in tropical products and in agricultural commodities of export interest to developing countries, these countries expect to obtain, as a result of the negotiations, improved conditions of access and a growing share of developed country markets for these products as well as remunerative and stable prices for these and for primary commodities generally. A number of developing countries indicated that these objectives could be pursued through commodity agreements covering not only elements relating to production, marketing and prices, but also to access. A proposal was made by one of the consulting countries that developed countries should give consideration to the suspension or elimination, with effect from 1 January 1974, of any remaining tariff and non-tariff barriers on the first fifteen or twenty tropical products (in terms of their importance in exports of developing countries) and that such measure, if accepted, be announced at the forthcoming Ministerial Meeting in Tokyo.

42. While aware that the negotiations shall cover both industrial and agricultural products, including tropical products, developing countries suggested that a mechanism be established for ensuring that all of the products of particular export interest to developing countries would, in fact, be covered in the negotiations and not be included in exception lists, in case such lists would be drawn up. Items specifically notified to the Group in this context include: tropical products generally and items processed therefrom; citrus fruit and citrus juices; fruit and vegetable juices; prepared and preserved fruits and vegetables; vegetable oilseeds and oils, oilcakes; feeding grains; maize; rice; meat; fish and crustaceans, chilled, frozen or otherwise preserved; wines and spirits; tobacco and tobacco manufactures; timber and timber products; furniture; various metals; rubber; hard fibres; jute manufactures; cotton and other textile items and footwear. The listing, as put forward, is for illustrative purposes and subject to enlargement and/or refinement in the light of notifications which the developing countries may wish to make.

43. In order to secure, in accordance with the objectives of the negotiations, the additional benefits for their trade, developing countries have asked for special or preferential treatment in the negotiations both as regards action in the tariff field and in regard to non-tariff barriers. As regards tariffs, it would appear to the Group that the effects of any erosion of their GSP benefits might be partly offset through the early improvement and enlargement of the Generalized System of Preferences itself. For any items not covered by the system of preferences, or where a newly negotiated concession might provide for deeper tariff cuts than the GSP rate, advance implementation of concessions in favour of developing countries could be considered.

44. In regard to the solutions to be found to problems in the field of non-tariff barriers generally, the consultations held by the Group indicate that the developing countries expect measures affecting products of particular export interest to them to be given priority consideration and, thereafter, benefit from advance implementation. It would also appear that in the
negotiation of any understandings, agreed guidelines or codes of conduct full account should be taken of their special situation as regards their trade, development and financial needs. For instance, where necessary, "special interim agreements" for developing countries could be envisaged. In cases where an agreement or code establishes time-limits for the adoption of certain measures and obligations which it might be difficult for developing countries to meet, the time-schedule applicable to them should be relaxed. In other cases provision may have to be made in a given code or agreement for explicit recognition of the special situation of developing countries. For instance, it might be desirable to recognize that in specified instances developing countries might be entitled to use certain subsidies or other export promotion measures so as to permit them to diversify their exports and gain a foothold in developed countries' markets which might otherwise not be possible.

45. In the field of health and sanitary regulations the special consideration to be given to the developing countries might include the re-examination of existing as well as evolving regulations with a view to ensuring that they are not more stringent than necessary wherever such stringency creates, or is likely to create, problems for the developing countries. In cases where a relaxation of rules and regulations which cause problems for exporting developing countries proves not possible, provision might be made for technical assistance to the developing country or countries concerned. Due account should be taken in this, as well as in other matters, of the special needs of the least developed countries for such technical assistance. Consideration might also be given to establishing some machinery within the GATT for keeping under review health and sanitary regulations and also having the task to examine the action that might be taken for solving any particular problems in this sector notified to the secretariat.

46. As regards safeguard measures, developing countries have emphasized their special vulnerability to quotas or surcharges imposed on their exports or to suddenly inflicted export restraints. This vulnerability stems not only from their need to maintain the flow of foreign exchange earnings, but is also the result of the late entry of most of their export industries into the international market which is one of the reasons for their lack of alternative outlets, accompanied by a lack of sufficient means to build up other markets quickly. Given the state of development and structure of their industries, possibilities are also generally lacking for an adequate redeployment of labour. Developing countries have urged that their special problems be fully taken into account in any safeguard mechanism that might be evolved and that special accommodation for these problems should be envisaged. For instance, it has been suggested that a higher triggering level might be provided where developing country imports are concerned; where the safeguard measure provides for specified growth rates, growth rates for the developing country should be set higher; the period during which such measures would apply should be shortened if far as imports from developing countries are concerned, and, where alternative safeguard measures are possible, the measure which hampers developing country exports least should be adopted.
47. It was also stressed in the course of the consultations that adequate provision for adjustment assistance measures would make a useful contribution to the objective of a new and more efficient international division of labour. It seems evident to the Group that one of the ways to avoid frequent recourse to safeguard measures or the perpetuation of other barriers to trade would consist in adequate provision being made by the importing countries for measures which facilitate structural adjustments in the industries or sectors affected by increasing competition from imports.

48. In the consultations delegations of several developing countries indicated that they might wish to negotiate jointly, for instance in respect of a product or group of products of common interest to them. They would expect that such joint interest would be duly taken into account by their negotiating partners. Developing countries attach great importance to being able to participate fully in the negotiations affecting products of particular export interest to them, even if – perhaps on account of the size of the market of their negotiating partner, for instance the enlarged EEC, the United States or Japan, and the fact that the developing country concerned may be small or may have only recently started to export – the share of their country in overall imports of these products may not place it in the front rank of supplying countries.

49. Referring to the negotiating rules and procedures which will have to be drawn up, developing countries asked contracting parties to consider whether it might not also be desirable to establish some practical guidelines for developed and developing countries to bear in mind in interpreting and applying the provisions of Article XXXVI:8 relating to the question of non-reciprocity. Some developing countries felt that the availability of such guidelines might be an element which could facilitate a decision regarding their participation in the negotiations.

50. A number of consulting developing countries drew the attention of the Group to certain other problems they were encountering in their efforts to expand trade and accelerate economic development. Among the problems cited were difficulties they had in obtaining finance so as to enable them to provide export credits which would permit their export industries to compete on equal terms in the international market, certain restrictive clauses in regard to items manufactured under foreign licence, the level and structure of Liner Conference rates, insufficient information on the trading opportunities overseas and the requirements of that trade, for instance in regard to design, labelling, packaging, and marketing know-how generally. It was stressed that, unless sufficient assistance is forthcoming and conditions are created which will permit developing countries to overcome these problems, it might be difficult for these countries to benefit fully from the concessions that are expected to result from the negotiations. These countries felt, therefore, that without overburdening the agenda for the forthcoming trade negotiations, consideration be given to the establishment of some mechanism which would ensure that progress is also made in respect of supporting measures in these fields.
51. As far as non-GATT countries are concerned, five of which participated in the consultations, the Group noted with satisfaction that these countries also had availed themselves of the technical assistance facilities provided by the secretariat. Interest was expressed by some of them in participating not only in the work of the GATT committees and bodies directly involved in the preparations for the negotiations but also in the work of the other decision-making bodies of the GATT, notably the Council, in view of the interrelationship of many of the matters dealt with in these bodies with the trade negotiations.

52. Consulting non-GATT countries, while appreciating the welcome extended to them by CONTRACTING PARTIES as regards their participation in the negotiations, noted that they had not yet pronounced themselves as to the nature and form of the obligations that non-contracting parties would be expected to assume if they are to share fully in the benefits envisaged to result from the negotiations. Although active consideration was being given by them to the possibility of eventually acceding to the GATT, particularly if the results of the negotiations are satisfactory to them, they would wish to retain for the time being other options as well. It was, for instance, suggested that non-contracting parties might be permitted to share in the benefits of the negotiations with certain contractual rights, but without actually acceding to the GATT, by subscribing to a Protocol, or a series of Protocols, defining the rights and obligations of the signatory countries as in the Protocol Relating to Trade Negotiations among Developing Countries. It was also suggested that where their interest was limited to participating only in a given negotiated agreement it might perhaps be sufficient to subscribe only to that agreement.

V. Consultations with Developed Countries

53. As in the two previous years, the Group held informal consultations with delegations of fifteen of the developed countries and also with the Commission of the EEC. The consultations generally covered three major areas: (i) implementation of any specific recommendations addressed to the different countries in the previous reports of the Group (L/3610 and L/3710), situation in regard to the general recommendations contained in these reports and any action of relevance to the implementation of Part IV since the last review carried out by the Committee on Trade and Development in the autumn of 1972. Action taken by the different countries concerned is referred to in section III above and, as appropriate, in the annexed country notes; (ii) specific points raised by the developing countries in the consultations or notified by them to the Group in writing with respect to the treatment of individual products or individual measures, and (iii) problems of developing countries in the trade negotiations. The points made under the first two headings were discussed with the developed countries concerned with a view to exploring possible lines of action that might be followed, for instance

1Australia, Austria, Canada, EEC - Belgium/Luxembourg, Denmark, France, Federal Republic of Germany, Italy, Netherlands, United Kingdom - Japan, Norway, Sweden, Switzerland and the United States.
through direct bilateral contacts between the countries concerned. In discussions under the third heading the Group had an exchange of views with the different delegations as to how the preparatory work for the negotiations could be oriented so as to take fully into account the interests of developing countries including such specific interests as are noted in section IV above.

54. In conducting the consultations under point (iii), the Group was aware that in most matters governments had not yet finalized their negotiating positions so that comments by delegations would, by necessity, be preliminary and without commitment. Moreover, the views presented should not be regarded as prejudging any position that governments might wish to take on issues relating to the participation of developing countries in the negotiations. In fact, as will be apparent from the following notes, some of the specific questions or suggestions, particularly those raised for the first time in the consultations, have only been the subject of very preliminary comments or have not been commented on at all by delegations of developed countries since it was felt that they required further study in capitals. It may also be noted that views attributed to the developed countries generally may perhaps not always reflect all the nuances of the comments made by individual developed countries. Nevertheless, it is the Group's hope that the informal exchange of views would be of some assistance to the developed as well as the developing countries in their preparations for the negotiations.

55. The Group would also wish to place on record its appreciation of the frank and forthcoming manner in which all of the consulting delegations responded to the many and often difficult questions. The Group was, in particular, impressed with the open-mindedness with which delegations approached the various suggestions put forward by and on behalf of the developing countries, without ruling out a priori any of the proposals made. The Group feels that this readiness to take a flexible approach which was apparent throughout the consultations with both the developing and developed countries augur well for success in dealing with the many issues that will need to be resolved both in the preparatory and subsequent stages of the negotiations.

56. Delegations of developed countries in general expressed understanding of the developing countries' desire to enter the negotiations with some assurance that their special situation will be recognized and taken into account and that additional benefits would accrue to them from the negotiations. They felt that the readiness of contracting parties to give special consideration to developing countries' problems was affirmed not only in the summing-up by the Chairman at the twenty-eighth session of the CONTRACTING PARTIES but also by their acceptance of Part IV of the General Agreement. They noted that Part IV had been drafted in a forward-looking manner and that it contained not only general provisions for more favourable treatment of developing countries but also legal cover and
certain guidelines for action on some of the specific points and suggestions made by developing countries and noted in the preceding section of this report.

57. Developed countries took note of the suggestions made that there might be merit in establishing prior to the opening of actual negotiations more precise guidelines for the interpretation and application of Article XXXVI:8. It was widely felt, however, that it would be extremely difficult to work out precise rules or guidelines since the situation varied not only in regard to individual countries and products but also in regard to the nature of any obligations that negotiating countries would assume, for instance in respect to any agreements or codes of conduct for dealing with various non-tariff barriers. They further felt that maintenance of the degree of flexibility provided by Article XXXVI, paragraph 8 with respect to the question of reciprocity, taking account also of the provisions of Article XXVIII bis, paragraph 3, would probably also be in the interest of the developing countries.

58. While recognizing the desire of the developing countries for special and preferential treatment and expressing their belief that, wherever possible, special consideration will be forthcoming in the negotiations, delegations of developed countries pointed out that it would be important to realize that for many barriers the conflict of interest would not, and should not, be as between suppliers from developed and developing countries respectively, but between the protected domestic industries and all outside suppliers. Developing and developed countries thus had a common interest to join forces in the negotiations if progress is to be made in dismantling the different hard-core barriers.

59. As regards the objective of securing additional benefits for the international trade of the developing countries, namely a substantial increase in their foreign exchange earnings, diversification of exports and an acceleration of the rate of growth of their trade, much would depend on the developing countries themselves. In this context it was important that the negotiations would not primarily be limited to tariff concessions, as in the past negotiations, but permit the coverage of a wide variety of other barriers to trade and, in principle, cover all classes of goods. Negotiating countries would thus have an opportunity to put forward those problems that in particular affect their trade with a view to exploring how these could be resolved in the negotiations. It was important that the problems be defined as precisely as possible as experience had shown that more meaningful progress can be made on concrete and specific barriers and problems than on abstract issues. Developed countries expressed appreciation in this context of the efforts made by a number of developing countries to be as specific as possible in the points they submitted to the Group.

2Provisions that appear to be particularly relevant in this regard include Article XXXVII, especially paragraphs 1 and 3; Article XXXVIII, paragraph 2(a) and Article XXXVI paragraph 8 and the interpretative and supplementary notes to those articles.
60. Delegations of developed countries also pointed out that, in accordance with the commitments they had undertaken in Part IV and in the general spirit in which they approached the negotiations as far as the participation of developing countries was concerned, they would not expect developing countries to make contributions which are inconsistent with their development, financial and trade needs. It was also widely recognized that some developing countries, because of their state of economic development, might not be in a position to make any contributions to the negotiations unless, of course, one or the other trade control measure operated by them, perhaps a particularly complicated and onerous licensing system, suggested itself for revision or replacement not only in the interest of the international trading community, but also in the interest of the import trade of the country or countries concerned. At the same time it had to be recognized that the best way of ensuring that problems of interest to a given country are adequately dealt with in the negotiations, particularly where the problem is germane only to that country or a small number of countries, would be for the country or countries concerned to participate actively in the negotiations. Here, again, experience had shown that it was normally helpful for overcoming domestic counter-pressures in the importing countries if the interested exporting countries could also make some contribution. As the forthcoming negotiations will deal not only with tariffs, there should be a wide range of areas in which a contribution by developing countries of one kind or another, always keeping in mind their special limitations in this regard, might be both possible and useful.

61. Delegations of developed countries noted with satisfaction the interest taken by a considerable number of non-contracting parties among developing countries in participating in the negotiations. They took note also of the proposals put forward by them in regard to the type of legal instrument that might be adopted for defining the benefits accruing to them and their rights and obligations vis-à-vis their negotiating partners and CONTRACTING PARTIES. Delegations of contracting parties consulted - from developed as well as from developing countries - stated that, in their view, it would be in the interest of the non-contracting parties to participate in the negotiations with the aim of acceding, especially as they would retain their option whether or not actually to accede until the completion of the negotiations. As contracting parties they would also be in a better position to defend, through the normal GATT machinery, their special interests in the implementation of any concessions negotiated. This having been pointed out, most of the consulted countries added, however, that their authorities would most likely be prepared to consider other contractual arrangements as well, for instance those suggested in section IV above, for those developing countries that have particular problems making it difficult for them to accede to the General Agreement. Delegations of most developed countries emphasized that even though it was perhaps not essential at this stage to come to a firm decision as regards eventual accession to the GATT, it would be most important to receive at an early date a clear indication from these countries as to their active participation in the negotiations.
62. Developed countries took note of the suggestion made by developing countries that it might be desirable for a group of them to negotiate jointly. It was recalled in this connexion that during the Kennedy Round the Nordic countries had decided to negotiate on industrial products through a common spokesman. The experience of these countries might be of some relevance for the developing countries. At the same time it was to be borne in mind that the question raised by the developing countries of the effect of such joint negotiations on the supplier status of the "group" had not really arisen in the case of the joint negotiation by the Nordic countries in view of the method of across-the-board tariff cuts adopted in the Kennedy Round. Delegations of developed countries also expressed the view that, apart from countries forming a common market who would therefore need to co-ordinate their views and enter into joint negotiations, other developing countries having a common interest in a given product or group of products might in certain instances also feel it to be a practical advantage to have a common spokesman. At the same time it would have to be borne in mind that in joint negotiations, particularly where several products are involved and where the degree of trade interest in these products differs as between countries, problems resulting from the need for co-ordination might sometimes arise.

63. Another possible inconvenience in regard to joint negotiations could be that the country from which concessions are requested might be more reluctant to grant concessions, or may go less far in its concessions, because of practical difficulties that could arise in any renegotiation under Article XXVIII, unless a procedure for the negotiations or for the possible renegotiation of such concessions can be adopted which does not require an agreement to be reached with all of the individual countries of such a group on the ground that they hold initial negotiating rights. Developed countries felt, however, that particularly in respect of primary commodities a developing country would more often than not be the principal supplier and in concluding any negotiations with that country account would, of course, also be taken of the fact that, presumably, the other supplying countries are also developing countries.

64. The comments and views provided to the Group on the subject have certainly helped to clarify a number of points. At the same time it is the Group's view that contracting parties need to give consideration to measures or rules which might be adopted for ensuring that developing countries are fully associated with the negotiations between the importing country and the principal suppliers where the item concerned is of substantial interest to them, even though their individual share of the trade may be relatively small.

65. With respect to the request made by developing countries for improvements in and the enlargement of the Generalized System of Preferences, reference was made by some developed countries to the Conference of Heads of State and Government, held in October 1972, which invited the institutions of the European Communities and the EEC member States to put progressively into operation a global policy of co-operation and development which would, in particular, include an improvement of the Generalized System of Preferences. Further reference was made to the statements of developed countries at the recently concluded fifth session of the
Special Committee on Preferences of UNCTAD and the preparations presently underway in a number of capitals (cf. Section III above) for improving and streamlining their respective Generalized System of Preference schemes. The Group noted with satisfaction that, notwithstanding the imminent start of the multilateral trade negotiations, developed countries stood ready to improve their preference systems for developing countries. The Group also noted the steps recently taken by the United States and Canada for giving effect to their schemes of preference and urges that every effort be made to implement these schemes at an early date.

66. Commenting on the points raised in respect of remaining high duty rates and tariff escalation, delegations of developed countries expressed the hope that, to the extent they had not already been resolved through the implementation of the Generalized System of Preferences, these problems would find a satisfactory solution in the forthcoming negotiations. As regards tariff escalation it was pointed out that the problem was bound to diminish as tariff barriers were reduced, for instance through across-the-board cuts or item-by-item reductions. At the same time the point was made that the problem of escalation would remain over a transitional period unless immediate implementation of zero rates in favour of developing countries could be arranged. Also the elimination of tariffs would have to extend not only to raw materials but also to items in their semi-processed and processed forms. The Group considers that this is a problem deserving special attention.

67. Developed countries also noted with interest the proposals made by developing countries with respect to special accommodation that might be afforded to them in respect of action on various non-tariff barriers to trade and in respect of safeguards. It is the Group's impression that many of the objections that had been raised in discussions held elsewhere had probably been prompted in the case of at least a number of delegations more by considerations relating to the practical difficulties involved in applying or controlling non-tariff barrier measures on a preferential basis than by questions of principle.

68. In the Group's view the proposals made by some developing countries during the course of these consultations, and noted in section IV, would appear to have the merit of avoiding some of the envisaged practical difficulties inasmuch as they limit themselves to suggestions for priority action and, as required, a degree of flexibility, and perhaps differentiation in the treatment accorded to developing countries, instead of calling for the preferential application of non-tariff barriers and safeguards as a general rule. It was the Group's impression that developed countries might be prepared to give consideration to granting certain special accommodation to developing countries in these areas and the Group recommends that possibilities for such action be examined on the basis of concrete proposals.

69. The Group also had an exchange of views with delegations of developed countries concerning possibilities for action in the negotiations on tropical products, and agricultural products of special export interest to developing countries - including action on vegetable oilseeds and oils, and primary products generally. It is, of
course, not possible to predict the exact nature of action that is likely to be taken on these products in the negotiations. This, it has been stated, might depend not only on the negotiating possibilities of the developed countries but also on the extent to which developing countries will ensure their active participation in the negotiations. The Group has, however, noted a readiness on the part of delegations concerned to have these matters taken up in the negotiations and to explore the different negotiating approaches that might be made including, in some cases, that of commodity agreements, for resolving the problems in these sectors. Similarly, bearing in mind also the proposals already made by the Commission of the EEC for tax harmonization between the member States on tropical products, and the fact that the problem of selective taxes on certain tropical products is generally limited to a few countries within the Community, the Group feels that the time would also be propitious now for solving a problem that has for several decades been a matter of concern to many of the developing countries. The action taken recently by one of the EEC member States to suspend its selective tax on coffee was much appreciated. The Group wishes to reiterate the recommendations its predecessors have made in regard to the reduction and elimination of these taxes.

70. The Group agrees with the views expressed by a number of developing countries that supporting action in regard to measures for promoting the marketing know-how of developing countries and continuous assistance to them in such fields as overseas market research, design, labelling and packaging, as well as in the other areas suggested by them, even though these may not lend themselves directly to negotiation or direct action within GATT, is something that also needs to be pursued vigorously, if the developing countries are to be in a position at the conclusion of the negotiations to benefit fully from the concessions that will have been negotiated. The Group recommends that contracting parties give adequate consideration to this important matter.

VI. Concluding Observations by the Group

71. While it appreciates the positive response that many of the recommendations made by its predecessors have found, the Group is also aware that action over a broad front on many of the larger problems is still outstanding. The Group realizes that the prospect of multilateral trade negotiations in the near future may have in some cases retarded action by governments on some of the proposals made by the Group or put forward in different GATT bodies with a view to overcoming some of the more urgent problems faced by the developing countries. The Group believes, however, that appropriate follow-up action on the recommendations contained in the first and second reports - which, to the extent they have not been implemented, retain their full validity - could make a contribution towards resolving some of the more urgent needs of the developing countries in the field of trade.
72. The Group has noted the active interest shown by many developing countries in the preparatory work for the multilateral trade negotiations. They have, however, stressed their inability to commit themselves definitively until they have been in a position to see more clearly on what basis their participation would take place. The Group considers that this is a matter to which the Preparatory Committee might address itself as a matter of urgency.

73. Early attention should be also given to the special procedures that participation by non-GATT developing countries would call for. The Group has noted that more than twenty such countries are actively engaged in the preparatory work.

74. The Group wishes to stress the need for special measures designed to safeguard the interests of the least developed among developing countries in the negotiations. It should be possible to agree on arrangements whereby these interests would be effectively brought within the purview of the negotiations even though a country in this category might for various reasons not be in a position to participate actively and on a continuous basis.

75. With respect to technical assistance to developing countries the Group considers that this activity, which in the preparatory stage has concerned the identification of trade interests, analysis of trade barriers affecting exports of these countries, etc., should be continued throughout the negotiations. It should increasingly aim at helping developing country participants on matters concerning negotiating procedures, provide information and explanations of techniques and modalities to be used in negotiations on individual products, assess value of concessions, etc.

76. In the present report the Group has tried to focus on some of the salient points related to developing country participation in the negotiations. These can be assumed to be a lengthy process and the benefits which will hopefully accrue to developing countries may not be available to them until the whole operation is completed. Developed countries are, therefore, urged to consider taking every possible step, unilaterally or collectively, to facilitate access to their markets for products of particular interest to developing countries in advance of the conclusion of the negotiations. Such action could be taken, for instance, with respect to further improvements and extensions of the Generalized System of Preferences. Import restrictions could be removed in regard to products included in the Generalized System of Preferences or maintained contrary to GATT. Intensified assistance by individual developed countries to help them overcome various technical barriers to trade in the fields of standards, health and sanitary regulations (especially with respect to processed agricultural products) could also in the Group's view constitute suitable forms for such advance action.
77. The Group is aware that in the present report certain areas may have been covered insufficiently and that new problems related to the interests of developing countries in the negotiations may come up. The Group thus does not exclude the possibility of submitting a supplementary report and it will continue to be available for consultations to interested developing countries or groups of countries.
### ANNEX

The following notes contain a summary of the main points made in relation to follow-up action on the earlier recommendations.

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AUSTRALIA

The quantitative restrictions imposed under Article XIX on imports of knitted shirts and knitted apparel were eliminated. Likewise, primage duty on chocolate, ground pepper and mustard flour was eliminated.

The product coverage of the Australian tariff preferences was further increased during the period under review. It now covers about 580 items of interest to developing countries. This compares with some 160 items when the preferences were introduced in 1966. Additions to the list of products covered by the preferences have in all cases been made either in response to specific requests from developing countries or because the products concerned have been nominated by developing countries as being of export interest to them. Australia has also enlarged the preferential tariff quota ceilings. The number of groups of hand-made cottage industry products that are admitted duty free without quota limitations has also been increased.

The Group was informed that the preference system is being revised to simplify its operation and to remove certain rigidities in order to make it easier for the beneficiary countries to reach the market.

The Group noted with appreciation the positive response by Australia to several of the recommendations or suggestions made by its predecessors. It would be the Group's hope that Australia will continue to give sympathetic consideration to further action that could be taken in respect of those recommendations that have not yet been implemented or have not been implemented fully.
AUSTRIA

The temporary suspension of the import equalization tax on tea and coffee has been further extended.

As of 1 January 1973, the list of beneficiaries to the Austrian preference scheme has been further enlarged.

As regards follow-up action on the Group's earlier recommendations with respect to tropical products, the Group was informed that action along the suggested lines was being considered and that legal procedures providing for more favourable import treatment of tropical products are currently being worked out.

Austria intends to give consideration to further liberalization measures in the context of the multilateral trade negotiations.

The Group appreciates the positive response of the Austrian authorities to some of the recommendations addressed to them by the Group. It has, however, noted that, apart from the enlargement of certain of the import quotas, Austria has not found it possible to make further significant progress in the elimination of remaining quantitative restrictions or the equivalent measures still applied on a few items. The Group wishes therefore to draw attention again to the recommendations contained in the earlier reports which have not so far been implemented.

\[\text{L/3697/Add.1}\]
The Group was informed that approval of Parliament had recently been obtained for the Canadian Generalized Preference System. Contrary to what was indicated in the Group's last report, cocoa and chocolate products are included in the Canadian Scheme. More generally, in the field of tariffs, the Group was informed that the Canadian authorities were prepared to study representations of developing countries on speciality products. For example in 1971, duties on saddle bows and reptile skins had been eliminated and in 1972 on crêpe rubber for soles. Moreover, temporary duty reductions, covering $1.3 billion of Canadian imports in 1972, which became effective last February include many items of particular export interest to developing countries. As part of the same package of measures the Federal sales taxes on foodstuffs not already exempt were eliminated; products affected of particular interest to IDC's include chocolate bars and confectioneries.

The Group notes with appreciation the efforts made by Canada to give effect to the recommendations contained in the preceding reports. At the same time, the Group would urge that the Generalized Preference Scheme, now that it has been approved by Parliament, would soon be put into effect. The recommendations and suggestions made in the earlier reports, to the extent that they have not yet been implemented or acted upon, retain their validity.
EUROPEAN ECONOMIC COMMUNITY

As in the two preceding years, the Group consulted informally with the Commission of the EEC and the six original member States of the Community. The consultation with the EEC was limited to matters falling within the competence of the Commission while the discussions with the member States concentrated on problems or points relating specifically to the country concerned. Discussions with the United Kingdom and Denmark, as a consequence of their accession to the EEC, were conducted on the same basis. Notes on the consultations with the individual member States follow those relating to the EEC generally. With Ireland the Group has not so far held consultations.

The Group was informed that, following a decision by the Council of Ministers in December 1972, the EEC's GSP scheme had been improved by providing percentage increases in quotes and ceilings by an average of approximately 7 to 8 per cent for industrial goods, except for iron and steel products for which increases were of the order of 15 per cent and for textiles for which the increase was of the order of 4 per cent. There had also been an enlargement in the product coverage while, on the other hand, the number of products classified as "sensitive" or "quasi-sensitive" had been reduced. Preparations are under way in the EEC for effecting further improvements in connexion with the coming into force of the generalized preference system in all of the member States of the enlarged Community on 1 January 1974.

As regards possibilities for action in respect of trade in temperate zone agricultural products, the Group noted that Uruguay and the EEC have concluded an agreement along similar lines as the EEC-Argentina Agreement which had been commented upon in the preceding report of the Group. The Group was informed that agreements with certain other developing countries are being negotiated.

The Group noted with appreciation the further efforts that are being made by the EEC to improve the Community's preference system. It would be the Group's hope that elements that were particularly liberal in the preference scheme of the individual acceding countries would, to the largest extent possible, be preserved in the common scheme of the enlarged Community.

In respect of tax harmonization in the Community, the Group is aware of the proposals already put forward and hopes that early consideration will be given to the elimination of selective taxes on tropical products.
The Group noted that for reasons of a social character it had not been possible for Belgium/Luxembourg to eliminate seasonal restrictions on fresh roses and carnations, early potatoes, tomatoes and fresh table-grapes as had been recommended. The Group expressed the hope that measures would be taken to help developing countries to expand their trade in these products.
DENMARK

Since the 1972 consultation with the Group, Denmark has eliminated quantitative restrictions on approximately fifty (four-digit) BTN positions and has effected partial import liberalization for several other products. Among the items liberalized are many of particular interest to the developing countries - for instance, meat and processed meats; honey; various vegetables; various fruits; various cereals, including maize; sugar; molasses; fruit juices and cutlery.

With effect from 1 January 1973, the list of beneficiary countries under Denmark's preference scheme has been further enlarged.

The Group noted with appreciation the progress made by Denmark in liberalizing imports. The Group urges that further efforts be made to liberalize imports of the remaining items subject to restriction.
Following some recent liberalization measures and liberalization of BTN position 12.03, scheduled for 30 June 1973, the Federal Republic will have complied, as far as agricultural products are concerned, with the Group's recommendation to eliminate discriminatory country listings. A number of other agricultural products continue, however, to be subject to restrictions, including also certain items of particular interest to some of the developing countries, for instance, fresh cut-flowers and certain vegetable and fruit preparations. There also remain restrictions, sometimes enforced by exporting countries through export restraints, on eight positions involving non-cotton textiles and on four ceramic items. In respect of these positions discriminatory country listings are still in use.

The Group urges that remaining discriminatory country listings be discontinued. It would also be the Group's hope that the Federal Republic would make every effort to eliminate at an early date remaining quantitative restrictions affecting products of export interest to developing countries.

As regards action for the reduction or removal of selective taxes on coffee and tea, the Group invites attention to the comments made in this report.

1. Tropical fruit preparations and fruit juices are, however, liberalized.
2. For details of this system see COM.TD/W/170/Add.4.
The Group noted that during the period under review the elimination of import restrictions had been limited to a few agricultural products, notably provisionally preserved fruit. The Group took note of a statement by the French authorities that, even though import controls continued to be in force on a certain number of products, controls were generally such as not to hamper imports from developing countries, and that imports from developing countries were rising at a faster rate than total imports. Furthermore, the French authorities stood ready to discuss bilaterally with exporting countries concerned any problems that these countries might have encountered in exporting to France with a view to seeking appropriate solutions.

While appreciating the willingness of the French authorities to accommodate developing country interests within the framework of the existing import regulations, it is a matter of disappointment to the Group that France has not so far removed the remaining discriminatory country listings and continues to apply restrictions on a relatively large number of products of export interest to developing countries. The Group urges that consideration be given to the early removal of remaining restrictions and discrimination.

As regards selective taxes on tropical products, the Group noted with appreciation that the suspension of the tax on coffee had continued in force. With respect to broader action on fiscal charges affecting tropical products the Groups invites attention to the comments and suggestions contained in this report.
ITALY

The Group was informed that the global quota for banana imports into Italy had been raised from 315,000 tons in 1972 to 350,000 tons in 1973. Currently less than 30 per cent of the overall quota is specifically reserved for traditional suppliers and the number of supplying countries and their share in overall imports is stated to be expanding steadily.

There was also some progress in import liberalization with respect to a few agricultural products and motor vehicles and parts thereof.

The Group noted with satisfaction the efforts made by Italy for enlarging access to its market for developing country products. In the Group's view there exists, however, further scope for import liberalization. Items that continue to be subject to restrictions and which are of particular export interest to developing countries include, apart from bananas: dates, figs, dried grapes and pastes thereof; locust beans, fruit juices, and raw silk, silk yarn, silk fabrics, and certain other manufactured items. The Group recommends that efforts be made to remove remaining restrictions and/or differentiation in import treatment affecting these items.

As regards selective taxes applied by Italy on bananas and certain other tropical products, the Group wishes to draw attention to the relevant comments contained in the body of this report.
UNITED KINGDOM

Observations and recommendations in the preceding reports of the Group specifically addressed to the United Kingdom, related to possible action in the tariff field, improvements in the Generalized System of Preferences, reduction and elimination of import restrictions on jute products, and fiscal charges affecting, inter alia, certain tropical products. As regards tariffs and the Generalized System of Preferences, possibilities for action having been subsumed by the EEC regulations, no further action at the national level was recorded for the period under review. The United Kingdom did, however, already at the outset of 1972, remove duties on a number of products of export interest to developing countries and reduced duties on other items. The duty suspension for tea was extended from 1 July 1972 for an indefinite period.1 As regards import controls on jute products, the Group was informed that possibilities for appropriate action were the subject of negotiations at the Community level - certain jute products being under import control in other Member States as well - between the EEC and the main exporting countries.

Chocolate and confectionery have been exempted from value-added tax in connexion with the recently affected change in the tax system.

While the Group recognizes that possibilities for action on some of the earlier recommendations have been influenced by the United Kingdom's entry into the EEC, the objectives underlying these recommendations remain valid. It would be the Group's hope that the United Kingdom authorities would use their best endeavours to act at an early date on these recommendations, together with their partners in the EEC in the broader framework of the Community.

1Details of these measures are contained in document COM.TD/W/170/Add.3.
JAPAN

Since the consultations with the Group in 1972 Japan has removed, as scheduled, quantitative import restrictions in respect of nine BTN headings. Apart from certain industrial products the liberalization measures cover also specified fish products, ham and bacon, sugar and tomato purée and paste. For the items remaining subject to restrictions, twenty-four in the agricultural and eight in the industrial sector, quotas were increased.

Tariff rates on several hundred items were reduced by 20 per cent in November 1972. Among the products concerned by this reduction are instant coffee, instant tea, groundnut oil, wine, crude alcohols and soap. Subsequently, the higher of the two temporary seasonal duty rates on bananas was reduced from 60 per cent to 55 per cent. The duty is scheduled to be further reduced to 50 per cent in 1974.

Effective April 1973, Japan's Generalized System of Preferences scheme was improved by the addition of eleven agricultural and marine products, and by deeper tariff cuts, a more flexible administration of quotas or ceilings and the enlargement of the list of beneficiary countries.

The Group noted with satisfaction the further progress reported by Japan for facilitating access to its market, including the solution, through bilateral contacts, of certain problems in the field of non-tariff barriers that had earlier been notified by developing countries. This progress notwithstanding, quantitative restrictions continue to be applied on a number of products of particular export interest to developing countries, for instance certain meat and meat products; certain fish, crustaceans and molluscs; various fruits and vegetables, fresh and preserved; fruit juices; certain grains, cereals and products thereof; malt; edible seaweed; certain types of leather and leather footwear.

The Group hopes that remaining restrictions will be removed at an early date and reiterates the request made by its predecessors that Japan pursue vigorously the policy of improving access to its market for products of interest to developing countries. Other recommendations addressed to Japan, but not yet implemented, or not implemented fully, also retain their validity.
NORWAY

Follow-up action by Norway during the period under review has mainly taken the form of a relaxation of import controls on products of export interest to developing countries and technical assistance in such fields as trade promotion. Consideration is also being given by the Norwegian authorities to the establishment of some machinery for furnishing practical and commercial guidance to developing countries exporting to Norway.

Norway has informed the Group that it is reviewing its GSP scheme with a view to enlarging, as far as possible, the product coverage in respect of items in chapters 1 to 24 - most of the industrial products are admitted at zero duty - and the list of beneficiary countries.

In the preceding report the Group had noted that Norway applied quantitative restrictions on a comparatively large number of agricultural items, the import régime of which would have been subject to modification under the EEC's Common Agricultural Policy regulations if Norway had joined the EEC. The Group had also expressed its belief that there was no a priori reason why Norway could not take early action to liberalize products of interest to developing countries, such as natural honey, cut flowers, vegetables and certain fruit (fresh, preserved or dried). While recognizing both the often difficult conditions of farm production in certain regions of Norway and also the fact that agricultural protectionism often takes forms different from quantitative restrictions, the Group recommends that Norway continue to give sympathetic consideration to providing improved conditions of access for developing countries' products and to the reduction and removal of the remaining restrictions.
SWEDEN

During the period under review, exemption from the licensing requirement for the remaining meat and dairy products and starch was extended to all of the countries in the Western Hemisphere. As a result, only a few varieties of fish, not generally exported by developing countries, and apples and pears remain subject to licensing or seasonal restriction.

With effect from January 1973 the Swedish GSP scheme was extended to certain additional products in BTN Chapters 1 to 24 including also grapes, wine and tobacco. Special facilities that had been established for duty-free entry of cotton handloom products have been further extended.

As recorded in the Second Report (L/3710) and in COM.TD/W/170, Sweden has also responded positively to some of the earlier recommendations by the Group, inter alia, by including cocoa products in its GSP, eliminating the selective tax on coffee, and of sales taxes on a number of developing countries' specialty items. Sweden over the past several years has also made a significant contribution to trade promotion activities of developing countries' exports. The Group wishes to record its appreciation of the further action taken by Sweden in this field.
SWITZERLAND.

The Group noted that in compliance with the request contained in the preceding report the Swiss authorities had reviewed the situation with regard to the import treatment of bananas and various types of vegetable oils. As regards bananas, the Swiss authorities pointed out to the Group that the duty incidence has generally been moving downwards. Banana prices at the consumer level were among the lowest in Europe, a reflection also of a highly efficient distribution system. Imports had been increasing rapidly, reaching 68,000 tons in 1972, which made Switzerland the country with the highest imports per caput. As regards the tariffs applicable to different types of refined vegetable oils, the review had revealed that there exists no significant duty differentiation at comparable levels of refinement of the different oils.

The provisions for duty-free imports of certain hand-woven silk and cotton fabrics, originally introduced for a period of two years, were extended for a period of ten years until February 1982.

Preparations are under way for the implementation of the second phase of Switzerland's GSP scheme.

Further, to assist developing countries to avail themselves of import opportunities in Switzerland, technical assistance had been provided by importers to developing country exporters to help them meet certain import regulations and, more generally, the requirements of the Swiss market.

The Group recognizes that import restrictions affecting certain items of export interest to developing countries are applied in accordance with the Swiss Protocol of Accession. The Group also took note of the statement made by the Swiss authorities that the seasonal character of some of these restrictions allows free access to the Swiss market for certain exports of developing countries and that the Swiss authorities are prepared to examine sympathetically, through direct contacts, any proposals or suggestions for solutions in regard to any problems which the import control measures might cause for developing countries. While noting with satisfaction the assurances given in this regard, the Group shares the views of its predecessors that opportunities for developing countries on the Swiss market might be further improved by trade liberalization.
UNITED STATES

The legislative proposals for the Generalized System of Preferences have been submitted to the Congress on 10 March as part of the proposed Trade Reform Act of 1973.

Import duties remain suspended on a number of products of special interest to developing countries: manganese ore; certain yarns of non-continuous fibres; alumina; and bauxite. Based on import data for eleven months, the value of imports of these products amounted to an estimated $338 million in 1972, of which $238 million, or 70 per cent, from developing countries. Moreover, the Congress has been asked to restore retroactively duty suspensions, which lapsed in 1972, on processed istle, certain tanning materials, as well as on a number of copper materials including copper waste and scrap, copper bearing ores and materials and various types of unwrought copper.

The 1972 suspension of meat quotas has been extended through calendar year 1973. The cheese quota for the period up to 31 July 1973, was increased by 50 per cent. The Group was informed that this represents, for instance, an increase of nearly 4 million lb. for the principal developing country supplier. Effective 1 May 1973, volumetric quotas on oil imports were eliminated. The confectionery quota for 1973 has remained unchanged at the level of 199 million lb. but is stated not to be limiting imports, actual utilization of the quota in 1972 remaining 23 per cent below the quota limit.

Export subsidies have recently been terminated or suspended on wheat and wheat flour, lard, whole chicken, rice, tobacco, oilseeds and related products, dairy products (non-fat dry milk), and feed-grains.

The Group noted with satisfaction the various measures reported for facilitating access as well as the reports received indicating the technical assistance provided by the United States to five developing countries to help them meet United States health and sanitary regulations for the products concerned.

As regards the GSP scheme of the United States it would be the hope of the Group that every effort be made to bring it into effect at an early date. It would likewise be the hope of the Group that the United States would find it possible to accord the duty-free entry to improved natural rubber either in the context of its GSP scheme or by separate legislation.

\[1\] L/3655/Add.14/Supplement 1.