Drafting Group on Item I of the Agenda

MEASURES FOR THE EXPANSION OF TRADE OF DEVELOPING COUNTRIES AS A MEANS OF FURTHERING THEIR ECONOMIC DEVELOPMENT

Draft Conclusions

1. The Ministers during their meeting from 16 to 21 May 1963, discussed the question of measures for the expansion of trade of developing countries as a means of furthering their economic development. The Ministers had before them the Report of Committee III (L/1989) and of the Special Group on Trade in Tropical Products (L/2001).

2. The Ministers reached agreement on the following conclusions:

A. Trade in products other than tropical products

With respect to these products the Ministers considered the following Programme of Action, sponsored by twenty-one developing GATT countries.

(i) Standstill provision

No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature.

(ii) Elimination of quantitative restrictions

Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items would be progressively reduced and eliminated by 31 December 1965.
(iii) Elimination of tariffs on primary products

Industrialized countries should agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries.

(iv) Reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries

Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years.

(v) Progressive reduction of internal fiscal charges and revenue duties

Industrialized countries shall progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965.

(vi) Reporting procedures

Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries.

3. The Ministers of all industrialized countries, with the exception of the Ministers of the member States of the European Economic Community, agreed to the above Programme of Action, subject to the understandings set out in paragraphs 4 and 5. The position of the Ministers of the European Economic Community and of the eighteen less-developed States associated with the Community is contained in paragraphs 6 to 9.
4. It was agreed by the Ministers of the industrialized countries other than those of the EEC that, in the first instance, the above Programme of Action relates to the products identified by Committee III, it being understood that the Programme of Action might subsequently be extended to an enlarged list of products to be agreed upon. It was also recognized that acceptance of the Programme was without prejudice to the rights and obligations of contracting parties under the provisions of the General Agreement, under arrangements negotiated within the framework of the GATT or covered by international commodity arrangements. Further it should be understood that, where action under the Programme would affect the interests of third countries, as under preferential arrangements, countries granting such preferences would need to take into account the interests of the trade partners concerned. As regards tariffs on primary products, these Ministers indicated that their governments would work towards the elimination or, where this was not possible, at least towards the substantial reduction of tariffs on these products. As regards tariffs on semi-processed and processed products of substantial interest to the developing countries, Ministers indicated that their governments would work towards a substantial reduction of the tariffs on these products. Action in connexion with the reduction of tariffs on primary, semi-processed and processed products from less-developed countries would be taken within the framework of the GATT trade negotiations, and, while not precluding action in advance of the trade negotiations, these Ministers proposed to ensure, as far as possible, that these products would be included in their offer lists in the negotiations and not be excepted therefrom.

5. Ministers of industrialized countries stated that they would use their best endeavours to maintain the standstill provision. However, if, in practice, a government felt that it had to adopt measures which would have the effect of departing from the standstill, it would afford adequate opportunity for consultations with the developing countries mainly interested in the product concerned.
A few Ministers also indicated that while it was their intention to remove quantitative restrictions maintained inconsistently with the GATT as soon as possible, they could not give an undertaking to meet the target date of 31 December 1965 in respect of a few products. With respect to tariff reductions, the United States Minister pointed out that United States legislation required such reductions to be staged over a period of five years.

6. Addressing themselves to the above Action Programme, the Ministers of the EEC and the spokesmen for the eighteen African and Malagasy States associated with the EEC, stated that, while they recognized that some of the points contained in the Programme could be regarded as objectives to which, to the fullest extent possible, concrete policies should be adapted, the Programme referred only to measures for the elimination of barriers to trade, whereas, in their view, more positive measures were required to achieve the marked and rapid increase in the export earnings of the developing countries as a whole, which was their fundamental objective.

7. Accordingly, these Ministers urge that international action should, in particular, be directed to a deliberate effort to organize international trade in products of interest to the less-developed countries. Such an effort would have to take into account economic inequalities between the less-developed countries themselves and the fact that certain less-developed countries cannot at present, without a transitional phase, face competition from the countries which have already achieved a certain degree of development or from the long-industrialized countries without suffering damage.

8. The effort should therefore be aimed at ensuring increasing exports at remunerative, equitable and stable prices for the less-developed countries producing primary products. In this respect any desirable arrangement made at
the world level could be inspired by arrangements already tried out on a regional, bilateral or even national level. As regards processed and semi-processed products, a study should be made to determine the selective measures, specially conceived to meet the needs of developing countries, which could assure those countries the necessary markets for the products in question.

9. In this connexion various relaxations of present rules regarding non-discrimination might be considered (in particular the suggestions made at the ministerial meeting by Mr. Brasseur, Minister for Foreign Trade and Technical Assistance of Belgium). A rapid study of them by a special group should enable decisions to be taken without delay. In the opinion of certain Ministers, the same special group could, as a matter of urgency, analyze the possibility and conditions for establishing within the framework of GATT a centre for trade information and market research with a view to the expansion of exports of the less-developed countries.

10. The Ministers of the less-developed countries expressed disappointment with the understandings and positions as set out by some industrialized countries and found them to be unhelpful. They emphasized that the eight-point Programme of Action fell far short of the minimum conditions necessary to enable the less-developed countries to make their full contribution to the expansion of international commerce and represented a practical compromise between the difficulties stated by some industrialized countries and their responsibilities under the GATT. In particular, attention was drawn to the fact that all contracting parties are committed to carry out their obligations in respect of quantitative restrictions, without any qualifications. The Ministers of less-developed countries therefore urged that the Programme of Action should be implemented in full, within the time-table proposed therein, in the interest of the accelerated economic development of their countries. They trust that industrialized countries would be able to make substantial tariff concessions on primary, semi-processed and processed products, exported by less-developed countries in advance of the forthcoming trade negotiations. They also expressed the hope that products of interest to the less-developed countries should not be excluded from offer lists during negotiations.
B. **Trade in tropical products**

**General conclusions**

11. All Ministers other than those of the EEC and the States associated with the Community:

(a) endorsed the general objective of free access to markets for tropical products, in view of the great importance of these products to the foreign exchange earnings and economic development of many less-developed countries;

(b) agreed that the instability of prices and inadequacy of earnings are the principal problems affecting producers of tropical products;

(c) agreed that governments should not erect any new tariff or non-tariff barriers against trade in tropical products. If, in practice, a government for compelling reasons felt that it had to take any measures which would have such effects, it should afford adequate opportunity for prior consultations with the exporting countries mainly interested in the product concerned;

(d) regretted the difficulties which had delayed the implementation of the relevant part of the Ministerial Declaration of November 1961 relating to the removal of revenue duties and internal charges and urged governments to take the necessary steps to speed up such implementation as soon as practicable, but in any event not later than 31 December 1965;

(e) decided that, where prior action had not already been taken on barriers to trade and restraints on consumption of tropical products, these should be dealt with in the context of the forthcoming GATT trade negotiations.

12. The Ministers of the EEC and States associated with the Community were unable to support the inclusion of the above general conclusions and reserved the position of their delegations. They stated their belief that the general
and primary objective was to increase the export earnings of the less-developed countries in order to promote their economic development by all appropriate means. Freedom of access to markets for tropical products was only one of these means. Such freedom would be truly effective only to the extent that all the prerequisites to its full effectiveness had been completely achieved in all these countries. In this respect they referred to their general declaration made in paragraph.... of the Ministerial Conclusions on point A.

Conclusions on individual products

Cocoa

13. All Ministers, other than those of the EEC and the States associated with the Community:

(a) endorsed the commodity agreement approach to cocoa and agreed that an international agreement should be negotiated speedily with the aim, inter alia, of stabilizing prices at remunerative and equitable levels and increasing the export earnings of producing countries so as to facilitate their economic development;

(b) agreed that internal charges and other non-tariff barriers in respect of raw and semi-processed cocoa should be removed wherever possible by the end of 1963;

(c) agreed that the removal of tariffs in respect of raw and semi-processed cocoa should be accomplished in the context of a cocoa agreement which was otherwise satisfactory to the principal producing countries.
14. The Ministers of the Community and of the associated States stated that the work of the Sub-Group on Trade in Tropical Products had shown that the basic question was the price problem. In their opinion it was not desirable to make this problem more difficult by linking it with other problems of less importance, as the report by the Sub-Group has shown. The Ministers confirmed their intention to co-operate positively in order to reach an international cocoa agreement so as to ensure equitable prices at remunerative levels for producers.

Coffee

15. The Ministers confirmed the intention of their governments to apply in an efficacious manner the International Coffee Agreement and recommended that the governments signatories to this Agreement collaborate in a positive manner in the Coffee Council within the foreseen time-limits with a view to the efficacious application of the Agreement so that coffee prices are established and maintained at an equitable level, and so that the trade in and consumption of this product are developed.

16. The Ministers, other than those of the EEC and the States associated with the Community:

(a) agreed that tariffs, internal charges and other non-tariff barriers in respect of coffee should be removed by joint action, and wherever possible, by the end of 1963;

(b) recognized that the proposed GATT trade negotiations would give an opportunity to eliminate all remaining barriers affecting trade in coffee.

Bananas

17. The Ministers noted that arrangements for the further study, in collaboration with the FAO, of the question of trade in bananas were being put in hand. The Ministers agreed that each consuming country should consider possibilities to increase the consumption of bananas.
18. The Ministers, other than those of the EEC and of the States associated with the Community, agreed that, while the study referred to above was in progress, there should be a "standstill" and governments should refrain from any measures which might represent an intensification or extension of trade barriers and should make an effort to enlarge their markets for bananas on a universal basis.

Tropical oilseeds and oils

19. The Ministers noted the need for the further study of the question of trade in tropical oilseeds and oils and the fact that arrangements for this work would be put in hand.

20. The Ministers, other than those of the EEC and the States associated with the Community:

(a) agreed that governments should consider the desirability of including the problems of tropical oilseeds and oils in the framework of the GATT trade negotiations and in international discussions on internal agricultural price and production policies;

(b) agreed that governments should, in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers.

21. The Ministers of the States associated with the EEC and of the Community itself stated that the studies referred to above should relate in particular to conditions of competition in respect of fats and oils from the tropical and temperate zones. It should be reaffirmed that the final objective of such studies is to maintain and increase the export earnings of the developing producer countries. Pending the completion of such studies, they recommend that governments should in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products.
Tea

22. The Ministers agreed that the customs duty on tea should be removed with the least possible delay and, if practicable, before the end of 1965. The Ministers also recognized the need for ensuring that the removal of the duty is not nullified by increases in internal taxes. They addressed themselves to the question of reducing and eliminating internal taxes on tea and agreed to keep the matter under review.

Tropical timber

23. The Ministers agreed that the customs duty on tropical timber should be removed with the least possible delay and, if practicable, before the end of 1963.

C. Additional action to further the trade and development of less-developed countries

24. The Ministers agreed that contracting parties should give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales. In this connexion it was suggested that one of the measures which should be studied promptly would be the accordance of preferential treatment to the semi-manufactured and manufactured goods exported by the less-developed countries. It was agreed that a working group shall be established to study the following proposals and to report to the Trade Negotiations Committee for necessary action:

(a) the granting of preferences on selected products by industrialized countries to less-developed countries as a whole; and

(b) the granting of preferences on selected products by less developed countries to all other less-developed countries.

25. The Ministers agreed that industrialized countries, in drawing up and implementing their policies which affect the pattern of production and trade, should take full account of the need to facilitate the efforts of less-developed
countries to strengthen their export capacity and to diversify their economies.

26. The Ministers agreed that the fundamental need of the less-developed countries in the field of trade was to achieve an increase in their export earnings. In those cases where under present conditions their export trade was heavily dependent on a limited number of primary products, efforts on the part of the less-developed countries to increase their earnings by a higher volume of exports were often frustrated by declining prices and violent price fluctuations. Effective joint action was required to arrest the deterioration of the terms of trade of the less-developed countries and to mitigate and eliminate excessive fluctuations in their exports and export earnings. Some Ministers felt that this action might, for instance, take the form of commodity agreements, price stabilization schemes, compensatory financing and market organizations.

27. The Ministers agreed that the work of Committee III should be extended, in collaboration with other interested agencies, particularly the lending agencies, through the adoption of concerted, systematic and prompt studies of trade and aid relationships in individual less-developed countries aimed at obtaining a clear analysis of export potential, market prospects and any further action that may be required to overcome any difficulties that the studies reveal. In this connexion the problem of financing the gap between the export proceeds and import requirements of the developing countries needs to be given careful consideration. Many Ministers considered that in order to extend the activities of the GATT to embrace the financing aspect, and as a practical measure to achieve this end, a working group should be formed to study the ways and means for enabling the less-developed countries to obtain from the industrialized contracting parties loans on soft terms, and thus enable the GATT to realize its objectives of fostering trade between the contracting parties.

28. The Ministers recognized the need for an adequate legal and institutional framework to enable the CONTRACTING PARTIES to discharge their responsibilities in connexion with the work of expanding the trade of less-developed countries.
29. Ministers of the less-developed countries and of the EEC recognized that there is urgent need for an amplification of the objectives and for revision of the principles and rules of the General Agreement to enable the CONTRACTING PARTIES to discharge their responsibilities in connexion with their work of expanding the trade of less-developed countries and with a view to safeguarding the interests of these countries in their international trade and development programmes. This action should not preclude, but contribute to, broader negotiations in which contracting parties might participate, such as the International Conference for Trade and Development of the United Nations.

30. It was agreed that a Committee of the CONTRACTING PARTIES should be established with instructions to examine all aspects of this problem taking full account of the views expressed by the Ministers and to report with appropriate recommendations to the twenty-first session.