I. General

1. The Committee was established by the Resolution of Ministers of 21 May 1963 (MIN(63)8) with the following terms of reference:

"The CONTRACTING PARTIES do set up an Action Committee, firstly to assist them in the implementation of the Programme of Action and secondly, as appropriate, to initiate, process and co-ordinate further positive measures mentioned in the Conclusions adopted by Ministers (MIN(63)7) to help developing economies to strengthen their production potential and export capacity in order that the expansion of international trade may contribute to their economic development.

"The Action Committee and other appropriate bodies of the CONTRACTING PARTIES in their further work shall take into account the measure of agreement reached on the Programme of Action and the views expressed by Ministers, as reflected in the Conclusions adopted by them, and

"The Council of Representatives shall take the procedural steps necessary to establish the Action Committee referred to above...."

2. As instructed, the Council, at meetings in June and July 1963 (C/M/16 and C/M/17), took the necessary procedural steps to set up the Action Committee. In accordance with the procedure adopted, the Committee was appointed with the following membership:

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The Commission of the European Economic Community will participate in the work of the Committee.

Further, as agreed by the Council (C/M/17), the Chairman of Committee III will be an ex officio member of the Action Committee.

3. The Committee held its first meeting from 9-12 September 1963. The Council had agreed that the Committee should elect its own officers. His Excellency Mr. K.B. Lall, Ambassador Extraordinary and Plenipotentiary to Belgium and for Economic Affairs in Western Europe, was unanimously elected Chairman of the Committee.

II. Implementation of the Conclusions of Ministers relating to development and the expansion of trade of less-developed countries

The Committee decided that before establishing priorities for its programme of work, it would be necessary to take stock of the present position as regards the implementation of the ministerial Conclusions (MIN(63)7) and thus to identify the problems which most urgently require the attention of the Committee.

A. Reports by governments on the implementation of points (i) to (vi) of the Action Programme

To assist the CONTRACTING PARTIES in the implementation of the various aspects of the Action Programme, an invitation was sent to governments (GATT/AIR/338) to report on the measures they had taken, and those they would be taking before the end of the year, to give practical effect to the Conclusions of Ministers relating to the Action Programme. In response to this invitation

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1Point (vii) relates to the reporting procedure and is taken up in connexion with the discussion of the Committee's work programme.
written communications have been received from eighteen countries, primarily industrialized countries (see Annex I to this report). Additional reports on measures taken to implement the Action Programme, some of these supplementing the earlier written submissions, were made by a number of GATT countries during the meeting. The findings of the Committee on progress made by contracting parties with respect to each of the first six points of the Action Programme are set out below.

(i) **Standstill provision**

The Committee noted that with respect to the items covered by the Action Programme, the standstill had been maintained in full by all industrialized countries from whom communications had been received. Representatives from many industrialized countries reaffirmed their governments full support for the standstill provision.

(ii) **Removal of quantitative restrictions**

The Committee noted that since the ministerial Declaration further progress in the removal of quantitative restrictions affecting products examined by Committee III had been made by Japan, France, Denmark and Yugoslavia, the last two being countries which applied restrictions for balance-of-payments reasons. A number of industrialized countries indicated that liberalization of remaining items subject to restrictions was under consideration. Firm target dates for import liberalization were given by Norway, with respect to coffee (15 November 1963), the last remaining item subject to quantitative restriction in Norway, and by Yugoslavia for tea to become effective on 1 January 1964. The Benelux countries informed the Committee that castor oil, the last of the items subject to restriction, would be liberalized by 31 December 1964, at the latest.

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1The Annex contains a consolidation of the communications originally circulated as AC/1 and Add.1 through Add.6, together with an indication of changes which were announced during the meeting regarding these communications. /This Annex will be circulated separately./
(iii) Duty-free entry for tropical products

The Committee welcomed the positive response by industrialized countries to the Conclusions of Ministers as they relate to duty-free entry for tea and tropical timber. The Committee noted that, with only a few exceptions, all industrialized countries had notified the Committee that the products concerned either benefited from duty-free entry or that duties had been removed or suspended or that the necessary action for obtaining legislative authority to eliminate the tariff in the near future had already been taken. The hope was expressed by members of the Committee that, in those cases where duties had only been suspended, the elimination of customs duties on these products would soon be formalized. While recognizing the special position of Japan in regard to the elimination of duties on tea, regret was expressed that Japan had not found it possible to give an indication at this time that customs duties on tea would be reduced or eliminated in the near future.

As regards the import treatment accorded to other tropical products covered by the Action Programme, the Committee noted with satisfaction the action taken by Norway to eliminate duties on bananas and to formalize duty-free entry for coffee. Similarly, the Committee welcomed the steps taken by the United States to bring about the early elimination of duties on instant coffee and the proposed extension of the duty-free entry now applied to raw cocoa, also to semi-processed cocoa. Furthermore, the Committee welcomed the indication given by the EEC that, with the coming into effect of the Association Convention with the eighteen African and Malagasy States, effective duties on coffee and cocoa and on certain other products of interest to less-developed countries would be substantially reduced.

(iv) Elimination of tariffs in primary products

The Committee noted with satisfaction that where imports of the primary products concerned were not already given duty-free entry, as was the case in a great number of cases, the industrialized countries had reaffirmed their intention to work toward the removal or substantial reduction of these duties in the context of the forthcoming trade negotiations. The Committee expressed the hope that such indications from other contracting parties where duty on these items continued to be in force, would also be given soon.
(v) **Reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries**

The Committee welcomed the statements made by a number of industrialized countries that they did not consider including in their exceptions lists for the forthcoming trade negotiations, products identified by Committee III as being of particular export interest to less-developed countries. The Committee further noted and welcomed the tariff reductions on some products of export interest to less-developed countries which had recently been put into effect by some industrialized countries.

The Committee expressed the hope that other industrialized countries would also find it possible to announce tariff reductions on these products prior to the forthcoming trade negotiations. Similarly, the hope was expressed that governments which had not yet given an indication that the items examined by Committee III would be the subject of concessions in the forthcoming round of trade negotiations would find it possible to give such an indication to the Committee in the near future.

A number of countries represented in the Committee which had contractual obligations to accord tariff preferences indicated that they were prepared to consult with the countries affected regarding measures for the implementation of the ministerial Conclusions in regard to the reduction and the elimination of duties on semi-processed and processed products. These statements were welcomed by the Committee and the hope was expressed that any problems in moving ahead with the implementation of the ministerial Conclusions, could soon be resolved.

(vi) **Progressive reduction of internal fiscal charges and revenue duties**

The Committee welcomed the initiative taken by Sweden to abolish internal fiscal charges on coffee with effect from 1 January 1964. Disappointment was expressed, however, that no progress in the removal or reduction of such charges had been reported by the few remaining industrialized GATT countries still applying such charges.
General comments

The Committee welcomed the progress in the implementation of the Ministerial Conclusions relating to the Action Programme reported by the different countries. Nevertheless many members of the Committee felt that action taken since the ministerial meeting in implementing the various proposals of the Action Programme fell short of the action which contracting parties concerned might have been expected to take to give practical effect to the Conclusions of Ministers. They expressed the hope that additional measures to implement the Action Programme would soon be forthcoming and that such progress would promptly be notified to the Action Committee. Particularly the hope expressed that those governments which had failed so far to submit progress reports would do so in the near future.
B. Other positive measures to assist the development and expansion of trade of less-developed countries

The terms of reference of the Committee provide that, in addition to assisting the CONTRACTING PARTIES in the implementation of the Programme of Action, the Committee should, as appropriate, initiate, process and co-ordinate further positive measures mentioned in the Conclusions adopted by Ministers to help developing economies to strengthen their production potential and export capacity in order that the expansion of international trade may contribute to their economic development. The Committee recalled that the first seven points of the Action Programme, providing a procedure for the reduction and elimination of barriers to trade, had been conceived as a minimum programme and that in addressing themselves to the eighth point of the Action Programme, Ministers had emphasized the need for positive measures other than the mere elimination of trade obstacles to achieve the common objective of a marked and rapid increase in the export earnings of the developing countries as a whole. Contracting parties had been invited in paragraph 4 of GATT/AIR/338, to report action they had taken to implement the ministerial Conclusions in this regard.

The representative of the Netherlands, speaking on behalf of the European Economic Community, referred to the proposals put forward earlier during the ministerial meeting by the French Minister that the possibility of rendering effective assistance to the development and expansion of export earnings might be achieved through the adoption of market organization schemes, such as had successfully been tried on the national level. Furthermore, the Belgian Minister had referred to measures for the development of the economies of less-developed countries through selective industrialization which might require the relaxation of the most-favoured-nation clause. The member governments of the European Economic Community had these proposals under consideration with a view to exploring all possibilities for giving them practical effect. The Committee expressed the hope that the European Economic Community would be in a position, at the next meeting of the Committee, to present concrete proposals regarding the ideas put forward during the ministerial meeting and referred to above.
The Committee also took note of certain specific suggestions presented by the representative of Israel on measures which industrialized countries might take to make a positive contribution towards the expansion of exports of the less-developed countries. The measures proposed by the Israeli representative for consideration by the Committee with a view to early action on these proposals are set out in detail in document AC/W/2. In short, the four areas proposed for action by the CONTRACTING PARTIES are:

(i) the provision of export risk insurance cover by industrialized countries for exports of less-developed countries;

(ii) the provision of export assistance funds by industrialized countries, derived from customs duty receipts on imports from less-developed countries;

(iii) assistance to be provided by industrialized countries for marketing and export promotion activities of less-developed countries; and

(iv) the establishment of machinery to assist, where required, industries in importing countries to adjust to the changing pattern of trade and increasing import competition from developing countries.

In further discussion under this heading of measures which could be expected to make a positive contribution to the expansion of export earnings of less-developed countries, the representative of Tunisia pointed to the advantages which would be derived from an enlargement of the number of participants, importing and exporting countries, in international commodity arrangements and of an extension of the period of validity of these arrangements. Another factor to be taken into account in implementing such arrangements would be to correlate the arrangements with national development plans. The full text of the statement by the representative of Tunisia, also containing a proposal for the setting up of an insurance fund for the stabilization of export earnings, is contained in document AC/W/3.

Emphasizing that the request of the developing countries for tariff preferences for their industrial products should be considered as a part of the Action Programme itself, and although recognizing that this question was to be taken up in other bodies of the GATT, the representative of Yugoslavia made the following specific suggestions:
(a) the Action Committee should consider proposing to the CONTRACTING PARTIES that preferential treatment for industrial goods of developing countries be a specific subject to be decided upon in the forthcoming trade negotiations;

(b) the Action Committee should explore the possibility of establishing a list of industrial products of particular interest to developing countries to be submitted in connexion with the new round of trade negotiations, with a view to obtaining preferential access for these products to the markets of industrialized countries.

Positive action by contracting parties on the proposal for preferential treatment of exports of manufactured and semi-manufactured products of less-developed countries was strongly supported by the United Arab Republic. The representative of the United Arab Republic pointed out that, even if the Programme of Action was implemented in full and within the delays foreseen, it would not be sufficient to stop or reverse the trend of the widening gap between the income of industrialized and less-developed countries. Another area of work which would require careful consideration was the financing of the expansion of trade of less-developed countries, referred to in the Ministerial Conclusions.

III. Work Programme and Procedures

A. Implementation of the Conclusions of Ministers relating to the elimination of barriers to trade (points (i) to (vii) of the Action Programme)

In carrying out work to be done under this heading the Committee will be assisted by Sub-Committee 1. (See under C below.)

1. The Committee decided that, in accordance with its terms of reference, it should follow closely the progress made by contracting parties in implementing the Action Programme, and to take any action necessary to speed progress in the implementation of the Ministerial Conclusions.
To facilitate the Committee's task, progress by contracting parties in the implementation of the Action Programme should be notified to the secretariat as quickly as possible. Further, taking account of the experience gained in the first examination of progress carried out by the Committee (summarized in Part II(A) above), it was agreed that in accordance with the requirement in point (vii) of the Action Programme which calls for a report by contracting parties in July of each year on the progress made and action to be taken during the next twelve months, contracting parties should be invited to submit each year a comprehensive report indicating the present position and, where appropriate, the measures they have taken with respect to each of the points of the Action Programme. In addition, contracting parties should provide the sub-committee with any information which might be required for carrying out the task assigned to it by the Committee. Contracting parties should be prepared to consult with the Committee about the reasons of any delay in the implementation of the Action Programme.

In reviewing progress made, the Committee will have to take into account the programme of work of Committee III. Particularly as regards the review of quantitative restrictions it should be borne in mind that the review of progress by Committee III has traditionally covered all GATT countries, less-developed countries as well as industrialized countries, and all quantitative restrictions, whether inconsistent with the GATT or not. The Committee will make the necessary arrangements to avoid duplication of effort.

The Committee agreed that, apart from reviewing progress in the implementation of the Action Programme reported by contracting parties it should concentrate its work on action conducive to the early removal of the remaining obstacles to an expansion of the export earnings of less-developed countries set out below.
(a) "Hard-core" restrictions

The Committee will keep progress in the removal of such restrictions under constant review and will continue to press for the elimination of any remaining restrictions. The Committee felt that with respect to items still subject to restrictions after 31 December 1963, contracting parties concerned should be prepared to consult with the sub-committee regarding the reasons causing the delay in import liberalization. The secretariat was instructed to prepare for the Committee a report setting out the actual position as regards the maintenance of restrictions by industrialized countries on items examined by Committee III.

(b) Tariff barriers on processed and semi-processed products

The Committee agreed that under this heading it would have to follow closely the work in progress or to be undertaken in the near future in other bodies of the GATT in preparing for the next round of trade negotiations. The Committee welcomed the indications given by some industrialized countries during the course of the meeting that their governments did not envisage including the products identified by Committee III as being of particular export interest to the less-developed countries in their exception lists. The Committee expressed the hope that other industrialized countries would soon be in a position to give a similar indication as their preparations for the trade negotiations proceeded.

(c) Internal fiscal charges and revenue duties

As regards the removal or reduction of internal fiscal charges and revenue duties, the Committee recalled that with respect to coffee and cocoa, contracting parties had envisaged to take action designed to achieve the objectives of the Action Programme in the context of international agreements. The Committee noted that since the ministerial meeting the International Coffee Agreement had entered into operation, and that negotiations leading to an International Cocoa Agreement were scheduled to start very soon. In view of the great importance of a satisfactory solution to the problems affecting trade and production in these products being reached, the Committee instructed the sub-committee to
follow closely the progress being made in negotiating the International Cocoa Agreement with a view to ensuring that the Conclusions by Ministers in this regard would be implemented at an early date. The Committee further decided that the sub-committee should observe closely the implementation of the provisions of the International Coffee Agreement as they relate to action envisaged under this heading and report on the progress made to the Committee. A report would also be expected on the progress made in the negotiation of the International Cocoa Agreement.

B. Implementation of the Conclusions of Ministers relating to point (viii) of the Action Programme

In carrying out the work to be done under this heading the Committee will be assisted by Sub-Committee 2.

The Committee underlined the great importance it attached to progress being made under this heading.

The Committee agreed that in view of the multitude of problems facing less-developed countries in the field of trade and development, it would not be desirable to attempt, at this stage, a definition of the different areas of work which the Committee should examine. Nevertheless, there were a number of problems which had engaged the special attention of contracting parties during the ministerial discussion or had been specifically referred to in the discussion on the implementation of point (viii) of the Action Programme reported under Section II B above, some of these were problems which were not adequately dealt with in other bodies of the GATT or which seemed to require close scrutiny by the Action Committee. With respect to the latter group of problems, the Committee agreed that it should follow closely the work of the Working Group on Preferences and of the Committee on the Legal and Institutional Framework of the GATT and where necessary elaborate proposals, recommendations and suggestions designed to assist these groups in their work.
As regards a number of other proposals namely:

(a) an examination of assistance in export promotion schemes which industrialized countries could render to less-developed countries;

(b) examination of possibilities to extend the activities of GATT to embrace the financing aspect to bridge the gap between export proceeds and import requirements;

(c) possibilities for assisting the expansion of trade and economic development of less-developed countries by extending the participation in and the period of validity of international commodity arrangements, and relating such arrangements to national development plans.

(d) examination of possibilities for developing countries to increase their export earnings through the operation of market organization schemes;

(e) examination of possibilities for less-developed countries to expand and diversify production and trade through the application of measures designed to encourage selective industrialization.

The Committee recalled that work on these or on closely related subjects had been or was being undertaken by Committee III and suggested that these proposals might, in the first instance, be taken up in Committee III, to avoid duplication and to take advantage of the experience of Committee III in this regard.
C. Measures to speed the implementation of the Action Programme

In order to ensure maximum efficiency in the work of the Committee at all times, it was decided to set up three sub-committees to deal with the three major areas of work to be undertaken under the initial work programme of the Committee.

The Committee agreed that the individual members of the three sub-committees should be designated by their respective governments but that they should consider themselves as representatives of the Action Committee rather than as governmental representatives.

Membership and Terms of Reference of Sub-Committees 1, 2 and 3 of the Action Committee

Sub-Committee 1

Terms of reference:

- To assist the Action Committee in its task of implementing points (i) to (vii) of the Action Programme
- To undertake any other task assigned to it by the Committee
- To report to the Action Committee on the carrying out of its mandate

[Suggested membership]

EEC Japan Nigeria Indonesia
Canada Pakistan Yugoslavia

Chairman:

Sub-Committee 2

Terms of reference:

- To assist the Action Committee in its task of implementing point (viii) of the Action Programme
- To undertake any other work assigned to it by the Committee
- To report to the Action Committee

[Suggested membership]

Sweden EEC Upper Volta
United States United Kingdom Brazil
United Arab Republic Israel
Sub-Committee 3

Terms of reference:

- To follow the work and maintain liaison with the various bodies of the CONTRACTING PARTIES and other international organizations engaged in work of direct relevance to the Action Committee

- To undertake any other task assigned to it by the Committee

- To report to the Action Committee on the carrying out of its mandate.

[Suggested membership]