In my statements to Committee III, I explained our point of view concerning granting preferences to less-developed countries. I said in brief:

1. That Ministers in their meeting in November 1961 recommended less-developed countries, if the needs for enlarged and diversified export trade are to be met, to develop trade in other than traditional products and they recognized that it is desirable that those countries possessing the necessary materials and skills be provided with increased opportunities to sell in the world markets the industrial goods which they can economically produce. The Ministers urged in their recommendation governments to give special attention to ways of enlarging these opportunities.

2. That this advice was carried out through the United Arab Republic plans of development and that we are expecting to improve and expand our production of semi-processed and manufactured goods. I would like to add here that through the last eleven years 727 new industrial projects have been completed, and the cost of many of these projects exceeded one million pounds sterling. The iron and steel plant cost 27.5 million pounds. Our exports of these goods were in 1952 7.2 per cent, in 1959 14.7 per cent, in 1960 15.4 per cent and in 1961 18.3 per cent of our total exports. We are expecting to improve and expand our production of these goods, but all those efforts are, in fact, hampered by the tremendous increase of our population, and we are always racing with this increase. We have to do our best to keep these projects working and absorbing the increase of our labourers. The only way to keep these projects working is to export their products. If we fail to do this, we will be compelled to liquidate them and thus we will be faced with a disastrous unemployment situation.

3. This situation would have a serious reaction on us and on other similar developing countries, Members of the GATT, who would be compelled to liquidate their infant industries and thus all their developing projects would collapse if a solution is not to be found.

4. I said that less-developed countries are not in a position to formulate free-trade areas or customs unions between themselves and therefore we proposed to go step by step on the way of organizing such groupings without harming their economies.
5. Lastly I asked the Committee to include in the agenda proposed to the Ministers, this idea of granting preferences on selected products, by less-developed countries to all other less-developed countries.

6. The Ministers agreed after discussions to establish a working group to study our proposal and also the proposal submitted by the representative of India which read as follows:

"The granting of preferences of selected products by industrialized countries to less-developed countries as a whole."

This we fully endorsed in the ministerial meeting's discussions.

7. Fortunately the two ideas are becoming increasingly recognized by many international forums.

8. A study in the Joint Economic Committee of the Congress of the United States has suggested that under special circumstances the less-developed countries may be granted greater tariff concessions than the industrially developed countries in respect of the same product. Such action, however, should in their opinion, be taken on a multilateral basis in co-operation with other developed countries.

9. In the United Nations Economic Survey of Europe in 1960, it was mentioned that in view of the very small proportion of total imports of manufactures supplied from the developing countries, that the developed countries might agree to abolish all tariffs and other restrictions on such imports of manufactures from developing countries as did not in any year exceed, say 3 to 5 per cent of total imports in the previous years in the particular commodity group concerned. So long as imports from any individual country remained below this limit they would be admitted freely. Tariff and quota restrictions would come into effect only when this limit was exceeded. This limited preferential treatment, would, it is held, not create market disruption. Furthermore it might stimulate foreign investment in the developing countries.

10. At the ministerial meeting of GATT on 17 May 1963 Mr. Brasseur, Minister for External Trade and Technical Assistant of Belgium advised certain ideas. He said inter alia:

"It would be of interest to GATT to see if the development of competitive industries cannot be encouraged by establishing in common a new form of support in this order of ideas. The industrial countries should consent to reduce import duties on certain industrial products coming from various..."
developing countries for a sufficient period to enable the industries of these countries to adapt themselves to conditions of international competition. In order to encourage the industries enjoying such privileged treatment to make the necessary effort, provisions should be made for the progressive relaxation of this preferential system, until it disappeared completely after a certain number of years as a parallel and supplementary measure, the protection which these industries would enjoy on their domestic market - and this protection might be very high or even absolute in the initial stages - should gradually decline to a level which while affording them a reasonable margin of security would expose to international competition as soon as they slackened their efforts to maintain the high level of productivity."

11. In the report of the Preparatory Committee of the United Nations Conference on Trade and Development on its second session, document E/3799, the Committee said in item 21:

"It was generally agreed by representatives of both developed and developing countries that the developing countries cannot expect to grant full reciprocity for trade concessions granted to them by the industrialized countries."

12. Item 31 contained a comprehensive list of suggested studies which will be prepared by the Secretary General of the conference, sub-item 3 stated:

"The desirability and feasability of developed countries granting preferential treatment to imports from developing countries and the possibility of developing countries granting reciprocal preferences between one and another, this study is to include legal and technical aspects."
13. In Item 95 the report said that the following proposals for action or negotiations of lines along which solutions may be sought were put forward. Between those proposals, sub-item III stated:

"Governments of developed countries and the original groupings to which they belong should consider the granting of preferential tariff and quota treatment to the exports of manufactures from the developing countries."

14. Mr. Wodak, the representative of Austria, in the Economic and Social Council in the session of 11 July said:

"Proposals had been made for the adoption of a trade policy which would permit developing countries to compete on the markets of industrialized countries on equal terms. His Government was prepared to make its contribution to such efforts, which could prove effective only if a large number of governments participated in them.

"The fullest attention should be given to the strengthening of economic relations between the developing countries."

15. One can ask why the principle of granting preferences to products of less-developed countries is becoming increasingly recognized. In our opinion this is due to a continual deterioration in the situation of less-developed countries. The terms of trade of the developing countries deteriorated by 9 per cent in 1960 as against 1950. Those unfavourable trends had reduced the share of the developing countries in world trade from about one third in 1950 to less than one fifth in 1960; while the share of the advanced countries had increased from three fifths to two thirds in the same period. This deterioration has lately been recognized by all international organizations and especially by GATT. For example, agricultural production in ECAFE countries had achieved last year less than a 1 per cent increase. That was a serious matter, since population had increased at a rate of 2.5 per cent per annum. The per capita availability of food had declined and those countries were therefore extremely interested in the World Food Congress, the Freedom from Hunger Campaign and the World Food Programme. The same situation occurred in African countries.

16. Many actions had been taken lately in many international forums to remedy this alarming situation. The United Nations Assembly has decided to organize the Developing Decade so as to achieve a minimum annual rate of growth in the aggregate national income of 5 per cent at the end of the decade. At that rate per capita income could be doubled in one generation or in twenty-five to thirty years. It was said that this estimate had not borne out the most recent
information on demographic trends and that according to the information of population censuses, the national population growth in many less-developed countries had been much higher and stood at 3 to 3.5 per cent per year. This meant that even if the objectives of the Development Decade were achieved, the developing countries concerned would have to wait forty to fifty years before their income was doubled.

17. In these countries annual income would reach approximately $200 per person in about half a century, whereas income in industrial countries, by that time, would be $5,000 or more. This means that even the objectives of the Development Decade fall far behind the minimum requirements of less-developed countries.

18. In the ministerial meeting GATT approved the Programme of Action submitted by less-developed countries but still many countries considered this 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 difficulties stated by some industrialized countries and other responsibilities in the GATT. For all these reasons, urgent consideration of the adoption of other measures is to be taken.

19. Our important problem is how to acquire enough foreign exchange to buy capital and other goods we need from highly developed countries. Undoubtedly, each country must mainly achieve self reliance by exporting enough to meet all its import requirements. According to the recent Economic Survey of Europe, it had been estimated that the exports of less-developed countries would have to rise from the current figure of approximately 20 billion dollars to about 60 billion dollars by 1980. Even if about 10 billion dollars in capital were available to those countries the above estimate would imply that they would have to increase their aggregate exports more than two and a half times in twenty years. Since it was unlikely that that expansion could be achieved, the Economic Survey of Europe concluded that a substantial part of the increased exports would have to be in the form of manufactures, including processed materials.
20. We are convinced that the time has come, when, as a part of the strategy of GATT, the CONTRACTING PARTIES have to accept the principle of granting exports from less-developed countries preferential treatment. In our opinion there are two ways by which products of less-developed countries could be granted preferences:

(1) Highly industrialized countries agree to grant semi-processed and manufactured goods of less-developed countries preferential treatment. We have to decide here what preferences are to be granted to those products of less-developed countries and to generalize these preferences to all products of less-developed countries without any discrimination. I previously mentioned the opinion of Minister Brasseur in this connexion; there may be other suggestions. We welcome any idea which may enable us to expand our products of semi-processed and manufactured goods in highly developed markets, by granting them preferences, because our semi-processed and manufactured goods cannot by any means compete, and as Mr. Brasseur has said, they will never harm the economy of these wealthy countries.

21. I suggest for discussion, that preferences would be the following:

To grant semi-processed and manufactured products of less-developed countries 50 per cent over and above the percentage which is going to be agreed upon in the forthcoming Trade Conference by the highly developed countries.

(2) To grant preferences on selected products by less-developed countries to other less-developed countries. As I have already said, we can go step by step, this means,

(a) Agree between less-developed countries upon items to which they would like to grant preferences in their markets.

(b) To limit, as a step, these preferences on a geographical basis. This proposal will be in line with the decisions of the Summit Conference of Independent African States held in Addis Ababa in May 1963, in which they said in their resolutions, inter alia:

"Resolves to:

1. Appoint pending the establishment of the Economic Commission of the organization, a preparatory economic committee to study, in collaboration with governments and in consultation with the Economic Commission for Africa, inter alia the following questions and submit their findings to Member States.

(a) the possibility of establishing a free trade area between the various African countries."
(b) the establishment of a common external tariff to protect the emergent industries and the setting up of a raw material price stabilization fund."

(c) That preferences exchanged between less-developed countries are not to be less than preferences granted to any other country or group of countries.

22. Before I terminate my statement I would like to say that we are open-minded regarding what we have already suggested as ways and means of granting preferences to semi-manufactured and manufactured goods.