Committee III - Expansion of Trade

DRAFT REPORT

Insertions and Redrafts

1. Page 6, paragraph 14:

   After insert ending "from overseas sales", insert in place of existing text, the following revised text:

   "In this connexion it was also pointed out that the industrialized countries should, in framing their production policies take account of the need for providing larger outlets for the exports of the less-developed countries. Industrialized countries recognized that, in addition to action along the lines envisaged under points (i) to (vii), urgent consideration by the CONTRACTING PARTIES would have to be given to other measures aiming at improving the trading opportunities for less-developed countries if a sound and lasting solution to their trade and development problems was to be found. The fundamental need of the less-developed countries in the field of trade was to achieve an increase in their export earnings. Under present conditions whereby 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. Discussion in the GATT itself, for example the discussion on commodity problems during the twentieth session, and discussion in other international bodies had shown that unless effective joint action, for instance by way of commodity agreements, were taken, there appeared to be no basis for expecting any substantial favourable change in the level of export prices of primary products relative to prices of manufactured products. It was also accepted that in the longer term there was a vital need for the less-developed countries to diversify and broaden their economies in order to overcome their balance-of-payments problems and achieve higher living standards. The industrialized countries, the Committee agreed, should assist in this process by providing the greatest possible degree of access for processed and manufactured products from the less-developed countries. It was recognized that these were matters of justified concern to less-developed countries."
Page 13, paragraph 10

Delete the second sentence of the existing text and replace it by the following:

"It was recognized that the study was of a preliminary nature and the industrialized countries in particular considered that further and more extensive analysis was necessary before general conclusions could be drawn. However, in the opinion of the less-developed countries, the study tended to confirm their contention that, first, for a number of countries, the general average of the duties on items, identified in the study as being of peculiar interest to the less-developed countries, tended to be higher than those on items traded principally between industrialized countries and that, secondly, the less-developed countries had not benefited greatly from the last round of tariff negotiations."

Page 17, paragraph 27

Text proposed by the representatives of Nigeria:

"The Committee noted than an examination of the problems involved in granting duty-free entry for tropical products had been carried out on some products by the Sub-Group on Tropical Products. The Committee noted the pertinent parts of the report (L/1984) in particular the conclusions, wherein were designated the areas in which implementation of this proposal would appear to be possible and those in respect of which further studies are considered necessary. In the former case, some countries receiving preferences on the products, indicated that they would not be unwilling to forego the preferences in order to achieve duty-free entry for these products."
B. FUTURE WORK OF THE COMMITTEE

1. It is the intention of the Committee to continue to give priority to the elimination of barriers to the trade of less-developed countries. The direction of the Committee's work, in this respect, will to a very large extent be guided by the proposed programme of action and the views set forth thereon in section IA of this report. In addition it is the intention of the Committee to consider an enlargement of the list of products studied in order to broaden the area of trade subject to this programme.

2. The Committee also intends to consider whether in the light of suggestions put forward by the Executive Secretary (see COM.III/III), the Committee's objectives can be further facilitated by extending the existing work programme, in collaboration with other international agencies, particularly the IBRD and the OECD, through the adoption of concerted and systematic studies of trade and aid relationships in individual less-developed GATT countries aimed at obtaining a clear analysis of export potential, market prospects, and any future action that may be required to overcome any difficulties that the studies reveal. Action of this kind would make it possible for the GATT to assist in bringing about closer collaboration in the trade and aid fields.

3. Under point (viii) of the proposals referred to in section A above, the Committee has before it certain suggestions which have been made relating to additional measures which might be studied including measures in relation to improved conditions of access for the exports of less-developed countries and joint action aimed at improving the terms of trade of such countries.

4. The question has now been raised whether the authority of GATT in these fields might not be extended by the creation of a stronger institutional framework which would more adequately reflect the concerns and responsibilities of the CONTRACTING PARTIES in relation to the development of the trade of less-developed countries. Thus it has been pointed out that while many of the activities of the CONTRACTING PARTIES have their roots in specific Articles
of the General Agreement, certain important activities which are likewise
designed to further the objectives of the Agreement as set out in Article I,
are based on more general provisions relating to joint action. The question
has been raised whether in view of its significance and the emphasis the
CONTRACTING PARTIES now attach to furthering the development of trade of less-
developed countries, the provisions of the Agreement might not now be expanded
to make more specific provision for this important sector of the CONTRACTING
PARTIES' work.

5. In the light of the above considerations, the Committee has agreed that
it should proceed expeditiously with its current work programme including
consideration of an enlargement of the list of products studied by the Committee.
The Committee has noted the statement of the Executive Secretary as reproduced
in COM.III/111 and welcomes the co-operation offered by the IBRD and the OECD
in respect of future activities of the Committee.

6. The Committee agrees that consideration should be given as soon as possible
to the suggestions which have been made during the discussion of the Committee's
future work and the implication of such suggestions.
The following text should be inserted after paragraph 37 of Spec(63)^44:

**IV. FUTURE WORK OF THE COMMITTEE**

38. The Committee discussed the statement by the Executive Secretary on the direction in which its work might be developed. The full text of this statement has been circulated as COM.III/111. In it the Executive Secretary drew a distinction between what might be called the "conventional" and "non-conventional" aspects of the Committee's work, and suggested that Committee III might further develop the second of these by preparing, in co-operation with the International Bank and the OECD, basic papers on all less-developed GATT countries which would contain tentative import/export balance sheets and would indicate the export potential of the country and its likely demand for imports. On the basis of these papers it should be possible to identify the areas in which export potential could most usefully be developed. Such information would no doubt be valuable to the leading agencies. After the completion of this exercise it would be the rôle of GATT to use its authority to ensure conditions in the world market which would enable such export potential, when it is developed, to express itself in terms of exports and not to be frustrated by import restrictions, high tariffs or other protective devices.

38(a) It was the feeling of the Committee that the "conventional" and "non-conventional" work being undertaken should be regarded as two facets of the same problem. It was agreed that in his statement the Executive Secretary had reflected a fairly widespread feeling that the Committee had made considerable progress in the identification of barriers to the exports of the less-developed countries. Delegations felt that positive action should now be taken to eliminate these barriers. The Committee agreed in principle that a complementary approach should be developed to the problem of expanding the export earnings of the less-developed countries along the lines proposed by the Executive Secretary, although it was pointed out that further study would be necessary before the precise contribution of the GATT could be defined. It was understood
that this should not divert attention from the points already identified by the Committee and the need for action in the light of the proposals to be put before Ministers. It was precisely because effective action was anticipated that it was felt that attention should be given to the development of further concepts.

38(b) The Committee welcomed the possibility of co-operation with the International Bank for Reconstruction and Development and the Organisation for Economic Cooperation and Development and agreed that, when thought was given to the ideas given by the Executive Secretary, work done by other organizations including the United Nations and its regional commissions should be taken into account.

38(c) It was felt that the preparation of the background documentation for the Special Group on Trade in Tropical Products has demonstrated the value of papers examining the position of individual less-developed countries and there was wide agreement on the usefulness of the country papers to which the Executive Secretary had referred in his statement. It was pointed out that in the preparation of the papers the secretariat would have to take into account all aspects of the economy of the countries concerned. However, it could be expected that for many less-developed countries considerable work would already have been done in analyzing potential export capability. It was suggested that studies might also be undertaken on the effect of industrialized countries of the removal of barriers to the manufactured exports of the less-developed countries.

38(d) Attention had already been drawn at the current meeting of the Committee to the importance of fluctuations in commodity prices and to the possibility of joint action aimed at improving the terms of trade of the less-developed countries. The question of the possibility of creating new preferential arrangements designed to enable the less-developed countries to enter import markets on terms of equality had also been raised during the discussion of point (viii) of the proposed Programme of Action. It was noted that, when
outlining their position on the Programme of Action sponsored by twenty-one GATT countries, industrialized countries had stated that acceptance of any of the points contained in the Programme would be without prejudice to rights and obligations under the General Agreement. It was suggested that the time might now be opportune for the establishment of a positive institutional framework which would more adequately reflect the concerns and responsibilities of the CONTRACTING PARTIES in relation to the development of the trade of less-developed countries. Reference was made in this connexion to the type of provisions contained in Chapter III of the Havana Charter. It was pointed out that although the Committee's work was designed to further the stated objectives of the CONTRACTING PARTIES the General Agreement contained no specific provisions covering this field of activity. It was, therefore, suggested that consideration should be given to an expansion of the provisions of the Agreement to make more specific provision for this important aspect of the CONTRACTING PARTIES' work. Such an initiative would extend the authority of the GATT and demonstrate its essential dynamism.