ITEM I OF AGENDA

Note by Secretariat for Drafting Group

The attached note, which has been prepared by the secretariat from the agenda contained in MIN(63)1, is intended simply to constitute the basis for the substantive discussion in the Drafting Group and to indicate the form and structure that the draft conclusions which the Group will finally submit for the consideration of Ministers might take.
Measures for the Expansion of Trade of Developing Countries as a Means of Furthering their Economic Development

Draft Conclusions

The Ministers during their meeting 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 and of the Special Group on Trade in Tropical Products. The Special Group, in its discussions, had taken fully into account the fact that most Ministers agreed at their ministerial meeting in November 1961 that the proposal put forward by Nigeria for duty-free entry for tropical products should be given careful consideration.

The Ministers reached agreement on the following programme of action:

A. Trade in products considered by Committee III, other than tropical products

(i) Standstill provision

The Ministers agreed that 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 they would particularly mention barriers of a discriminatory nature.

Industrialized countries indicated that they would use their best endeavours to maintain the standstill in full, although situations might arise where there could be a compelling need for limited exceptions.

(ii) Elimination of quantitative restrictions

The Ministers agreed that 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
will be progressively reduced and eliminated by 31 December 1965.

The industrialized countries confirmed that it was their intention
to remove quantitative restrictions, maintained inconsistently with
the GATT, as soon as possible. Most industrialized countries maintaining
such restrictions agreed that they would achieve the target date of
31 December 1965.

(iii) Duty-free entry for tropical products

(iv) Elimination of tariffs on primary products

The Ministers agreed that industrialized countries shall eliminate
customs tariffs on the primary products important in the trade of less-
developed countries.

Industrialized countries indicated that they could agree to work
towards the elimination, or where this was not possible, at least toward
the substantial reduction of tariffs on these products. While not ruling
out earlier action, these countries indicated that they expected these
products to be the subject of tariff reductions within the framework of
the proposed tariff negotiations.

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

The Ministers agreed that 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.

The industrialized countries noted that this proposal was on the
same lines as the working hypothesis of a 50 per cent linear tariff cut
which had been adopted in the Working Party on Procedures for Tariff
Reduction at its meeting from 18-29 March 1963. The industrialized

1 See page 7 below.
countries indicated that, while not precluding action in advance of the tariff negotiations, they would be prepared to ensure, as far as possible, that products covered by the proposal would be included in their offer lists in the proposed tariff negotiations and not be excepted from such negotiations.

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

The Ministers agreed that 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.

While most industrialized countries indicated that they would not have difficulty in accepting this proposal and urged appropriate joint action in this field, others indicated that acceptance of the proposal continued to give them major difficulty. In view of the lack of agreement in this question the Committee considers that Ministers should be asked to give this problem special consideration.

(vii) Reporting procedure

The Ministers agreed that:

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.

In drawing up the record of the views expressed on the individual points, representatives of industrialized countries had further in mind, that, as stated by the sponsoring countries, acceptance of the proposed programme of action would be without prejudice to the rights and obligations of contracting parties under the provisions of the General Agreement, under arrangements negotiated within the framework of GATT or covered by international commodity agreements. It was further understood that, where action under the programme would affect the
interests of third countries, as under preferential arrangements, action by
countries granting such preferences would depend, *inter alia*, on the consent
of the trade partners concerned. Finally, it was the understanding of the
Committee that the programme of action related to the products covered by
Lists I and III examined by the Committee and those examined by the Special
Group on Tropical Products, with limited exceptions where, for the products
concerned, action of the type envisaged under the different headings could not
be expected to benefit the less-developed countries. The Committee agreed that
the programme of action, if adopted, might subsequently be extended to an
enlarged list of products to be agreed upon.}

Moreover, Ministers may wish to consider, in particular:

(a) agreement on elimination of quantitative restrictions on products
in respect of which some industrialized countries have indicated
difficulty in meeting the target date of 31 December 1965;

(b) agreement on action to suspend or reduce tariffs on products of
interest to less-developed countries wherever possible in advance of
multilateral tariff negotiations;

and also the following points which are submitted and stressed by a number of
delегations:

(c) agreement on accelerating implementation of tariff cuts on products
of interest to less-developed countries which are agreed in the course
of multilateral GATT negotiations;

(d) acceptance of the principles that products of particular interest to
less-developed countries will not appear in the list of items excluded
from the scope of tariff concessions.
B. Trade in tropical products

General conclusions

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, in the interval before action is taken to remove the existing trade barriers, there should be a "standstill" and governments should refrain as far as possible from any measures which might represent an intensification or extension of these barriers. If, in fact, a government felt that it had to take any measures of this kind, it should have prior consultations with the exporting countries mainly interested in trade in the product concerned;

(d) gave special attention to the problem of revenue duties and internal charges, with particular regard to the difficulties which have delayed the implementation of the relevant part of the Ministerial Declaration of November 1961 and to the steps which need to be taken to speed up such implementation;

(e) decided that, where this had not already been done by prior action - and the desirability of such action was recognized - barriers to trade and restraints on consumption of tropical products should be dealt with in the context of the forthcoming GATT trade negotiations.

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. Representatives of States associated with the Community stated that their delegations supported the removal of revenue duties and internal charges. The States associated with the EEC and the Community itself 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 the meantime such freedom should only be implemented gradually, to the extent compatible with the existing situation and the specific needs of some of the countries concerned, in order not to hinder their economic development on a sound and balanced basis, until such time as their full integration into the world economy could be effected without harmful consequences.

The Ministers, other than those of the EEC and the States associated with the Community, sympathized with these considerations, but believed that the general conclusions above could be implemented in a manner which took these considerations duly into account.

Conclusions on individual products

Cocoa

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.

The Ministers of the Community and of the associated States stated that the work of the Sub-Group 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 had shown. They suggested that, in the circumstances, the Special Group should recommend that the Ministers confirm 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

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.

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, wherever possible, by the end of 1965;

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

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.

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

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.

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.

The States associated with the EEC and 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, the Group should
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.7

Tea

The Ministers agreed that the customs duty on tea should be removed with the least possible delay and, if practicable, before the end of 1963. 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 such taxes.7

Tropical timber

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

The Ministers agreed that industrialized countries, in framing their policies which affect the pattern of production, should take full account of the need to facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

The Ministers agreed that certain suggestions for preferences which had been put forward in Committee III, designed to improve the conditions of access for the exports of less-developed countries, should be further studied and that the Executive Secretary should be requested to make arrangements for such study to be carried out. The suggestions concerned are the following:

(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.
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 and systematic 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.

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 and agreed that a working party should be established with instructions to report to the twenty-first session.