1. The Group of Experts on Financial Assistance which originated in a proposal put forward by the Minister of the United Arab Republic at the Ministerial meeting in May 1963, was established subsequent to a suggestion made by certain Ministers (MIN(63)7, para.27). This suggestion was placed before the first meeting in September 1963, of the Action Committee which decided that the question should, in the first instance, be taken up by Committee III (AC/3, para.33).

2. At its meeting on 21 - 31 October, Committee III, examining the problem of trade aid relationship, recommended the establishment of a small expert group. (L/2080, paras.26, 27 and 30).

3. Committee III agreed that the terms of reference of the expert group should be as follows (L/2080, para.34):

   - taking into account the request contained in the Conclusions of Ministers (MIN(63)7, para.27);
   - considering the work which has already been done in other international and inter-governmental agencies;
   - taking into account the discussion in Committee III of the proposals made in this regard;
   - to study the role of GATT in regard to the problems of relationship between trade and financial assistance;
   - to report to the Council.

4. The following membership of the expert group was agreed upon:

    United Arab Republic  United States
    Argentina              United Kingdom
    Ghana                  European Economic Community
    India                  Japan
5. Minister Paul Jolles, delegate of the Federal Council for Trade Agreements (Switzerland) was unanimously elected Chairman of the Group.

6. The Committee also agreed to invite representatives of the United Nations Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, and the Organization for Economic Co-operation and Development.

7. The meeting of the Expert Group was held on 27 - 29 January 1963. Observers from Czechoslovakia, Indonesia, Norway, Portugal, Switzerland and Sweden were also present.

8. The Group had before it a proposal by the United Arab Republic (reproduced as COM.III/125 and annexed to this report).

9. The proposal essentially envisaged:

- granting of "soft" long-term loans by the industrialized contracting parties to less-developed countries within the framework of bilateral agreements;
- effective ways and means of co-operation between the CONTRACTING PARTIES and the international lending agencies and the establishment of a trade insurance fund;
- the creation of an aid consortium under the auspices of GATT.

10. The expert from the United Arab Republic recognized that the proposal, as a whole, was only preliminary and would require a certain amount of further elaboration. It was, therefore, to be regarded as tentative but as having the definite aim of providing a basis for achieving concrete results. He stated that it was however not the intention of the proposal to convert the GATT into a lending agency.

11. His proposal was prompted by the serious problem facing the developing countries as a result of the inadequacy of their foreign exchange earnings, which is primarily a trade problem inasmuch as it reflects the need to fill the gap between export proceeds and import requirements. An urgent need, therefore, exists among developing countries for financing on terms other than conventional terms which do not bear heavily on their balance of payments and do not impair their ability to foster their trade with the highly industrialized countries.
12. The experts from Argentina, Ghana and India, welcoming the initiative taken by the United Arab Republic, underlined the urgent need for developing countries to bridge the gap between their export proceeds and import requirements. They stressed the importance of the relationship between trade and financial assistance and of the rôle that GATT could play in this field as a link between lenders and borrowers, and by studying the problems involved in adapting financial assistance to the trade structure of the receiving countries.

13. Experts from certain industrialized countries stated that their governments were conscious of the need to provide assistance on terms appropriate to the developing countries. In particular, the exports from the United States, the United Kingdom and the Federal Republic of Germany quoted figures showing the considerable assistance afforded by their respective governments in recent years, thus contributing to the basic objectives of the United Arab Republic's proposal.

14. Some experts also drew attention to the growing rôle private capital flows should play in the development of new export and import-saving industries, in particular through joint ventures which in addition to funds, provide technical and commercial know-how and thus stimulate trade.

15. At the same time, it was recognized that a number of points contained in the United Arab Republic's proposal would require further clarification and elaboration and that some of them would present certain difficulties in implementation, either because they had been the subject of detailed study for considerable time elsewhere and the Group did not think it possible, given the short time at its disposal, to enter into their substance; or because they would imply basic changes in the structure and operation of the General Agreement.

16. The expert from the United Arab Republic agreed that at this stage the discussion should be limited to a consideration of the basic objectives of his proposal, but wished to reserve himself the possibility to revert to his specific proposition at an appropriate time.
17. The Group unanimously agreed to concentrate its efforts on the basic questions of the rôle of the GATT in trade-aid relationships, which was the underlying objective of the proposal by the United Arab Republic.

18. The responsibilities with which the CONTRACTING PARTIES have recently entrusted GATT in the field of studies of development programmes would render an intensified collaboration between GATT and the lending agencies particularly fruitful.

19. In its work on development plans GATT should have regard to the prospects for - and barriers to - the potential as well as the existing exports of developing countries. At the present time, transfers of capital (public and private) make an essential contribution to development. It is, therefore, important, firstly, that development plans and projects should be drawn up in the fullest possible knowledge of the relevant trade considerations and secondly that, in considering financial assistance, account should be taken of the trade position and prospects of recipient countries as well as of other relevant factors.

20. The experts from the lending agencies, in particular the expert from the International Bank for Reconstruction and Development, expressed their broad agreement with the views stated above and declared their readiness to widen and intensify the collaboration already existing in this field, between GATT and their respective organizations.

21. This collaboration should not however be merely sporadic or restricted to the secretariat level. It should, on the contrary, take a permanent and systematic form. Further, the lending governments and agencies should, and would undoubtedly wish to, take into full account in their financial operations the relevant aspects of the discussions of the CONTRACTING PARTIES and their subsidiary bodies on development programmes and policies.

22. As regards the question of establishing a legal basis in the General Agreement for the CONTRACTING PARTIES activities in this field, reference was made to the Committee on the Legal and Institutional Framework who would undoubtedly wish to take into consideration the substantive points raised in this Group.