DRAFT REPORT OF SUB-COMMITTEE 2 OF THE ACTION COMMITTEE ON
THE MEETING OF 3 NOVEMBER 1964

1. Since last reporting to the Action Committee (see AC/8, Annex 1, paragraphs 17-19), Sub-Committee held a meeting on 3 November under the chairmanship of Mr. L. Rydfors of Sweden.¹

2. The Sub-Committee had before it a paper prepared by the secretariat which summarized the proposals made in relation to point (viii) of the Action Programme and also lists briefly action taken to date in the GATT on these proposals. (AC/SC2/1)

3. In accordance with its mandate the Sub-Committee addressed itself to the following major points:

A. Review of progress made in respect of proposals made in relation to point (viii) of the Action Programme; and

B. Consideration of any specific recommendations which the Sub-Committee would wish to make to the Action Committee.

A. Review of progress made in respect of proposals made in relation to point (viii) of the Action Programme

4. Briefly the Sub-Committee reviewed the following points which were specifically referred to in the ministerial Conclusions in relation to point (viii) of the Action Programme:

(a) Study of the grant of preferences to imports from less-developed countries;

(b) Adjustments in the structure and pattern of production and trade in the industrialized countries, to permit increasing import competition from less-developed countries;

¹ This was the second meeting of the Sub-Committee.
(c) Effective joint action to arrest the deterioration in the terms of trade of less-developed countries, and to eliminate excessive fluctuations in exports and export earnings, for instance through commodity agreements, price stabilization schemes, compensatory financing and market organization;

(d) Extension of Committee III's work in the field of trade and aid studies;

(e) Examination of means for financing the gap between export proceeds and import requirements of less-developed countries (including the possibility of providing loans on "soft terms");

(f) Study of, and possible amendment of, the legal and institutional framework of GATT;

(g) Establishment of a centre for trade information and market research within the framework of GATT.

(a) Study of the grant of preferences to imports from less-developed countries

5. The Sub-Committee did not enter into a detailed discussion of action to be taken under this point since the matter had been dealt with in the Working Party on Preferences. In view of the present status of work on this problem, members of the Sub-Committee suggested that it would be appropriate to consider any interim measures which might be adopted to assist exports from less-developed countries, until solutions in regard to the more general question of preferences in favour of less-developed countries could be found. It was recalled that at the last meeting of the Working Group on Preferences a number of countries had indicated that they intend to submit proposals regarding alternative or interim measures for examination (see also paragraph 15 below). It was also noted that proposals in regard to other special measures of assistance to exports of less-developed countries need not necessarily be linked with the examination of the question of preferences.
(b) Adjustments in the structure and pattern of production and trade in the industrialized countries, to permit increasing import competition from less-developed countries

6. This matter had been raised but not discussed in detail at the first meeting of the Sub-Committee. At that time the Sub-Committee agreed to give consideration, at a later date, to a proposal envisaging the establishment of a machinery to assist, where required, industries in industrialized countries to adjust to the changing pattern of trade and increasing import competition from developing countries. While recognizing the importance of action in this regard the Sub-Committee felt that it would not be in a position at its present meeting to enter into a substantive discussion. The Sub-Committee felt that such an examination, possibly in the envisaged Committee on Trade and Development, would be facilitated if the body concerned would have at its disposal a paper showing the measures in existence in the different countries for providing such adjustment assistance. The secretariat was instructed to prepare such a paper on the basis of material and data to be requested from contracting parties.

(c) Effective joint action to arrest the deterioration in the terms of trade of less-developed countries, and to eliminate excessive fluctuations in exports and export earnings, for instance through commodity agreements, price stabilization schemes, compensatory financing and market organization

7. At its past meeting the Sub-Committee had dealt briefly with one of the proposals for action in this field - market organization - referred to in the ministerial Conclusions (MIN(63)7, paragraph 6(a) and 26). Referring to the statement made at the first meeting (AC/8, Annex 1 paragraph 18), the spokesman for the EEC explained that although the general position of the EEC in regard to their earlier proposal had not changed, it had to be kept in mind that since that time this matter had also been discussed in other bodies and it may be necessary to await further clarification and elaboration of ideas in this field. At the present time it might therefore be advisable for the Sub-Committee simply to take note of the proposal so that suitable examination can be undertaken at the appropriate time. In connexion with the discussion on this item, the representative of Brazil invited attention to the various recommendations of the
United Nations Conference on Trade and Development. As the discussions at the UNCTAD indicated, the questions were highly complex and it might not be possible to treat this subject in sufficient detail in the Sub-Committee. As a general point it should, however, be possible for the CONTRACTING PARTIES to consider the possibility of follow-up action on such of the recommendations of the UNCTAD as fell within their competence or were addressed to them. The Sub-Committee noted that it might be useful for the secretariat to prepare a list of recommendations emanating from the UNCTAD and relating to point (viii) of the Action Programme which fell within this category but decided that since some of these recommendations would relate to matters not exclusively within the Sub-Committee's competence, the suggestion may be brought to the notice of the Action Committee for such action as may be considered appropriate.

(d) **Extension of Committee III's work in the field of trade and aid studies**

8. The Sub-Committee noted that this matter was expected to be taken up at the forthcoming meeting of Committee III to which the programme of studies had been entrusted. The Sub-Committee did not therefore discuss action under this heading.

(e) **Examination of means for financing the gap between export proceeds and import requirements of less-developed countries (including the possibility of providing loans on "soft terms")**

9. Following the last meeting of the Sub-Committee, possibilities for action in this field had been examined by a special expert group. The report of the expert group was submitted to the twenty-first session of the CONTRACTING PARTIES. The Sub-Committee did not consider it necessary to discuss this matter further.

(f) **Study of, and possible amendment of, the legal and institutional framework of GATT**

10. The Sub-Committee noted that a draft Model Chapter on Trade and Development had been drawn up and was being examined by governments. The matter will be taken up at the forthcoming special session of the CONTRACTING PARTIES.
(g) Establishment of a centre for trade information and market research within the framework of GATT

11. The Sub-Committee heard a short progress report from its Chairman regarding the work of the Trade Information Centre. The Sub-Committee noted that the special expert group set up to guide the establishment and operation of the Centre was expected to meet again early in 1965.

B. Consideration of any specific recommendations which the Sub-Committee would wish to make to the Action Committee

12. The Sub-Committee took note of a proposal made during the current meeting that the question of the simplification of export documents should be taken up in the GATT. The Sub-Committee agreed that this question could appropriately be taken up. It was suggested that since the envisaged Committee on Trade and Development might come into existence at an early date, the matter may be examined by that body.

13. In view of the complex nature of the proposals already under examination in various committees, the Sub-Committee did not think it advisable to examine in detail what further proposals might be drawn up for consideration by the Action Committee, or other appropriate bodies of the GATT. It was recalled however that in relation to the work being done on preferences it had been suggested that a procedure for the refund of customs duties by industrialized countries in respect of imports from less-developed countries might be adopted until long-term solutions were worked out.