SUB-COMMITTEE ON THE PARTICIPATION OF THE LESS-DEVELOPED COUNTRIES

DRAFT PARAGRAPHS FOR INCLUSION IN THE REPORT OF THE SUB-COMMITTEE

GENERAL

1. It was agreed by the Sub-Committee that, while less-developed countries participating in the negotiations should continue to play a full part in the work of the Trade Negotiations Committee and its other Sub-Committees, there was need for a body which could examine and call attention to any problem arising in the negotiations which was of special interest to the less-developed countries and which could act as a focal point for bringing all issues of interest to the less-developed countries together.

2. While some delegations suggested that a new body, in which all countries participating in the negotiations should be represented, should be set up for this purpose, the general feeling was that this task could be carried out by the existing Sub-Committee, it being noted in this connexion that membership of the Sub-Committee was open to all countries participating in the negotiations which requested membership.

EXCEPTIONS LISTS

3. The Sub-Committee agreed that products of special interest to the exports of the less-developed countries should not be included in exceptions lists except where their inclusion is necessitated by reasons of overriding national interest.¹

¹The Japanese delegation reserves its position on this paragraph.
The Sub-Committee agreed that, in identifying those products which were of special export interest to the less-developed countries, the products which are at present under consideration in Committee III should be used as a starting point, but that less-developed countries wishing attention to be given to other items should notify such additional items at a sufficiently early stage to enable account to be taken of them.

4. The United States and Indian delegations, supported by a number of other delegations, proposed that, where products of special interest to the exports of less-developed countries were, in the event, included in the exceptions lists of developed countries, arrangements for the process of confrontation and justification in relation to those products should be made by the body referred to in paragraph 1 above. It was also suggested that this body should make arrangements for a similar process of confrontation and justification in cases where developed countries included products of special interest to less-developed countries in the lists of products on which they proposed, under the rules governing tariff disparities, to reduce duties by less than 50 per cent.

5. The United Kingdom representative pointed out that the procedure to govern the process of confrontation and justification for the general exceptions to the linear cut had yet to be determined by the Trade Negotiations Committee. Furthermore, bearing in mind that it was generally understood that a contracting party would only table exceptions involving it in considerations of overriding national interest, there was no reason in logic to distinguish between the generality of exceptions and those of particular interest to the trade of less-developed countries. It might, therefore, be more appropriate for the Sub-Committee to draw the attention of the Trade Negotiations Committee to the close interest which developing countries will have in examining
exceptions items of particular interest to their trade and to suggest that representatives from the less-developed countries should be included in any body which it establishes to scrutinize exceptions lists.

6. The representative of the EEC while not being opposed to the first part of the proposal set out in paragraph 4, could equally accept the approach suggested by the United Kingdom representative, since it seemed more in conformity with the draft, for decision on 4 May next, set out in TN.64/SR.4, Section B4. As regards the second part of the proposal in paragraph 4, however, while the Community were prepared as a practical matter to hold discussions with third countries in certain circumstances on the inclusion of products in the list of those in respect of which the Community would be invoking the disparity rule, they could not agree to any formal procedure on this point.

**Possibilities of tariff reductions of more than 50 per cent on products of special interest to less-developed countries**

7. It was agreed that nothing in the Ministerial Resolution of 21 May 1963 precluded reductions in duties on particular products which were deeper than the percentage agreed for the general across-the-board linear cut tariffs. If, therefore, as was at present envisaged, it was agreed on May 4 next that the depth of the linear cut should be 50 per cent, this would not prevent deeper cuts in, or the complete elimination of, tariffs on products of special interest to less-developed countries.

8. The Sub-Committee noted further that all delegations were prepared to consider the possibility of such deeper cuts. The United States delegate referred in this connexion to the authority .............
9. Delegations of certain less-developed countries suggested that specific rules should be established to this end, providing for example for zero duties on certain classes of products (for example, raw materials, tropical products and hand-made and other highly labour-intensive products) and establishing a maximum level, related to the duties on finished manufactures, for the duties on semi-processed products. Delegations of developed countries, however, felt that a more pragmatic approach to this question would be more practical and more effective. It was generally agreed that the first step would be for less-developed countries to identify the products where they considered deeper cuts necessary, and that procedures should be worked out for negotiation on these products. It was pointed out that, where the most-favoured-nation tariff was maintained for the benefit of a third country (particularly, for instance, in the case of bound margins) rather than domestic industries, initial negotiations would have to take place between the applicant country and the third country concerned.

Preferences

10. Some delegations of less-developed countries put forward proposals under which, over and above the tariff reductions to be made on a most-favoured-nation basis, preferential reductions would be made by developed countries in favour of less-developed countries. (A comprehensive statement on this point by the Indian representative has been circulated as ....) The Sub-Committee noted that the question of preferences was being studied in other GATT bodies, and agreed to revert to this question when the conclusions of this study were available.