The Group's terms of reference require it to submit appropriate findings and recommendations to the Committee in regard to all possible action to secure elimination of residual import restrictions. It is suggested that the Group could report as follows:

1. The Group has held two meetings. At its meeting in June this year the Group examined information made available by the secretariat concerning residual restriction applying to a list of products notified by less-developed countries to Committee III as of export interest to them. The Group agreed at this meeting that discussions on a country-by-country basis with contracting parties maintaining restrictions would be useful for accelerating import liberalization. The Group also agreed that the secretariat should seek information from governments in regard to quotas established for the restricted products, recent data on production and imports, and plans for liberalization, as also indications as to whether restrictions were being applied globally or in respect of imports from certain sources only. This decision of the Group was endorsed by the Committee on Trade and Development when it met last July.

2. In pursuance of the decision taken last June, the GATT secretariat requested detailed information from the following countries:

   Austria  Japan
   Belgium/Luxemburg  Netherlands
   Denmark  Norway
   Federal Republic of Germany  Sweden
   Italy  United Kingdom
   United States
in regard to the restrictions maintained by them on the products notified to Committee III. The contracting parties concerned were also invited to furnish relevant information regarding restrictions on any other items in which less-developed countries had indicated an interest and which they thought might be relevant for the work of the Group.

3. The information furnished by contracting parties in response to this invitation was considered by the Group at its present meeting. The Group also consulted with each of the countries supplying this information in the course of which it heard statements regarding the considerations behind the maintenance of these restrictions and the indications which governments were in a position to provide at the present time concerning any future plans for liberalization.

4. In the course of the discussion, representatives of developing countries sought clarification concerning the application of restrictions on specific products and emphasized the importance which they attached to the adherence to the target dates for liberalization set up in regard to items covered by the Action Programme and to the establishment of agreed liberalization dates for other products. Disappointment was expressed that restrictions would continue to be maintained in respect of a number of products covered by the Action Programme even after the date 31 December 1965 and also that, for some of these products, no firm date for liberalization had been set as yet. Other representatives, while explaining difficulties experienced by their governments in notifying firm dates for liberalization, indicated the resolve of their governments to make the speediest possible progress in removing restrictions adversely affecting the trade of less-developed countries. In the course of the consultations some representatives gave indications concerning the areas in which progress could be expected to be rapid. The Group recommended that governments consider providing more specific indications of liberalization plans in respect of all items under discussion in the Group.

5. The Group noted that while in most instances there had been progress in applying restrictions uniformly, without distinction between sources of supply, in some instances this type of discrimination continued to exist. The hope was expressed by some representatives that urgent action would be taken to eliminate
the discriminatory element of the restrictions. The points made in the course of the country consultations are contained in a record note which is annexed to the report. The Group recognized the importance to less-developed countries of rapid progress in the removal of remaining restrictions. The Group has noted that while appreciable progress continued to be made in eliminating these restrictions, a number of products of interest to less-developed countries remain subject to quota or other limitations. The Group noted that attention would be given to non-tariff barriers affecting products of interest to less-developed countries in the Kennedy Round, and that the negotiations would provide further opportunity for eliminating these barriers.

The Group felt that in addition to the usual report to the Committee on Trade and Development in regard to any changes in these restrictions and to progress made in achieving further liberalization, it would be useful to carry out a periodic review of restrictions maintained on products in which less-developed countries have indicated an interest on the lines of the examination already carried out at the present meeting. This examination could cover not only products notified to Committee III as of interest to less-developed countries but also any other products which might have been notified, for instance in the context of the Kennedy Round. It was suggested that for this purpose contracting parties might be asked to furnish information for the period beginning 1 January 1966, and the review carried out during the first part of the coming year.

6. The Group recognized that such an examination is without prejudice to the rights and obligations of contracting parties under Article XXXVII, paragraph 3 of the GATT or under Articles XXII and XXIII. It was noted that not all the developed countries maintaining restrictions had been invited to furnish information and to consult in the Group. The Group requested the secretariat to invite other contracting parties who might have been left out of the present consultations also to consult since the problem of residual restrictions was not related only to obligations assumed by contracting parties under Part IV of the General Agreement.
7. The Group also had a brief exchange of views at its June meeting on the question of compensation for residual restrictions affecting the trade of less-developed countries. In this connexion a number of representatives emphasized the importance of compensating less-developed contracting parties whose trade was adversely affected by these restrictions by alternative concessions on other items or any other appropriate ways. Other members of the Group, while emphasizing their desire to make the speediest possible progress in eliminating harmful restrictions and their willingness to consult with less-developed countries with a view to mitigating any possible injury caused by such restrictions, pointed out that the legal issues involved in this proposal were currently under examination in the Group on Legal Amendments and that until the Legal Group had come to an agreed view in the matter, it would not be possible for the Group on Residual Restrictions to come to a finding in regard to any proposals for compensation.