DRAFT SECRETARIAT NOTE ON THE DISCUSSION AT THE
MEETING OF THE COMMITTEE HELD IN OCTOBER 1966

The seventh session of the Committee was held on 17 and 18 October 1966. The Committee approved the agenda for the meeting proposed by the secretariat (COM.TD/W/27).

The Committee welcomed Chad and Poland, which had indicated their wish to participate in the work of the Committee, as new members.

In introducing the provisional agenda for adoption the Chairman called attention to the significant developments in the last few months which seemed to warrant discussion. Referring to the understanding which had been previously reached that the Kennedy Round should receive priority over other GATT activities, he expressed the view that the general situation was sufficiently advanced to justify an exchange of views in the Committee on its future work. Any feeling of frustration or dissatisfaction, though understandable, should not be allowed to interrupt the dialogue between developed and developing countries since this was the only way through which results would eventually merge. In this connexion, the meeting of the Committee to be held in Uruguay early next year should offer a good opportunity for the initiating of new ideas and possibilities and, inter alia, for making a concrete contribution to the objectives of the second session of the United Nations Conference on Trade and Development.

I. REVIEW OF DEVELOPMENTS RELEVANT TO THE OPERATION OF PART IV

The Committee had before it a secretariat paper reviewing recent developments relevant to the provisions of Part IV, covering action by governments and activities in certain other institutions, notably UNCTAD (COM.TD/28 and Corr.1).
Entry into force of Part IV

The Committee noted with satisfaction that since its meeting in June this year, Part IV of the General Agreement had come into legal force, and that the Protocol introducing Part IV had by now been accepted by over fifty governments (cf. COM.TD/28, Annex). The representative of Austria stated that the constitutional requirements for the acceptance of the Protocol by his Government had been completed and that an instrument of acceptance would soon be deposited. The Committee expressed the hope that the Protocol would be accepted by all the contracting parties in the near future.

Removal of trade barriers

The Committee welcomed the measures taken since its previous meeting by a number of developed as well as developing countries in increasing access to their markets for products of interest to the developing countries, as noted in COM.TD/28 and Corr.1, as well as in COM.TD/29, COM.TD/B/4, and B/5. At the meeting the representative of Denmark announced that his Government intended to submit a bill to Parliament proposing advance implementation, with effect from 1 January 1967, of its offers on the tropical products, set out in Denmark's notification of September 1965, as well as on instant tea and bananas. The representative of Czechoslovakia informed the Committee that imports into Czechoslovakia from developing countries had increased by more than 17 per cent during the first half of 1966, over the level of the corresponding period of 1965, a year in which imports from these countries had grown by more than one fourth; while all categories of imports from developing countries had shared in import growth, the increase had been particularly marked in respect of manufactures and semi-manufactures.
The representative of Yugoslavia stated that in Yugoslavia's Foreign Trade Law, drawn up recently, special provision had been included to safeguard the legitimate trade interests of developing countries. The Austrian representative announced that the Austrian trade missions abroad had recently been instructed to render assistance to exporters in developing countries in exploring possibilities for increasing sales to the Austrian market. The Netherlands representative informed the Committee that his Government would provide exhibition space at the 1967 Spring Fair in Utrecht free of charge for interested exporters from developing countries, and that it was intended to provide such facilities for other such fairs if this venture should prove successful.

The Committee expressed appreciation of the measures to assist developing countries in expanding their exports notified at this meeting. In this connexion, the view was also expressed that the expansion of exports of developing countries might be significantly facilitated if governments of developed countries would instruct any State-trading agencies existing in their countries, for instance tobacco monopolies, to purchase a larger share of their requirements from sources of supply in developing countries.

Whilst commending the further steps which had been taken by developed countries to increase access for the products of developing countries to their respective markets, representatives of developing countries expressed regret that few contracting parties had taken action to implement the tariff reductions offered in the Kennedy Round in advance of the conclusion of the negotiations, and that in many instances quantitative restrictions on products of vital export interest to the developing countries continued to be in force.

Some members of the Committee also expressed disappointment that the secretariat note on recent developments did not give information on certain trade policy measures which, in their view, could have unfavourable implications for the exports of developing countries and were relevant to the review of
activities under Part IV. It was suggested that contracting parties make every possible effort to furnish the secretariat with information on all developments in their trade policies that might be of interest to developing countries in the context of Part IV.

Members of the Committee recalled that under the reporting procedures which it had adopted for the review of the implementation of Part IV, at least one major review should be held each year (cf. L/2410, paragraphs 11-13 and COM.TD/24, paragraph 10), and noted that by February next year Part IV would have been in operation for nearly two years. It was, therefore, suggested that the next comprehensive review should take place early next year and that, in order to ensure that the information supplied by governments is as comprehensive and comparable as possible, the secretariat should circulate a note indicating the kind of information to be included, and the types of governmental commercial policy measures to be covered. The Committee agreed that the next major review of the operation of Part IV should be held on the occasion of the next meeting to be held in Uruguay and that the secretariat should take the necessary steps to provide the documentation required for this purpose.

II. REMOVAL OF RESIDUAL IMPORT RESTRICTIONS

The Committee considered the report of the Group on Residual Restrictions (COM.TD/B/6), together with the secretariat notes on the discussions at the July and October meetings of the Group (COM.TD/B/4 and COM.TD/B/5) which included information on import liberalization measures announced at those meetings.

The Committee noted that the Group on Residual Restrictions had held country-by-country discussions on restrictions affecting the Kennedy Round items with thirteen developed contracting parties and had also undertaken a preliminary examination of the reports submitted by developed countries (cf. COM.TD/26 and COM.TD/29) in response to the recommendation adopted by the CONTRACTING PARTIES at the twenty-third session to the effect that governments applying restrictions on Committee III products give immediate consideration to the elimination of these restrictions and report by June 1966 on compliance.
The Committee expressed appreciation at the fact that since the twenty-third session, several contracting parties (Austria, Denmark, the Federal Republic of Germany, and the Netherlands) had taken steps to remove or relax import restrictions inconsistent with the GATT or to establish target dates for the removal of such restrictions, and that, moreover, restrictions on certain other items notified in the context of the Kennedy Round had also been removed. France, which had not accepted Part IV or the Declaration on its de facto application, had also removed import restrictions on a number of products, including products of export interest to the developing countries (cf. L/2674). Certain governments had stated that the removal of restrictions was being actively considered, in certain cases in the context of the Kennedy Round.

While welcoming the further progress made, the Committee noted with regret that most of the governments concerned had not found it possible to comply with the recommendation of the twenty-third session; restrictions inconsistent with GATT continued to be applied in many instances and the governments applying them were unable to indicate target dates for their removal or to announce measures to deal with the problem. The Committee urged once again that the governments concerned give further consideration to the possibility of removing restrictions inconsistent with GATT, and notify the secretariat of any action taken or target dates adopted by the end of 1966.

In the course of a discussion on future procedures in this regard representatives of developed contracting parties expressed the view that the established consultation procedures had proved to be capable of contributing to the solution of concrete problems and that the possibilities of achieving further progress towards trade liberalization through these consultations should be pursued. Representatives of developing countries pointed out, however, that prolonged consultations and discussion in GATT had not served to bring about the removal of the restrictions on a number of products of great export interest to these countries.
The Committee was aware of the general procedures adopted by the CONTRACTING PARTIES in 1960 to deal with residual restrictions and recalled the Decision taken at the twenty-third session to facilitate action by developing countries under Article XXIII in respect of measures detrimental to their trade interest adopted by developed contracting parties. The Committee also recalled that in adopting that Decision, the CONTRACTING PARTIES had agreed on the continuation of further work with regard to the two outstanding issues relating to (a) the awarding of compensation to developing countries suffering damage from action inconsistent with GATT, and (b) the suspension of obligations of such developing countries. Furthermore, the CONTRACTING PARTIES had also agreed to authorize the Committee to receive and consider any proposals that might be put forward by developing countries for improving the provisions of the General Agreement which were relevant to the work of the Committee (SR.23/10, page 157).  

The Committee agreed (a) that the Group on Legal Amendments should resume discussions of the outstanding issues at a date in the near future to be determined by the Chairman of this Group, taking account of proposals expected shortly from certain delegations, and (b) that the Group on Residual Restrictions should consider the question of the adequacy of, and appropriate improvements in, the existing procedures to deal with the remaining restrictions on the basis of proposals submitted by contracting parties. The Committee further agreed to keep the question of residual restrictions under review and to take it up at its next meeting in the light of further information received from contracting parties on action towards the removal of restrictions and of the reports of the Groups on Residual Restrictions and Legal Amendments, with a view to formulating a set of recommendations for adoption by the CONTRACTING PARTIES.

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1 The representative of Uruguay indicated that his Government intended to submit further proposals concerning the amendment of Article XXIII.
The Committee recalled that at the twenty-third session, the CONTRACTING PARTIES had agreed that governments which had not undertaken to apply Part IV of the General Agreement be urged to participate in the work of the Committee and to co-operate with it in the exploration of possibilities of liberalizing their imports in so far as these were of concern to the Committee (SR.23/10, page 156). After the adoption of this recommendation, the secretariat had sent an enquiry to the French delegation requesting information on the French restrictions. No reply to this enquiry had so far reached the secretariat, although the French authorities had in the meantime notified the CONTRACTING PARTIES of the removal of a number of import restrictions. The Committee wishes to express disappointment at the lack of response to the recommendation of the CONTRACTING PARTIES and proposes that the CONTRACTING PARTIES take note of the situation. It was agreed that this matter should be brought to the attention of the Council at its next meeting.

III. EXPANSION OF TRADE AMONG DEVELOPING COUNTRIES

Trade negotiations among developing countries

The Committee heard a statement from the Chairman of the informal group of developing countries in GATT, H.E. Dr. José Antonio Encinas del Pando, Ambassador of Peru, on the progress achieved in the informal group in working out suitable procedures for the exchange of trade concessions among developing countries. In his statement, Dr. Encinas described the recent trends and patterns in the trade of developing countries, with the developed countries and among themselves, and called attention to the decline in the developing countries' share of international trade as well as to the growing disparity in growth rates of developed and developing countries. There had, however, been a remarkable acceleration in the growth of trade among developing countries, mainly due to the development of intra-regional trade in Latin America and elsewhere. It was
to be hoped that the growth in the intra-regional trade of developing countries would soon be complemented by an appropriate expansion of their inter-regional trade. The significance of the negotiations among developing countries now being organized could not therefore be overstressed.

Dr. Encinas recalled the events leading to these negotiations. Early in 1966, the Group on Expansion of Trade Among Developing Countries had reached the unanimous conclusion that the establishment of preferences among developing countries, appropriately administered and subject to the necessary safeguards, could make an important contribution to the expansion of trade among them and to the furtherance of the objectives of the General Agreement. The Committee on Trade and Development had endorsed this conclusion. The views of the Committee on the form and scope of the preferential arrangements to be made, the negotiating procedures to be followed, measures to safeguard the interests of other contracting parties, the question of appropriate legal provisions for these arrangements had been recorded in its report (L/2614). In particular, the Committee had noted the general view of developing countries represented in the Group that such preferences should be granted and applied on a non-discriminatory basis and that developing countries should be in a position to exchange preferences with other developing countries in general and not only in the context of regional schemes of integration. It had been agreed that the establishment of such preferences should most appropriately be the subject of negotiations among developing countries in which due account should be taken of the different stages of economic development of the different countries.

The Committee had agreed that, before an attempt was made to draw up specific legal provisions or formulae for the exchange of such preferences, it would be useful to see what concrete proposals or arrangements might,
in practice, be made or negotiated by developing countries acting within the spirit of Part IV of the General Agreement. At the Committee’s meeting in March 1966 a number of developing countries had stated that they proposed to enter into exploratory talks in this regard at an early date. At their twenty-third session held in April 1966, the CONTRACTING PARTIES, in approving the Committee’s conclusions, had agreed that developing countries could take advantage of the meetings of the informal group of developing countries in GATT to initiate the talks or negotiations. It was on this basis that the informal group had been entrusted with the task of drawing up the procedures for the negotiations and generally making arrangements therefor.

With the technical assistance of the secretariat, the informal group of developing countries had worked out a set of procedures for the negotiations. It had, in fact, set the dates for the exchange of requests lists and for a meeting of governmental experts to review the requests received. Approximately twenty contracting parties had indicated their intention to participate in the negotiations and to date, Argentina, Brazil, Chile, Cuba, India, Israel, Jamaica, Peru, Spain, Trinidad and Tobago, the United Arab Republic, Uruguay and Yugoslavia had either submitted requests lists or had announced that they would be doing so shortly. The procedures adopted were flexible enough to enable participation by other developing countries at any time. The results of the negotiations might be incorporated in the general protocol relating to the Kennedy Round but the negotiations might also continue beyond the conclusion of the Kennedy Round. The procedures for the negotiations envisage the granting of concessions either on a most-favoured-nation basis or to be applied preferentially to developing countries only. As far as most-favoured-nation concessions were concerned, their inclusion in the schedules annexed to the Agreement would be a matter of routine action under the appropriate provisions of the Agreement. As regards any proposals or arrangements involving preferences which might result from the negotiations, the CONTRACTING PARTIES had made arrangements for examining them when they were received.
In conclusion the Chairman of the informal group stated that, although under the procedures agreed upon at the twenty-third session the negotiations themselves were, for the time being, a matter for the developing countries themselves, the developing countries involved had not wished to keep the developments to themselves, but had expressly authorized the Chairman of the informal group to inform the Committee of the arrangements and progress made.

Non-tariff measures for expansion of trade among developing countries

The Chairman of the Group on Expansion of Trade Among Developing Countries, Mr. B.N. Swarup (India), informed the Committee that the Group, at its meeting held on 12 and 13 September 1966, had discussed questions relating to non-tariff measures for the expansion of trade among developing countries. In a short exchange of views on the issue, it had been recognized that the discussion in the Group of problems in this field would be considerably facilitated if they were preceded by a prior examination of the issues involved in the informal group of developing countries and should be based on proposals or findings emerging from the informal group's deliberations. In view of this decision, the work of the Group had been deferred till such time as the findings and recommendations of the informal group were received. The views of the Group were reflected in the secretariat note on the meeting, COM.TD/D/4.

General

Both in relation to the statement of the Chairman of the informal group and that of the Chairman of the Group on Expansion of Trade Among Developing Countries, the representative of Nigeria stated that as he had indicated at meetings of these groups, it was the firm belief of his Government that trade liberalization among developing countries could best be pursued, at least at the initial stage, within the framework of regional arrangements.

The Committee expressed appreciation for the information supplied by the Chairman of the informal group on the present status of the arrangements for trade negotiations among developing countries and also for the report by the
Chairman of the Group on Expansion of Trade Among Developing Countries on the proceedings in that group. It was noted that it was the intention of both groups, in dealing with the various problems involved in the expansion of trade among developing countries, to take fully into account studies made and discussions held in the UNCTAD and other institutions.

IV. PARTICIPATION OF THE DEVELOPING COUNTRIES IN THE KENNEDY ROUND NEGOTIATIONS

The Deputy Director-General, in his capacity as the Chairman of the Sub-Committee on Participation of Developing Countries in the Kennedy Round, reported on the present situation of the Kennedy Round negotiations in relation to developing countries. The Deputy Director-General drew attention to the very limited time which remained for concluding the negotiations and the various procedures which had been agreed upon for insuring that the very real opportunities presented by the negotiations were fully exploited. He urged all participating countries, both developed and developing, to make a concerted effort over the coming weeks of negotiations so that the outcome of the negotiations was not affected by any lack of will or energy on the part of the participants. The statement of the Deputy Director-General is reproduced in full in COM.TD/W/31.

In the discussion which followed, members of the Committee expressed appreciation for the information supplied by the Deputy Director-General and declared their intention to co-operate fully in utilizing to the best advantage the time remaining for the negotiations. Representatives of developing countries recalled those areas of the negotiations which were of particular concern to their governments and hoped that sympathetic and urgent consideration would be given to these problems by the developed countries in the spirit of Part IV. First, it was still the hope of developing countries that products of interest to them would be removed from exceptions lists; secondly, they believed that concessions to developing countries should be given accelerated implementation -
most of the major participants had no legal or constitutional difficulties in taking such action; thirdly, it was hoped that developed countries would find it possible to extend cuts beyond 50 per cent on items of particular interest to developing countries wherever possible; fourthly, consideration should be given to the question of ensuring that benefits offered to developing countries in the Kennedy Round were not nullified by other policy measures taken by governments; and lastly, it was hoped that full account would be taken of the interest of developing countries before developed countries withdrew any of the offers made by them for the purpose of securing a better negotiating balance with other developed countries. To this end, appropriate procedures should be instituted to enable developed countries to consult with developing countries before they withdrew any offers on items of interest to the trade of developing countries. They hoped that all these problems would be tackled with vigour, special attention being paid to items in which developing countries were the predominant suppliers.

Representatives of developed countries urged those countries which had not yet taken an active part in the negotiations to do so. They underlined the importance of the present phase of the negotiations and the need for all countries having an interest in them to table their requests and statements of contributions without delay.

The representative of Austria recalled that his country had submitted a global offer of a 50 per cent linear reduction without exceptions in the industrial sector. However, the number and nature of exceptions announced by Austria's main trading partners had in the Austrian view resulted in an imbalance between the Austrian offers and those made by its partners in the negotiations. Austria still hoped to be able to avoid a downward revision of its own offers. Should this prove unavoidable, Austria would take into account the interests of developing countries in making the withdrawals. Further, in submitting its
offers in the agricultural sector, Austria had tried to cover to the maximum extent possible the interests of developing countries, for example, by offering cuts beyond 50 per cent on some tropical products. With regard to accelerated implementation of reductions offered in the Kennedy Round, it was difficult for a country of limited resources, such as Austria, to act alone. The Austrian authorities were, nevertheless, prepared to take such action in respect of certain products of particular interest to developing countries.

The Committee took note of the concern expressed by members on certain specific points in the negotiations, in particular the accelerated implementation of reductions, the removal of items from the exceptions lists and the need to consider the interests of developing countries in any withdrawal of offers by developed countries.

Some delegates, while recognizing the importance of the Kennedy Round, felt that attention should also be given to other matters of concern to developing countries such as the need for appropriate adjustments in agricultural policies of developed countries that were harmful to the trade interests of developing countries. It was also suggested that there was need for a further strengthening of the provisions and the operational procedures of Part IV so as to make the Committee on Trade and Development a more effective instrument for promoting the trade interests of developing countries.

The Committee welcomed the offer of the secretariat to supply statistical and other data that would facilitate the task of developing countries in evaluating the benefits they would derive from the negotiations on the basis of the present offers. It was agreed that the various suggestions made at the meeting should be reviewed at the next meeting of the Committee with a view to examining the progress made and deciding on the further initiatives that needed to be taken.
V. FUTURE PROGRAMME OF WORK OF THE COMMITTEE

Meetings of subsidiary groups

In the light of the discussion of the relevant subjects at the session, the Committee agreed (a) that the Group on Residual Restrictions should be convened in the near future to carry out the assignment referred to in Section II above; (b) the Group on Legal Amendments should be convened at an early convenient date to resume examination of the outstanding issues, taking into account any new proposals circulated in advance by the interested delegations; (c) the Group on Expansion of Trade Among Less-Developed Countries should reconvene in the event that discussions in the informal group should advance sufficiently to warrant a meeting. The dates of these meetings would be decided upon by the respective Chairmen of the groups in consultation with interested delegations, the Chairman of the Committee on Trade and Development and the secretariat.

In the course of the discussion the representative of Chad reiterated the suggestion made by his delegation at the twenty-third session for the reconvening of an early meeting for the Working Group on International Commodity Problems to consider the urgent problems of trade in raw cotton. The representative of the United States felt that in view of the large number of international meetings which were scheduled, any particular meeting should only be held if there were proper preparations and good prospects of producing results. The Group on Commodity Problems should, therefore, not be held unless there were definite proposals to consider. The representative of Ceylon stressed the need to avoid duplication of work, considering that there were other international bodies dealing with commodity problems. The representative of Chad replied that his country was responsible for only a very small proportion of the total world production of cotton and consequently would be unable to put forward specific proposals without the collaboration of the larger producers. With regard to the question of duplication of work, his Government had explored the possibility of finding
Pending such a communication, which could be communicated by the Government of Uruguay through the secretariat, his Government would be obliged to reserve its position on the matter. The Committee noted that in those matters the established practice of the United Nations and its agencies would be followed. A meeting of the Committee on Trade and Development, which was a subsidiary organ of the CONTRACTING PARTIES, was open to all contracting parties and all governments and organizations which, by virtue of the provisions of the Agreement, the rules of procedures or decisions of the CONTRACTING PARTIES, were normally entitled to attend GATT meetings.

It was generally felt that the meeting in Uruguay would present a major opportunity for reviewing the implementation of Part IV in the light of the progress realized in the framework of the Kennedy Round, and for the formulation of new ideas and the setting of new directions for the future work of the Committee in the field of trade and development.

On the basis of proposals submitted by the secretariat (COM.TD/W/28), the Committee considered the items which should be included on the agenda for the meeting in Uruguay. After an exchange of views and in the light of the discussion on some of the items at the present meeting, it was agreed that the provisional agenda should contain the following items:

I. Review of the implementation of Part IV:
   (a) participation of developing countries in the Kennedy Round;
   (b) other developments relevant to the operation of Part IV;
   (c) future work of the Committee in implementing Part IV.

II. Expansion of trade among developing countries.

III. Preferences to be granted by developed countries to developing countries.

IV. Reports by the Groups on Residual Restrictions and Legal Amendments.

V. Export promotion and marketing.

VI. Trade and aid studies.
The question of convening a meeting of the Working Group on International Commodity Problems which was referred to above would be taken up under agenda item I(c).

It was further suggested that all the necessary documentation for the January meeting should be made available to delegations by 15 December. In view of the various work which would have to be accomplished by that date, delegations having proposals concerning any of the group meetings were urged to submit them for distribution as early as possible.