Introduction

The last report of the Committee (L/2614) was drawn up in March 1966 and was submitted to the CONTRACTING PARTIES at the twenty-third session. In the ensuing period the Committee held five sessions, in July and October 1966 and in January, July and November 1967. The conclusions adopted by the Committee at the first four of these meetings and the secretariat notes on the proceedings may be seen in documents COM.TD/24, COM.TD/30, COM.TD/42 and COM.TD/47. The present report reviews important elements in the work done by the Committee and its subsidiary bodies during this period and presents certain recommendations and suggestions for consideration by the CONTRACTING PARTIES at the twenty-fourth session.
I. Implementation of Part IV of the General Agreement and the Ministerial Conclusions and Resolutions

At its eighth session, in Punta del Este in January 1967, the Committee reviewed developments in the Kennedy Round against the background of the affirmation of developed countries that in the trade negotiations every effort would be made to reduce barriers to the exports of developing countries. On the basis of this review the Committee made certain suggestions and recommendations on various points relating to the interests of developing countries in the trade negotiations. The Committee also agreed that, after the completion of the Kennedy Round, an analysis of the results of the negotiations for developing countries should be undertaken.

In July, the Committee established an Ad Hoc Group to carry out an assessment of the results of the Kennedy Round for developing countries. The Committee has received the Group's report, which is attached as Annex I to the present report.

The Group's terms of reference are set out in the opening paragraphs of its report. In carrying out the assessment, the Group based itself mainly on a study prepared for it by the secretariat. This study, circulated as COM.TD/48 and Add.1, analysed tariff rates before and after the Kennedy Round as well as the depths of cuts made in the negotiations both in terms of the tariff item numbers and in terms of the volume of trade affected in respect of six selected developed contracting parties participating in the negotiations, the trade volume being measured by the amounts of imports of each product into these markets from developing countries excluding preferential suppliers. The six selected countries accounted for more than 90 per cent of all imports by all developed countries from developing countries.
The Committee noted that, although the secretariat's background paper (COM.TD/48) was not intended to provide any analytically complete evaluation of the results of the Kennedy Round, sufficient information had, nevertheless, been presented therein to enable a preliminary assessment to be made; this was contained in Part I of the Ad Hoc Group's report. From this starting point, the Ad Hoc Group had been able to identify, in Part II of its report, the major specific problems which, in its view, prevented fuller action in the negotiation on products of interest to developing countries. This identification had been followed, in Part III, by a series of suggestions by members of the Group bearing on future work in the field of trade expansion for developing countries.

Some members of the Committee stressed their view that the Kennedy Round had provided substantial new opportunities for the exports of developing countries. Other members of the Committee considered, however, that the Kennedy Round had left unfinished a number of tasks and urged that these be given serious attention by the CONTRACTING PARTIES on an urgent basis. They recalled the enumeration of such tasks in the joint declaration of participating developing countries at the conclusion of the negotiations. It was suggested by certain members of the Committee that the CONTRACTING PARTIES should initiate consultations as soon as possible through the available GATT mechanisms with a view to eventual negotiations in important sectors so far not benefiting sufficiently or not at all from the Kennedy Round. These sectors might include meat, dairy products, citrus and other fruits, fruit products, non-ferrous metal manufactures, tobacco, textiles and certain tropical products.

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1A revised version of this paper to take into account certain factual comments made at the Group's meeting and other information supplied by governments, is being issued separately.
While there was general agreement that the achievements of the Kennedy Round should be put into effect and followed by further action in the interest of developing countries, it was considered that the formulation of guide-lines for future activities leading towards such action could best be left to the CONTRACTING PARTIES. The Committee was aware that, at the forthcoming session, the CONTRACTING PARTIES would be engaged in a comprehensive review of their activities and would examine a general programme of future work covering all aspects of international trade relations. The Committee agreed to bring the suggestions noted in the preceding paragraph to the attention of the CONTRACTING PARTIES, who would undoubtedly take them into account in their consideration of the future work programme. The Committee has reported separately on its considerations of problems in the field of tropical products (see Section II below).

The Committee also noted the suggestions made by members of the Group relating to further studies by the secretariat that might focus attention on areas for further action, including: (a) the identification of products on which serious tariff problems persist after the Kennedy Round, particularly those relating to tariffs which disproportionately protect processed products as compared with primary products; (b) an assessment of the general incidence of tariffs on products of export interest to developing countries and of other products; (c) a study of the effects of specific duties on particular products of interest to developing countries; and (d) a review of the influence of factors other than tariff and non-tariff barriers on the flow of trade. It was also suggested that the International Trade Centre should extensively study the more important export opportunities created for developing countries by the Kennedy Round, followed by market research and marketing assistance activities to help developing countries to make full use of the opportunities presented.

II. Tropical products

It may be recalled that special machinery on tropical products was established during the Kennedy Round negotiations in accordance with the Ministerial Resolution of 1964 that the question of trade in tropical
products should be pursued further with a view to working out procedures and arrangements for their treatment in the trade negotiations. Although tariff concessions were granted in the Kennedy Round by many contracting parties in respect of many tropical products, the objective of duty-free entry was not achieved for all tropical products in the Kennedy Round negotiations largely because the major problem of reconciling the interests of developing countries which were beneficiaries of preferences in particular markets with those which desired free competition on open markets was not resolved.

In order to facilitate the working out of arrangements for further action in this field the Ad Hoc Group mentioned in Section I above was also asked to review the experience in the negotiations in respect of these products. The views expressed in the Group on this subject have been referred to in the above section.

As regards further work in this field the Committee agreed to recommend that the Special Group on Trade in Tropical Products, which had been set up by the Council in February 1962 and which had been transformed into a negotiating body in the context of the Kennedy Round in March 1965, should be reactivated and given new terms of reference, which the Committee suggests might be as follows:

"Taking into account the results of the Kennedy Round and other relevant factors, to examine problems affecting trade in tropical products, and to report on ways and means of overcoming those problems."

The Group should be instructed to submit its report to the CONTRACTING PARTIES.
The membership of the Group could be as it was during the Kennedy Round, it being open to other countries to participate if they wish to.

III. Advance implementation of Kennedy Round reductions on products of interest to developing countries

In the course of the Kennedy Round it was proposed by the participating developing countries that, with a view to maximizing their benefit for developing countries, tariff concessions negotiated on products of export interest to developing countries should be implemented immediately after the conclusion of the negotiations without the phasing envisaged under the general rules accepted for these negotiations. Before the conclusion of the negotiations, in June 1967, it was agreed by the participating countries that a positive result should be obtained in this regard before the first tariff cuts came into effect (cf. TN.64/107, page 5). On the basis of this, the Committee invited each of the developed contracting parties to use its best endeavours to submit by 15 October 1967 a list of products on which it proposed to take such action.

A number of developed countries responded to this invitation, some making available the requested list in writing and others reporting orally at the November meeting of the Committee.

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The Group had the following membership: Brazil, Burundi, Cameroon, Canada, Ceylon, Denmark, Dominican Republic, European Economic Community, Ghana, India, Indonesia, Ivory Coast, Jamaica, Japan, Nigeria, Peru, Portugal, Sweden, United Kingdom, United States and Upper Volta.
The Committee thus had before it lists of concessions for advance implementation, submitted by ten contracting parties, namely: Canada, Czechoslovakia, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom and the United States. These ten lists are reproduced in document L/2862 and Add.1 for information of the CONTRACTING PARTIES. The Committee was advised that the Government of Austria was seeking the necessary legislative authorization for the action they proposed to take and that its list would be transmitted to the CONTRACTING PARTIES in the near future. The representative of the Commission of the European Economic Community stated that the EEC was currently giving active consideration to this question.

The Committee noted that in some instances the proposed advanced implementation was subject to parliamentary approval, and in other cases the offer was conditional upon comparable action by other developed countries. While in one case the government concerned was still considering the possibility of adding further items to its list, most of the developed countries emphasized that the lists which they had submitted, in some cases showing an improvement on the indication which they had given in June, represented the maximum contribution which they could make. In one case, the government concerned could take no further action as it had exhausted its legislative authority.

Developing countries welcomed the indication provided to the Committee of the action that developed countries intended to take towards immediate implementation of concessions. They felt, however, that the action proposed fell short of expectations. It was also pointed out that the benefits for developing countries of the immediate implementation of concessions could be maximized if all developed countries took parallel or joint action.

The CONTRACTING PARTIES will, no doubt, wish, in the light of these as well as any further information that might be supplied by governments, to review the situation during the twenty-fourth session.
IV. Import restrictions affecting the exports of developing countries

Since the submission of its last report the Committee has given further consideration to the question of import restrictions applied by developed countries on products of export interest to developing countries. In the ensuing period, some progress was again made in the reduction and removal of such restrictions. Restrictions affecting a number of products of actual or potential interest to developing countries are, however, still maintained by developed countries.

In the light of the discussions at the twenty-third session of the CONTRACTING PARTIES the Committee examined proposals formulated by the secretariat for improving procedures aimed at speeding up the removal of the remaining restrictions affecting the exports of developing countries. The Committee suggested that developed countries maintaining restrictions of this nature be asked once again to state their intentions and to indicate target dates for the removal of the restrictions. With respect to those restrictions which did not show prospects of early liberalization the Committee considered the adoption of new procedures that might facilitate their early elimination. It was suggested that these procedures might be as follows:

(a) For agricultural products. The Committee on Trade and Development might, as a first step, invite countries maintaining restrictions to examine how far these restrictions are maintained by them as an integral part of their overall system for protecting domestic agriculture and to consider such possibilities as may present themselves for removing or reducing the incidence of these restrictions on products of particular interest to developing countries. On the basis of the reports received from governments, the Committee might subsequently arrange for detailed consultations between the developed and developing countries concerned on the problems and possibilities in respect of specific items.

(b) With regard to those industrial products or product groups on which the restrictions are of a hard-core nature and are applied by more than one developed country, the problems and difficulties involved in achieving liberalization, including those of a structural nature, might be examined by panels of experts.
Annex II to this report, regarding which members of the Committee expressed varying views, sets out the manner in which the panels described in (b) of the preceding paragraph might be constituted and function. In case the CONTRACTING PARTIES should decide, following their review of problems affecting the trade of developing countries, to adopt these procedures, they might wish to invite all contracting parties to co-operate in this work. The secretariat could be asked to make the necessary practical arrangements to enable the Council to establish the necessary panels at an early date after the twenty-fourth session.

V. Expansion of trade among developing countries

Discussions on the question of expansion of trade among developing countries have continued in the Committee along two different, though inter-related lines, namely the negotiation of tariff and non-tariff concessions among developing countries and the exploration of other means of expanding commercial exchanges among developing countries.

It will be recalled that at their twenty-third session the CONTRACTING PARTIES endorsed certain conclusions of the Committee on Trade and Development concerning the negotiation and exchange of tariff concessions among developing countries. At the same time it may be recalled that a number of developing countries undertook, in the context of the Kennedy Round, to adopt appropriate measures to expand their trade with other developing countries.

The Committee has been kept informed of the progress made by developing countries in arranging for negotiations among themselves. In 1966 and early 1967 exploratory discussions took place in the informal group of developing countries in GATT, on the basis of which provisional request lists were exchanged on an informal basis among certain participating developing countries. A series of meetings at governmental experts level were also held. Further action was temporarily interrupted due to the pressure of work in the closing stages of the Kennedy Round negotiations. Since then, with a view to providing a working hypothesis for the negotiations, the Director-General had, in
consultation with delegations of developing countries, circulated suggestions on "ground rules" for consideration in a committee of interested developing countries. It has been suggested that a Negotiations Committee composed of interested developing countries should be established in the first instance to discuss these rules and then to conduct the negotiations. The Committee noted that this item would appear on the agenda of the twenty-fourth session.

The Committee also noted the interest in developing countries not contracting parties to the GATT being associated with the negotiations and that contact had been established between the secretariats of GATT and UNCTAD in the matter.

At the November meeting of the Committee, some delegations expressed the view that inter-regional arrangements for the expansion of trade among developing countries, particularly of a preferential character, would appear to offer fewer possibilities and to present greater difficulties of negotiation than regional arrangements. Other delegations, while affirming the importance of the regional approach, recalled the decisions and discussions of the twenty-fourth session which reflected a recognition of the determination of many developing countries to explore the possibilities of exchanging concessions on their mutual trade on an inter-regional basis.

With regard to other measures for the expansion of trade among developing countries, the Committee, with the assistance of the Group on the Expansion of Trade among Less-Developed Countries, has examined possibilities for action outside the trade barriers field and agreed that it should identify the areas which required its attention after a prior review has been made of action already undertaken in other organizations.

VI. Economic problems of Chad

At its eighth session in Punta del Este, the Committee established a Working Party to consider, in the light of the provisions of Article XXXVIII, the problem created for Chad by the current world market conditions for raw cotton and to make appropriate recommendations. The report of the Working
Party (COM.TD/44) was considered by the Committee at its ninth session in July 1967. The Committee considered that the contents of the report should be brought to the attention of the CONTRACTING PARTIES, in particular the following points:

(a) The dependence of Chad’s economy on cotton which will continue for some time despite its efforts to diversify.

(b) Falling world cotton prices over the past decade and financial difficulties that have accompanied this development have seriously hampered the economic advancement of a country so very under-developed and so dependent on cotton as Chad.

(c) The need of Chad to support cotton and to improve cotton productivity.

(d) The need of Chad to accelerate the diversification of its economy and as part of this process to improve infrastructure and transport.

(e) The importance of the economic programmes of Chad and especially the first five-year plan to its efforts to improve the productivity of existing production and to achieve greater diversification.

(f) The reliance of Chad on appropriate financial and technical assistance to supplement its own resources.

The Committee suggests that the CONTRACTING PARTIES draw the attention of governments to the analysis of Chad’s problems contained in the Working Party report, especially to the contributions which external assistance in the areas mentioned in that report could make to the economic growth and development of Chad and expresses the hope that appropriate consideration may be given to the report. The CONTRACTING PARTIES might also instruct the secretariat to forward copies of the report of the Working Party to other international organizations concerned for such action as these organizations might wish to take in respect of the conclusions contained therein. Finally, the secretariat might be instructed to keep the situation of Chad under review and bring to the attention of the Committee on Trade and Development any further developments relevant to the application of Article XXXVIII.
VII. Other activities and future work

In accordance with the instructions of the twenty-third session of the CONTRACTING PARTIES, the Committee also discussed certain outstanding issues, such as those relating to procedures for dealing with the trade problems of developing countries under Article XXIII, etc. Over the last eighteen months the Committee has focussed the greater part of its attention on points of interest to developing countries in the Kennedy Round. At the January 1967 session, held in Punta del Este, the Committee agreed that the end of the Kennedy Round should provide an occasion for the examination of the problems that require further action by the CONTRACTING PARTIES in the context of the obligations accepted by governments under Part IV of the General Agreement. In the light of the examination of these problems carried out at their twenty-fourth session contracting parties would no doubt wish to make suggestions in regard to the future work of the Committee in terms of the continuing responsibilities vested in it under Part IV of the General Agreement.
ANNEX I

Report of the Ad Hoc Group on Assessment of Kennedy Round Results for Developing Countries
ANNEX II


With regard to hard-core restrictions on industrial products panel arrangements might be adopted along the following lines:

(i) Composition of the panels. The panels will comprise governmental experts from contracting parties selected primarily for their familiarity with the problems involved. The experts will act in their personal capacity and not as representatives of their governments. Each panel may have up to five or seven members. Their nomination shall be made in consultation with the parties having a direct interest in the restrictions to be examined.

(ii) Number of panels to be set up. This should be related to the number of industrial product groups requiring detailed examination. Prima facie two panels may at present be established for (a) products of jute, coir and other hard fibres; (b) other textiles, excluding cotton textiles. Panels to deal with other products or product groups may be established by the CONTRACTING PARTIES (or the Council) on the proposal of the Committee on Trade and Development as and when warranted.

(iii) Terms of reference. The terms of reference established for each product or product group might be: "to examine the restrictions (other than restrictions applied for balance-of-payments reasons and those covered by waivers) applied by developed contracting parties on the product or product group in question and to report its views on how progress may be made in the removal of these restrictions".

(iv) Proceedings of the panels. Each panel should be free to seek relevant information on matters falling within its terms of reference from the contracting parties directly concerned and would be assisted by statistical and analytical data compiled by the secretariat. The panel should also hold discussions with such contracting parties, either singly or jointly, both before and after it has formulated any preliminary conclusions.
(v) Reports of the panels. Each panel will report to the Committee on Trade and Development and, simultaneously, to the GATT Council of Representatives within a period of six months of its appointment, subject to such extension of the time-limit as may be agreed upon by the Committee or the Council. The panels will keep the Group on Residual Restrictions informed of their findings and recommendations.