SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva
on Tuesday, 14 November 1967, at 10.30 a.m.

Chairman: Mr. M. AOKI (Japan)

Subjects discussed:

1. Programme for Expansion of International Trade
2. GATT/UNCTAD Relations

1. Programme for Expansion of International Trade

Sir EUGENE MELVILLE (United Kingdom) paid tribute to the Director-General for his twenty years service in the GATT during which steady progress had been achieved. There remained certain unresolved problems after the Kennedy Round, but this did not belittle the achievements of the GATT on the whole. The United Kingdom welcomed discussions on GATT's future work programme since the possibilities of GATT had not been fully exhausted with the achievements of the Kennedy Round. Remedies could be sought not only from the standard procedures of the GATT, including those under Part IV, but also in the context of a future long-term programme for the expansion of world trade. GATT's work in the past few years had been inspired and guided by the Harberler Report on the basis of which Ministers had given directives in 1958. A great deal had happened since then and this required to be taken into account in the future work programme. The experience gained in the Kennedy Round had widened the knowledge and understanding of international trade problems and it was, therefore, as the Director-General had put it at Heidelberg, desirable "to pick up where we left off in the Kennedy Round". The Kennedy Round was a bargain struck with great difficulties, between a large number of negotiating partners each with its own negotiating objectives. Consequently, a feeling of dissatisfaction lingered in many quarters; this, in a sense was a measure of its success. It was no use saying who gained more satisfaction and who less as a result
of the Kennedy Round, since this could only be judged in the light of several factors. In common with some other industrialized countries, the United Kingdom had entered the Kennedy Round with bound tariffs while some others had only partially bound tariffs. The balance of advantage achieved was hard to quantify, as it was difficult to assess the benefits accruing from the Kennedy Round to the developing countries. Nevertheless, the concept of the Kennedy Round represented a great step forward and made it clear that product by product approach had reached the limits of its usefulness. It had also underlined the fact that more preparation was required and that there was need for widening the scope of bargaining. GATT deliberations had also revealed that there were many problems which required further research, study and discussion. One such problem was that of the so-called technological gap, which played a part in limiting the degree of progress. The problem was complex and required a thorough examination before multilateral negotiations could be reopened. It was made even more difficult by the problem of resolving the future work programme of the GATT and the specific problems of certain contracting parties.

As for the fears of some developing countries that this kind of approach would cause a delay in the search for remedies, Sir Eugene observed that the special problems of the developing countries would continue to be tackled on the basis of the new non-reciprocal concepts embodied in Part IV of the GATT until a new multilateral and reciprocal deal was evolved. It was, therefore, desirable that a check-list of the various suggestions be prepared, and their priorities evaluated. Without such groundwork it was difficult to envisage any fruitful negotiations.

Referring specifically to the sub-item 3(a) "Tariffs and other obstacles to trade" he agreed with the Director-General's suggestion of a sectoral approach to free trade. It was evident that more could be done in the sector of tropical products. The United Kingdom was also in favour of free trade in industrial raw materials and had moved towards harmonization of tariffs at a reasonable level in the chemicals sector. However, the success of this later step very much depended on the United States revision of the ASP system of valuation. It was difficult to see what other areas could be selected for this kind of treatment, except as part of a new round of tariff negotiations based on reciprocity. The Director-General's ideas concerning free trade in the modern and technically advanced industries required further investigation. Similarly, the levels of tariffs resulting from the Kennedy Round required a closer study since it was not evident that low tariffs were merely of a nuisance value. The assessment of the Kennedy Round results could not show whether all the tariffs had an equal starting point, so this needed thorough examination. Similarly, more research was required in the identification of non-tariff barriers. All this called for further research and study before multilateral negotiations could be resumed.
Regarding the problem of agriculture, item 3(b), he observed that although the procedures adopted for this sector were different from those relating to the industrial sector, they were a part of one negotiated package. Inclusion of these two sectors within one system of reciprocal bargaining had the advantage of widening the framework of negotiations and striking a bigger overall bargain. The difficulties remaining in this sector could be met by GATT machinery and procedures without reopening the Kennedy Round. His country could not at this stage undertake new initiatives or prior commitments about future negotiations. In his view more preparation and study was warranted in both the agricultural and industrial sectors to make further negotiations more meaningful.

As regards item 3(c) he said that useful discussion could take place only after having studied the report of the Committee on Trade and Development. Nevertheless, some preliminary remarks could be made to emphasize the importance of this item. The developing countries formed a part of the international trading community and their future prosperity was interlinked. The special problems of the developing countries, however, deserved special consideration. The United Kingdom did not agree with the majority view that the subject of generalized preference was not ripe for discussion at this session because it was going to be discussed at New Delhi in the Second UNCTAD in February. This was a concept that the United Kingdom had always favoured, and which it could envisage coming back into the GATT in due course. The United Kingdom was also in favour of finding solutions in the field of tropical products and was interested to explore the possibilities of fostering negotiations to expand trade among the developing countries themselves.

He saw a positive and active rôle for GATT in the years ahead. GATT would have to stand up to the challenge of the developing countries as well as solve the tariff and non-tariff barriers to trade. However, before this could be done much preparatory work was required. He was in favour of the suggestion of the Australian delegate that conclusions emerging from these discussions could be put before the Ministers for their consideration and endorsement when they joined the general debate in the following week.

Mr. BRODIE (United States) commended the Director-General for his suggestions concerning the future work programme and agreed that in addition to its regular routine work GATT would have to undertake a comprehensive analysis of the barriers to trade remaining after the Kennedy Round, with a view to eliminating them. The factual information collected by the GATT would be helpful in charting the future course of action and in the formulation of future trade policies. The United States favoured an active and forward looking GATT and was prepared to send Ministers to decide its future activities. However, he made it clear that the new work programme was merely to pave the way for negotiations that could not be undertaken immediately. The United States was open minded as to the contents and procedures of the negotiations.
He believed that there was a compelling need for a study of the level and trade effects of industrial tariffs remaining after the Kennedy Round. Such a study could well be conducted by independent experts who would try to identify sectors in which tariffs were especially high or restrictive of trade. The calculation of effective rates on a selective basis of a number of important tariff categories, though difficult to determine, would also be useful. At the second stage, the feasibility of various methods of tariff negotiations could be examined. Among other things, the feasibility of the "French Plan", the sector approach, or new ideas reconciling the objectives of reciprocity and tariff harmonization could be examined. This survey could be undertaken by a working party of government experts. The United States was prepared to look at all promising possibilities, including the Director-General's suggestion regarding the elimination of low tariffs and those on raw materials. It was difficult to achieve elimination or harmonization of tariffs in certain sectors unless a large number of sectors were included to achieve reciprocity. The decision as to which sectors such negotiating techniques would be applied could be deferred until after the governmental working party had considered the possibilities. As regards non-tariff barriers, the first thing to be done was the compilation of an inventory of such barriers and an agreement on which barriers ought to receive priority attention in the future work programme. It might not be logical to determine priorities before the facts had been studied but the immensity of the field did not permit otherwise. The survey would consider not only the traditional non-tariff barriers but also subsidies and related fiscal and other measures to promote exports.

As regards the agricultural problems, his Government considered the work of Committee II as useful in identifying the barriers to trade in this sector. This work, however, required up-dating and further exploration of possibilities of tariff elimination. To provide new impetus to this work, the CONTRACTING PARTIES could establish a new "Committee on Agricultural Trade Policy" superseding Committee II, with terms of reference to look for solutions for current and prospective problems. The work of the Committee would include a study of the causes behind restrictions to trade, especially in domestic agricultural policies. This work could be entrusted to an independent body which could suggest ways and means by which governments could agree on the adoption of agricultural policies conducive to future negotiations on all barriers to trade. Certain sectors of agriculture and certain agricultural products warranted thorough and prompt attention, and this could be done with the help of sub-groups of the new committee. The United States was not in a position to suggest whether Ministers should decide on what groups would be established or whether the decision should be left to the committee itself.

As regards trade problems of developing countries, it was the view of his Government that proposed general studies of agricultural trade problems and of the effectiveness of protection of industrial tariffs would benefit both developing and developed countries. In view of the urgent trade needs of these countries, however, some ideas bearing upon their problems could be usefully taken up at an early stage. The United States supported the Director-General's
proposal that the Trade Centre could help the developing countries to exploit the trade opportunities opened up by the Kennedy Round. It also recognized the need to examine residual restrictions maintained by developed countries on products of special interest to developing countries. The Director-General's proposal to appoint a panel of experts to examine the root causes of these restrictions was interesting. His Government also shared the Director-General's view that the present Article XVIII "Consultation" procedure was too restrictive and could be modified to take into account the special trade and development needs of the developing countries. The Sub-Group on Trade in Tropical Products could be reactivated to deal with these products. The question of generalized non-reciprocal preferences from developed to developing countries could be usefully taken up at an appropriate stage.

Finally, Mr. Brodie emphasized the need for a study by a group of experts of the spectacular growth in regional economic groups and its implications for the pattern and structure of world trade.

Mr. COIMEIRG (Spain) congratulated the Director-General on his brilliant work during the twenty years of the existence of the GATT. He referred to the Programme for the Expansion of International Trade, adopted at the thirteenth session of the CONTRACTING PARTIES and which was aimed at undertaking new negotiations for the reduction of tariffs, studying the problems of non-tariff barriers to the expansion of trade in agricultural products, and initiating measures for the expansion of the trade of developing countries and the diversification of their economies.

With regard to the first objective, his delegation was of the opinion that the Dillon and Kennedy Rounds of negotiations had contributed much, especially in the field of industrial products. There was still a lot to be done in this sector; consideration should therefore be given to the proposal of the Director-General. However, there was no urgency; the first task was to bind the results of the Kennedy Round and safeguard them against protectionist tendencies. Work should also be done to assess the importance of the remaining tariffs and to identify non-tariff barriers.

In the opinion of his delegation the GATT should in any future programme of work concentrate on the agricultural field in which very meagre results had been achieved during the Kennedy Round, as well as on the problems of the expansion of trade of developing countries. He pointed out that in spite of the useful work done by Committee II, it was nevertheless unable to initiate measures and procedures to combat the protectionist agricultural policies of the main consuming countries. His delegation therefore supports the proposals to reactivate Committee II and give it fresh terms of reference with regard to the problems confronting trade in agricultural products. The groups on cereals, meat and dairy products should also continue with their work and be complemented by groups on other agricultural sectors such as fruits, vegetables, wine and oils.

With regard to the problems confronting the trade of developing countries his delegation was of the opinion that any future programme of action to be followed by developed countries should have as its basis the principles and objectives set out in Articles XXVI, XXVII and XXVIII. Referring to proposals made by the representative of Chile on various occasions, he said that
A possible future line of action could be to initiate fresh trade negotiations with the basic objective of improving the terms of trade of developing countries, as it was recognized that Kennedy Round concessions on products of interest to developing countries had been marginal. Meanwhile the first objective was to bind the concessions achieved during the Kennedy Round and proceed with an advance implementation of concessions on products of special interest to developing countries.

Mr. MUSIBORI (Japan) stated that, in the opinion of his Government, the results of the Kennedy Round would contribute substantially to the expansion of the exports of developing countries and it was its intention to implement without phasing concessions on twenty-eight items of major interest to developing countries, representing $43 million worth of trade.

With regard to free entry for tropical products, although his Government has no objection to setting up appropriate machinery to study the problems involved, in view of the fact that Japan produced agricultural commodities directly or indirectly competitive to the products of developing countries, and in view of the maximum contribution made by Japan on tropical products during the Kennedy Round negotiations, it would be difficult for it to make further substantial contributions to this field immediately after the negotiations. Moreover, it was first necessary to enlarge the activities of the Trade Centre to enable developing countries to exploit the new market opportunities opened up by the Kennedy Round.

On the question of preferences in favour of developing countries, it was the view of his delegation that the subject would be best left for the consideration of the forthcoming UNCTAD in New Delhi. However, his Government was giving serious thought to the problem and would shortly make a policy statement on it.

While expressing the support of his delegation for the initiative taken by the developing nations aimed at the expansion of mutual trade, the representative of Japan added that it might be more practical if a scheme for such trade could be arranged on regional and sub-regional basis. Finally, he approved the Director-General's proposal to broaden the consultation procedures to enable a deeper exploration of the economic and trade problems encountered by developing countries and promised his delegation's support for any idea brought forward on the basis of the discussions of the Committee on Trade and Development.

Mr. WEITNAUER (Switzerland) expressed appreciation for the work done by GATT in its twenty years of existence, and hoped that the Ministers would reaffirm their desire that it continue working with the same objectives and principles. The principal objective of the GATT remained that of organizing negotiations with a view to liberalizing world trade. Before new negotiations could be envisaged, all the mechanisms and procedures available should be used for a detailed study of the problems which remained in spite of the success of the Kennedy Round.
There were four areas in which effective preparatory work could be undertaken, on the basis of a decision taken by the Ministers. Firstly, there was the question of future negotiations among developed countries for tariff reductions on industrial products, and in this regard the suggestion of the Director-General for possible elimination of tariffs by sectors was welcome. However, his delegation had reservations concerning the proposition for total elimination of low tariffs on the grounds of their nuisance value.

Secondly, there was the need to establish an inventory of all non-tariff barriers which could impede the work of the GATT in other domains. In the light of such an inventory, a more precise evaluation of the problems could be made and effective remedies found.

Thirdly, there were the problems of agriculture which should play a major rôle in any future negotiations. His delegation was prepared to discuss the difficult problem of finding a balance between the aspirations of the major exporters of agricultural products, especially of temperate products, for more assurance of access to markets for their products, and the equally essential need of the industrial States to maintain a certain level of agricultural production for other than economic reasons.

Lastly with regard to the special problems of the developing countries, his delegation would support any comprehensive studies of the problems involved and of the appropriate solutions for them. The question of preferences should, for purely institutional reasons, be left for discussion at the next session of UNCTAD; however, whatever decision was finally taken on this subject should not constitute an obstacle to the efforts of developed countries to demobilize their tariffs on the basis of the most-favoured-nation clause.

Mr. von SYHQM (Sweden) speaking on behalf of the Nordic Delegation, limited himself to items 3(c) and 4 concerning the trade of developing countries. Although the Kennedy Round had not fully met expectations, the results achieved nevertheless were of great importance to the developing countries. The Nordic countries had tried to accommodate the interests of the developing countries during the negotiations; they had implemented their tariff concessions on tropical products, and were willing to consider advance implementation of concessions on other products of interest to developing countries. Further action was needed in the fields of tariff and non-tariff barriers and in this connexion, the proposals of the Director-General were of utmost importance.

With regard to tariffs, he stressed that tropical products should be given the highest priority and he supported the proposal of the Committee on Trade and Development that the Group on Trade in Tropical Products be reactivated and given new terms of reference. He promised the support of the Nordic countries to any joint action to be undertaken in this connexion. Further liberalization of trade in the field of industrial raw materials was also desirable.

There was need to give more attention to the problems inherent in the expansion of trade among developing countries and he expressed the hope that preparatory work on the present project for trade liberalization among some developing countries would be intensified. He welcomed the suggestion of the Director-General to broaden the scope of the balance-of-payments consultations under Article XVIII to cover development plan studies, and place emphasis on their provisions for trade.
His delegation attached importance to the work of the International Trade Centre and the need to fully mobilize its service so as to enable developing countries to exploit the market opportunities opened up by the Kennedy Round.

2. GATT/UNCTAD relations (L/2839 and L/2890)

Mr. WYNDHAM WHITE (Director-General) drew attention to the serious risks and problems inherent in the duplication of effort among international organizations that had been set up with similar or overlapping terms of reference. Some duplication might be good, since it could lead to stimulation of effort, but he thought 90 per cent of it was counter-productive and unhelpful. He had sensed a serious deterioration in the work of the GATT due to the proliferation of meetings to an extent that it became beyond the competence of even well-equipped governments to deal sensibly and effectively with the business before them. This was even more true of governments with more limited resources, and affected particularly the field of responsibility of the CONTRACTING PARTIES, although it was an increasingly grave problem running throughout the field of international organizations. It was his intention to bring about, consistently with Part IV of the General Agreement, the closest collaboration between GATT and UNCTAD. Co-operation between the two organizations had already developed considerably. There had been a number of discussions between the Secretary-General of UNCTAD and himself, as well as between the two secretariats, and they had gone far to institutionalize this collaboration on a continuing basis at all secretariat levels. In the discussions there had been two principal objectives: first, that the two organizations should mobilize all resources available to them to meet the urgent trade and development problems of the developing countries; and second, that these resources should not be wasted by unnecessary duplication of work. In recent months the principal matter under discussion between the two organizations had been a proposal for the creation of a joint GATT/UNCTAD Trade Centre. He gave credit for the proposal to the Secretary-General of UNCTAD. Because of his terms of reference the latter could not turn aside from the field of trade promotion, but rather than set up a competing organization he had courageously proposed the pooling of the resources of GATT and UNCTAD in this field to form a joint centre. The Director-General supported the idea and invited the concurrence of the CONTRACTING PARTIES. Proposals for a joint Centre had been formulated and were set out in documents L/2839 and L/2890. These proposals should be carefully considered by the CONTRACTING PARTIES during the present session. He hoped the joint Centre could be effectively established in 1968. During the first year the effect of the joint operation would not be to enlarge very greatly the resources available for the programme, and any increase in resources would come from the UNCTAD, assuming its Secretary-General was successful in obtaining United Nations authorization for them. For the future, the latter attached importance to the establishment of parity in the financial participation of the two agencies in the joint Centre. He hoped this parity would be achieved, not by a reduction of the contribution of the CONTRACTING PARTIES, but by the addition of resources coming from UNCTAD. This would clearly take some time, since it would involve a doubling of the resources of the Centre. Regarding the supervision of the joint Centre by two agencies
(GATT and UNCTAD) this posed problems, but he was confident that it was possible, given the good atmosphere in the relationships between the two secretariats. It was necessary to ensure that the creation of a joint Centre would not financially or administratively handicap an operation that had already made remarkable progress, but enable it to obtain additional resources, and retain a reasonable degree of administrative flexibility. Their preoccupations with the project for a joint Trade Centre had to some extent held back inter-secretariat discussions in other sectors, but some months ago these had been initiated on a number of other problems relating to the expansion of developing countries' trade. The UNCTAD Secretariat had been invited to associate themselves with a proposal, already accepted by a number of developing countries, for trade negotiations aimed at developing trade amongst these countries. The Secretary-General of UNCTAD had indicated that its Secretariat would associate themselves with this work, which was a gratifying development. Developing countries that were not contracting parties would also have the opportunity to participate in the negotiations if they wished to do so. The GATT secretariat would provide every assistance to ensure the success of the second UNCTAD Conference, and he hoped it would be possible to extend collaboration into still further areas of work relating to developing countries' trade.

Mr. LATIMER (Canada) said his Government had been one of the first to welcome the preliminary agreement between the two secretariats for a joint GATT/UNCTAD Trade Centre, in order to rationalize international activities in the field of trade promotion. The most attractive element of the proposal was the intention to carry forward in an effective way the good work already done by the present Centre. The latter had been efficiently administered and provided a useful and much appreciated service to many developing countries in a flexible and economic manner. The Canadian Government had supported the proposal in principle at the ECOSOC session in the summer, and at the fifth session of UNCTAD's Trade and Development Board. However, at the latter it had requested an elaboration of the proposed administrative and budgetary arrangements before it could agree that the joint Centre be put into immediate operation. These were now before them in document L/2890. Since they required more detailed examination and comment than was possible in plenary session, his delegation supported the suggestion that a working party be formed to examine the matter in detail. His delegation would wish to serve in such a working party.

Mr. MORENO-FERNANDEZ (Cuba) expressed the full support of his delegation for the efforts to develop efficient co-operation between GATT and UNCTAD, one of the results of which was the proposal to create a joint Trade Centre. The failure to implement this joining of forces would represent loss of potential common work. He thought the Director-General's statement was excellent. The collaboration was all the more important since the main difficulties faced by the developing countries lay in the sector of primary products, and here UNCTAD was certainly the competent organization to find positive solutions.
Dr. STEDTFELD (Federal Republic of Germany) speaking on behalf of the European Communities, said that their member countries had strongly supported the creation of an International Trade Centre within the GATT. The important rôle it had played for a period of nearly four years under its Director, to whom they wished to pay tribute, had confirmed their view of the importance of such a Centre. Now that the results of the Kennedy Round were going to open up new export possibilities for developing countries, they thought the proposal to create a joint GATT/UNCTAD Trade Centre a good one. It should make possible increased activity in this field and encourage collaboration between the two organizations. Many questions of detail would have to be settled if the activities carried out by the GATT Centre were not only to be continued but developed further. All aspects of the problem should be examined by a working party and they would wish to participate in it.

Mr. NISIBORI (Japan) said his delegation was grateful to the Director-General for his encouraging report. It was gratifying to know that a relationship of co-operation between GATT and UNCTAD was developing. This would enhance the effectiveness of each other's functions. His delegation fully supported the proposal to create a joint Trade Centre, and hoped this auspicious trend of collaboration between the two organizations would be maintained in the future.

Major-General WIJEYEKOON (Ceylon) said his delegation welcomed the initiative taken by the Director-General of GATT and the Secretary-General of UNCTAD to combine the resources and experience of the two organizations in export promotion. They were also interested in the proposals to collaborate in other fields of interest to the developing nations. The new joint Centre should be a means by which the international community gave increased and more effective assistance to expanding developing countries' exports. He felt the CONTRACTING PARTIES should pledge themselves to provide the same resources from 1969 onwards that they had agreed to give in 1968. The contributions from the United Nations would be additional to this. Thus equal sharing of the budget between the GATT and the United Nations would not be possible until the latter's share had risen, over a period of time, to around $1 million. If the budget was to be shared in 1969, there was no assurance that the United Nations share of $500,000 would actually be forthcoming. They had to emphasize this point because document L/2890 made it clear the Centre would not have direct access to United Nations Technical Assistance funds for operational activities. His delegation also welcomed the proposal that GATT would continue to provide services in the fields of personnel, payments and accounting, since this ensured maximum use of the Centre's resources for direct export promotion activity. With respect to joint control of the Centre, the CONTRACTING PARTIES should ensure that flexibility of operations was maintained. The details of the proposal should be examined by a working party that would report back to the session.
Mr. SWAKUP (India) said his delegation felt the roles of GATT and UNCTAD were complementary, but his Government was willing to consider any proposals that would tend to reduce duplication. They welcomed the association of UNCTAD with the launching of negotiations to expand trade among developing countries. With regard to the joint Centre he supported the proposal for a working party and said his delegation would be happy to participate in it.

Mr. BRODIE (United States) said his Government was pleased to see efforts by the secretariats to work constructively together and co-ordinate their resources. They hoped the result would be a strengthened Trade Centre capable of continuing and expanding its hitherto efficient and dedicated work. It was particularly important that in the period ahead it should be able to perform dynamically and flexibly. His delegation supported the proposal for a working party to examine the complex administrative and financial arrangements involved, and would be happy to serve on it.

Mr. THRANE (Denmark) speaking on behalf of the four Nordic countries, said the latter attached great importance to efficient trade promotion action. They therefore welcomed the Director-General's statement on co-ordination between GATT and UNCTAD in this field. However the details of the proposal for a joint Centre needed further study. They expected the joint Centre to pursue its work along the same lines as hitherto, but on an increasing scale. They would like to participate in the working party that had been proposed.

Sir EUGENE MELVILLE (United Kingdom) welcomed the efforts to achieve co-ordination made by the two secretariats, and his delegation hoped they would continue and that their results would be increasingly fruitful. On behalf of his Government he paid tribute to the excellent and efficient work of the Trade Centre, and said they were pleased to hear of the plans for a joint Centre. It was important to urge exporters to take full advantage of favourable changes in import régimes, including tariff reductions, and for this a trade promotion office was a valuable governmental instrument. His delegation agreed it would be desirable to look in detail at the proposal for a joint Centre, and they were prepared to participate in the Working Party.

The meeting adjourned at 12.30 p.m.