1. The less-developed countries would invite a reference to the note submitted by them on 20 May 1959 (document W.14/15) regarding the special difficulties and problems which confronted them in expanding their trade and the programme suggested by them for effective and early action by the CONTRACTING PARTIES for dealing with these problems in a manner which would make possible a substantial and early increase in their earnings from exports.

2. Since this note was circulated, Committee III has carried out an examination of the obstacles which confront exports from the less-developed countries of a number of primary products and manufactured goods which these countries are in a position to export to world markets.

3. This examination has helped to identify such obstacles as high tariffs, restrictive fiscal charges and import quotas, which inhibit the entry into the industrialized countries of primary products like tea, coffee, cocoa, raw cotton, tobacco, etc., and the simpler manufactured goods like cotton and jute manufactures, sewing machines, etc., for which the less-developed countries are seeking larger outlets in overseas markets. State or other monopolies, mixing regulations, some forms of surplus disposal activities and subsidies also restrict actual and potential markets for the products of the less-developed countries - e.g., tobacco, vegetable oils, etc. The Committee has noted that in the context of the increase in the national incomes and industrial activity in the industrialized countries, there is, in a large number of instances, no real justification for the use of these protective and fiscal devices. The Committee has recommended that industrialized

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1 Brazil, Burma, Cambodia, Ceylon, Chile, Cuba, Ghana, Greece, India, Indonesia, Federation of Malaya, Nigeria, Pakistan, Peru, Federation of Rhodesia and Nyasaland, Tunisia, Turkey and Uruguay

2 The products so far examined are: cocoa, coffee, copper, cotton manufactures, jute manufactures, oilseeds and vegetable oils, tea, timber, tobacco, bicycles, sewing machines, electric fans, Diesel engines, electric motors, finished leather, leather footwear and leather goods, iron ore, aluminium, alumina and bauxite and sports goods. Further products, it is believed, will be examined as and when possible.
countries take early action to reduce existing tariff and fiscal levies and remove quota restrictions on goods originating from the less-developed countries. The CONTRACTING PARTIES as a whole unanimously adopted a recommendation to this effect at the fifteenth session.

4. The less-developed countries note that during the last few months some steps have been taken by a number of industrialized countries to modify or relax their existing quota restrictions. In many cases these steps were no more than those which such countries were bound to take in the fulfilment of their normal obligations under the General Agreement, with the disappearance of the circumstances justifying the restrictions. The benefits accruing to the less-developed countries from such steps have been insignificant. There has been little or no action specifically directed towards improving the access of exports from the less-developed countries to the markets of the industrialized countries. The less-developed countries feel constrained to record their disappointment at the lack of tangible results despite intensive work by Committee III and the exhortations of the CONTRACTING PARTIES.

5. Even where the restrictive effects of high tariffs on imports from the less-developed countries have been recognized, industrialized countries appear to take the view that these tariffs could be reduced only through the exchange of tariff concessions on a reciprocal basis. Further, reduction in fiscal charges has been resisted on the ground that this would involve sacrifice of Government revenue which is exclusively a matter for the financial and budgetary authorities in each country. Finally, in the field of quotas, restrictions continue to be maintained very often on a discriminatory basis on some of the most important exports of the less-developed countries in spite of the prevailing general trend towards liberalization.

6. Over the last two years, during which Committee III has been in existence, the export earnings of less-developed countries have, by and large, continued to stagnate. They have not kept pace with the rate of growth in trade achieved by the industrialized countries. This has continued to be a serious impediment to accelerated investment which is necessary for the rapid economic development of the less-developed countries and to their efforts to finance the servicing of their loans and sustain a higher level of economic activity and growth through earnings from their exports. The less-developed countries consider it necessary, therefore, to re-emphasize certain basic considerations which the CONTRACTING PARTIES need to keep in mind and pursue if they wish to make an effective contribution to the economic development of these countries through trade.

7. However much they may desire to do so, most less-developed countries are not in a position to pay for concessions in the tariffs on their exports by compensating concessions in their own tariffs on imports. Indeed, some of them are even now suffering from the inhibiting effect of concessions granted by them during earlier negotiations, and are faced with extreme difficulty in providing
adequate compensation for those concessions which they are finding it necessary to withdraw. This is a point which has assumed particular significance in the context of the negotiations which are currently, or will shortly be, taking place between the European Economic Community and third countries and also of the 1961 round of general tariff negotiations, including the negotiations with a view to full accession which will be entered into by less-developed countries which have provisionally acceded to the General Agreement. It may be reiterated that the capacity of the less-developed countries to give reciprocal concessions is limited both by their need to use tariffs for revenue and developmental purposes and by the fact that capital goods or industrial raw materials account for a considerable part of their import bill and the duties on these goods are in any case very low or negligible. A further feature of imports into the less-developed countries which has emerged in recent years is that these are often "tied" to countries which make available loans or credits; and, consequently, the tariffs of the less-developed countries on such items are of little practical significance. What is necessary now is that the industrialized countries should recognize the inherent difficulties of less-developed countries in this field. The less-developed countries would ask that in the tariff negotiations which are now going on and in those which are yet to take place it should be recognized as an underlying principle that reciprocal and equal concessions will not be insisted upon by the industrialized countries from the less-developed countries. To this extent there is need for a radical change in thinking on the basis of these negotiations. Indeed, the less-developed countries would request that the feasibility of discriminating in their favour should be considered. In a number of cases less-developed countries are beginning to export to the industrialized countries manufactured or semi-manufactured goods of which they are not yet principal or even substantial suppliers. It would, therefore, be difficult for them even to initiate negotiations. Further, in such cases the benefits they would receive, at least in the initial phases, would not justify their being made to pay compensation. The feasibility should be considered of industrialized countries exchanging concessions also particularly on items in which the less-developed countries also have an export interest. As regards quantitative restrictions, the benefits accruing from the general movement towards freeing of markets for industrial products inter se between the industrialized countries should also be extended to exports from the less-developed countries.

8. The less-developed countries also wish to point out that in the field of fiscal charges, the position in a number of industrialized countries is even worse today than it was when Committee III started its work. There has been a substantial increase in the fiscal levies on tobacco in more than one country. In other countries the internal taxes on tea and coffee have been increased with a view to offsetting reductions in the customs duties. At its last meeting, Committee III came to the conclusion that a reduction in internal taxes in the context of the rise in standards of living and the resulting increased levels of consumption which may be expected would in most countries probably lead to larger imports and that consequently loss of fiscal revenue resulting from the lower level of tax might, in the long run, be offset by the higher turnover.
It is the firm belief of the less-developed countries that even if this result did not immediately follow, full employment and the high level of economic activity prevailing in the industrialized countries would afford many other ways of securing compensation for loss of revenue in this field. Indeed, the less-developed countries feel that conditions are now very favourable for the industrialized countries to reduce fiscal charges on primary and tropical products such as tea, coffee, cocoa, tobacco, etc. They are sure that courageous and imaginative action by industrialized countries in this field will earn for such countries dividends in the form of a greater and diversified demand for their products in the markets of the less-developed countries through the increase in the latter's export earnings.

9. It is a matter for regret that the progress which most industrialized countries have made towards liberalization of imports has not extended to any real freeing of markets for imports from the less-developed countries. Restrictions continue to be maintained on items like cotton textiles, jute goods and other simple manufactures on grounds which are not recognized in the General Agreement and on various pleas such as differences in costs of production: these pleas take no account of the situation in and the problems of less-developed countries. The industrialized countries have already recognized that if the less-developed countries are to secure the finances required for development, they must export more and more of the simpler manufactured goods in the production of which they have natural advantages. The patterns of production and consumption in the industrialized countries are changing so rapidly that the entry of such goods into their markets should create no major problems of adjustment and accommodation. The production in and marketing of many of these manufactures by the less-developed countries, in the initial stages, suffer from various inadequacies and deficiencies - e.g., in the efficient utilization of plant, equipment and raw material and the use of effective marketing methods. There is, therefore, good reason for the industrialized countries granting tariff and other concessions so as not to add to the effects of these inadequacies and deficiencies. Industrial evolution which is already gradually transforming the patterns of production in the industrialized countries should, in view of the less-developed countries, be consciously directed and accelerated through policies (including tariff policies) which will encourage the processing of their mineral and other primary products, and the production, in the first instance, of the simpler manufactured goods, in the less-developed countries, the industrialized countries going over rapidly to the production of more complex, sophisticated and specialized manufactured goods based on scientific and technological advances. In this connexion, the less-developed countries would ask that practical and urgent consideration should be given by Committee III and by the CONTRACTING PARTIES to item II(2) of the programme of work contained in document COM/III/1 dated 26 March 1959.
10. The less-developed countries feel that there is considerable scope for the expansion of trade between themselves. This would increase their export earnings, provide more employment, render possible a wider use of resources and raise standards of living and consumption. They would, therefore, urge that in its future work Committee III should give urgent and earnest attention to item II(3) of the programme of work above referred to. They feel that despite disparities in the nature of their development problems there is much scope for further action in common towards the solution of their problems.

11. The less-developed countries wish to remind the European Economic Community of the assurances given by its members when discussion on the Rome Treaty was initiated before the CONTRACTING PARTIES, and to make a special appeal to the Community and request it to take special account of the difficulties and needs of the less-developed countries in regard to the effect of its Common Tariff and its other policies, and, in particular, its agricultural policies. Reference is invited, in this connexion, to paragraph 7 above. The same appeal and request would apply mutatis mutandis to other regional groupings already formed or which are to be formed in the future.

12. In conclusion, the less-developed countries wish to emphasize that time is the most important consideration in regard to their economic development. The effectiveness of the General Agreement to them will depend not only on the expansion of their trade and an increase in their export earnings but, even more so, on the rate of such expansion and increase, and on the extent to which progress in this field induces investment from abroad.