

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Action Committee

Sub-Committee 2

NOTES FOR THE DISCUSSIONS IN SUB-COMMITTEE 2 OF THE ACTION COMMITTEE

Prepared by the Secretariat

1. To facilitate the work of the Sub-Committee, the secretariat has prepared the following note which summarizes the proposals made in relation to point (viii) of the Action Programme and also lists briefly action taken to date in the GATT on these proposals.¹

I. Proposals made in Relation to Point (viii) of the Action Programme

2. Point (viii), "Other measures", of the Action Programme asks that:

"contracting parties should also give urgent consideration to the adoption of other appropriate measures² which would facilitate the efforts of the less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales".

3. The following measures relating to point (viii) of the Action Programme were specifically referred to in the ministerial Conclusions:

- (a) Study of the grant of preferences to imports from less-developed countries, (paragraph 24).³

¹The terms of reference of Sub-Committee 2 are as follows: To assist the Action Committee in its task of implementing point (viii) of the Action Programme - to receive, process, and report to the Action Committee all suggestions which are put forward by contracting parties, except those specifically referred to Committee III, or any other body - to undertake any other work assigned to it by the Committee - to report to the Action Committee on the carrying out of its mandate (AC/3, paragraph 34).

²Other than those referred to in points (i) to (vii) of the Action Programme which relate to the removal of barriers to trade.

³The paragraph references relate to document MIN(63)7.

- (b) Adjustments in the structure and pattern of production and trade in the industrialized countries, to permit increasing import competition from less-developed countries, (paragraph 25).¹
- (c) Effective joint action to arrest the deterioration in the terms of trade of less-developed countries, and to eliminate excessive fluctuations in exports and export earnings, for instance through commodity agreements, price stabilization schemes, compensatory financing and market organization, (paragraphs 6 and 26).¹
- (d) Extension of Committee III's work in the field of trade and aid studies, (paragraph 27).¹
- (e) Examination of means for financing the gap between export proceeds and import requirements of less-developed countries (including the possibility of providing loans on "soft terms"), (paragraph 27).¹
- (f) Study of, and possible amendment of, the legal and institutional framework of GATT, (paragraphs 28 and 29¹) and,
- (g) Establishment of a centre for trade information and market research within the framework of GATT, (paragraph 7).¹

II. Action Taken for Implementing the Ministerial Conclusions as they Relate to Point (viii) of the Action Programme

A. Work specifically referred to Committee III, the Working Group on Preferences and the Committee on the Legal and Institutional Framework

Points (a) and (f) (Preferences; Legal and Institutional Framework)

4. In accordance with the ministerial Conclusions (paragraphs 24 and 30 of MIN(63)7) special committees have been set up to deal with the question of preferences, and the question of the legal and institutional framework of GATT. Both committees have met on several occasions. Reports on the present status of their work were submitted to the meeting on 28-30 October² of the GATT Council of Representatives.

Point (d) (Trade and aid studies)

5. The extension of the work of GATT into the field of trade and aid studies was specifically entrusted to Committee III (paragraph 27, MIN(63)7). The Committee has drawn up a programme and outline for the studies, and has selected a number of countries for priority study (see COM.III/II8/Add.1; L/2080 Section III, and L/2181 Section 3).

¹The paragraph references relate to document MIN(63)7.

²See documents L/2281 and L/2282.

6. It is now envisaged that the first series of studies will be taken up by the Committee early in 1965.

B. Other work falling under point (viii) of the Action Programme

General Observations

Points (b), (c), (e) and (g)

7. Under the arrangements agreed upon by the Action Committee at its meeting in September 1963, the examination of possibilities for action on a number of other points, specifically mentioned in the ministerial Conclusions, was delegated to Committee III. The points suggested for coverage by Committee III are:¹

- an examination of assistance in export promotion schemes which industrialized countries should render to less-developed countries - ((g) above);
- examination of possibilities of extending the activities of GATT to embrace the financing aspect of bridging the gap between export proceeds and import requirements - ((d) and (e) above);
- possibilities for assisting the expansion of trade and economic development of less-developed countries by extending the participation in, and the period of validity of, international commodity arrangements, and relating such arrangements to national development plans - ((c) above);
- examination of possibilities for developing countries of increasing their export earnings through the operation of market organization schemes - ((c) above);
- examination of possibilities for less-developed countries of expanding and diversifying production and trade through the application of measures designed to encourage selective industrialization - ((a) and (b) above).²

8. At its meeting in October 1963, Committee III dealt with various aspects of the first two of the proposals in paragraph 7, as indicated below.

Assistance in export promotion

Point (g)

As regards action in the GATT for assisting less-developed countries in the field of export promotion measures, Committee III recommended at its meeting in October 1963 that these questions should be taken up by a special Expert Group,

¹See AC/3, paragraph 33

²Some aspects of this question have been under discussion in the Working Group on Preferences.

together with a proposal submitted earlier to Committee III for the establishment of an International Trade Information Centre. The Expert Group in the Field of Trade Information met in February 1964. On the basis of the recommendations of the Expert Group, subsequently endorsed by Committee III (see L/2181, Section A), the CONTRACTING PARTIES at their twenty-first session decided unanimously to establish, within the framework of GATT, needed trade information and trade promotion advisory services. The Centre which provides these services, commenced operations on 1 May this year. The services the Centre will provide during the initial phase of its operations, are summarized in document L/2181, paragraph 3.

While the Expert Group has emphasized the importance of assistance to less-developed countries in the field of export promotion generally, and has made provision for such services to be rendered by the Centre, the Group has not yet examined in detail a number of specific proposals made in the Action Committee in this regard.¹ Specifically, the proposals, which remain to be taken up, relate to technical and financial assistance which industrialized countries might render in such fields as marketing, export assistance and export risk insurance. The Expert Group expects to take up at its next meeting the question of possibilities for action on these proposals (COM.III/128, paragraphs 9 to 11).²

Financial assistance for bridging the gap between export proceeds and import requirements

Points (d) and (e)

At its meeting in October 1963, Committee III undertook a preliminary discussion of the proposals by the United Arab Republic for action which might be taken in the GATT with a view to bridging the gap between export proceeds and import requirements.³ At the recommendation of Committee III the proposals were considered by a specially appointed Expert Group. The Expert Group met from 27 to 29 January. Its report (COM.III/127) was submitted to the twenty-first session of the CONTRACTING PARTIES. While the Expert Group reached certain conclusions regarding the rôle of GATT in this field, it was felt that a number of points contained in the proposal by the United Arab Republic would require further clarification. These points relate to questions concerning the extension of GATT activities to facilitate the provision of financial assistance on appropriate terms to less-developed countries, particularly to offset inadequacies and shortfalls in their export earnings in relation to their development requirements. The CONTRACTING PARTIES considered that the GATT could make a useful contribution in this field through collaboration in the study of trade and aid relationships, so as to bring about fuller international co-operation in dealing with these problems.

¹See AC/3, paragraph 18 and AC/W/2; also Section V of document L/2080, summarizing discussions on this subject at the meeting of Committee III in October 1963.

²For discussions at UNCTAD which would seem to be relevant see the FINAL ACT, E/CONF.46/L.28 Annex A.III.6, A.IV.14 and A.IV.16.

³See L/2080, Section IV.

The position in regard to the work being undertaken in the field of trade and aid studies is indicated in paragraphs 5 and 6 above. It may also be noted that a number of problems relating to the provision of financial assistance to less-developed countries were discussed at the United Nations Conference on Trade and Development.¹

The experts of the less-developed countries reserved their right to revert to the discussion of the proposals made in the Expert Group at an appropriate time.

9. Committee III has not yet examined the remaining points set out in paragraph 7 above (relating to points (a), (b) and (c) listed in paragraph 3).

Discussions in Sub-Committee 2 of the Action Committee

Point (c)

10. Point (c) market organization and point (b) adjustments in the structure and pattern of production and trade etc., have been briefly considered in Sub-Committee 2 of the Action Committee.² In relation to the first point, the Committee heard a statement by the spokesman of the European Economic Community. The major points in that statement can be summarized as follows: "...the governments of the member States of the Community will give full support to measures which will avoid excessive fluctuations in the export earnings of less-developed countries and to measures for establishing prices at a remunerative and equitable level, possibly an increasing level, for those primary products which account for the overwhelming share of the export earnings of the less-developed countries. A better organization of markets for primary products leading to an equilibrium between supply and demand, for instance, through the mechanism of commodity agreements, could lead to that end ... a practical way to proceed in this direction might be to examine possibilities for action on a product-by-product basis."

11. Various aspects of action which might be taken in this field have also been discussed in other international bodies, notably at the United Nations Conference on Trade and Development.³ There has been no further consideration of this

¹See the recommendations contained in Annex A to the Final Act of UNCTAD/E/CONF.46/L.28, particularly "General Principle Eleven", "Special Principle Eleven" and Annex A.IV.1., A.IV.2., A.IV.3., A.IV.4., A.IV.18.

²Sub-Committee 2 of the Action Committee has so far held one meeting, on 18 December 1963. That meeting was primarily devoted to a review of follow-up measures for implementing point (viii) of the Action Programme. A short summary of the Sub-Committee's discussions is contained in document AC/8, page 11, paragraphs 17-19.

³See the Final Act of UNCTAD/E/CONF.46/L.28 Annex A, in particular "Special Principle Seven" and Annex A.II.1.

specific matter in the GATT since the last meeting of Sub-Committee 2. It should however be noted that the Draft Chapter on Trade and Development, drawn up by the Legal and Institutional Committee, makes specific provision for collaboration - including action through international arrangements for improving conditions of access to markets for primary products and through measures designed to stabilize and improve conditions of world markets in these products.

Structural Adjustments (point (b))

12. As regards point (b) - "Adjustment of the structure and pattern of production and trade in the industrialized countries", Sub-Committee 2 agreed to give, at a later date, consideration to a proposal envisaging the establishment of machinery to assist, where required, industries in industrialized countries to adjust to the changing pattern of trade and increasing import competition from developing countries.¹

III. Further Action to Implement the Ministerial Conclusions

13. In view of the indication given in this note on the status of work initiated in the various bodies of GATT in relation to the proposals received so far, and account also being taken of action in other international bodies, the Sub-Committee may wish to consider what further action it should take at the present time in accordance with its mandate. In particular, the Sub-Committee may wish to address itself to follow-up action relating to the points referred to in paragraphs 10 and 12 above. Further, the Sub-Committee may wish to consider whether there is any other aspect of the work falling under point (viii) of the Action Programme having regard to the status of work in other committees, to which it can draw the attention of the Action Committee at its forthcoming meeting.

¹See AC/8, page 11, paragraph 19, AC/W/2 and AC/3, paragraph 18(iv).