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SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 20 May 1960, at 2.30 p.m.

Chairman: Mr. E.P. BARBOSA DA SILVA (Brazil)

Subjects discussed: Expansion of international trade -
1. Report of Committee II
2. Report of Committee III

1. Expansion of International Trade - Report of Committee II (L/1192)

The CHAIRMAN stated that Committee II was presenting, in document L/1192, an interim report on the work which the Committee had so far carried out since the presentation of its first report to the CONTRACTING PARTIES at their fourteenth session. He called on Mr. Patterson (Canada), the Chairman of Committee II, to present the report.

Mr. PATTERSON (Canada) recalled that during the meeting of the Committee from 9 to 13 May 1960 it had been decided to take stock of the first results of the agricultural consultations which had so far been carried out by Committee II in accordance with its terms of reference. The Committee had not drawn any final conclusions at this stage of its work, but had considered that it would be useful, nevertheless, to present a progress report to the CONTRACTING PARTIES. The consultations carried out by the Committee had taken the form of an examination of the general agricultural policy of the countries consulted and of their policies in relation to those specific commodities entering importantly into world trade on which the Committee had agreed the consultation should be concentrated. The consultations had served the purpose of providing a substantial volume of additional information on the individual systems and thus had added to the knowledge already available of the objectives pursued by the countries being consulted, the reasons for their choosing the systems used to achieve these objectives and the ways in which these systems were being implemented. The consultations had therefore also served the purpose of providing material

for a concrete examination of the effects on international trade in the selected commodities. Moreover, they had in many cases provided opportunities for direct exchanges of views with officials responsible for directing agricultural and fisheries policies.

The report as presented to the CONTRACTING PARTIES highlighted some of the main points which had emerged during the individual consultations. It contained a description of the main objectives of agricultural policies and of the systems adopted to achieve these objectives. It summarized the views which were expressed in relation to these objectives and systems.

As indicated in paragraphs 19 and 20 of its report, the Committee had had preliminary discussions about the future work under its terms of reference, but it had not yet concluded its deliberations on this point. The Committee, therefore, proposed to bring the matter of future work back to the CONTRACTING PARTIES later in the present session, and in doing so, to take into account the results of the discussion on this specific point at the present Plenary.

Mr. Patterson referred to the magnitude of the task assigned to the Committee by pointing out that in a little over one year the Committee had met for nearly four months. The reason that so much time had been spent for this work was in his view, and in the view of many of the members of the Committee, the desire to get to the roots of the problems. As a result the consultations had been most searching in character and consulting countries had had every opportunity to describe their agricultural policies in detail. In turn, every member of the Committee had been able to probe deeply into such policies and to assess as far as possible at this stage, the probable effects of countries' policies on the trade of agricultural and fisheries commodities. In his opinion a further assessment of these findings was of considerable importance.

In concluding, the Chairman of Committee II, wished to express his personal tribute and appreciation both to the representatives of the countries consulted and to the members of the Committee for their co-operation.

The CHAIRMAN expressed, on behalf of the CONTRACTING PARTIES, the appreciation and thanks to the Chairman and members of Committee II for the work they had accomplished. He invited the delegates to make statements and in doing so he asked them to keep the future work of the Committee in mind.

Mr. JARDINE (United Kingdom) expressed his delegation's welcome to this second report of Committee II. He said that it was quite clear that in the series of consultations with individual contracting parties about their agricultural policies the Committee had elicited a substantial amount of valuable information and that its members had had full opportunity for frank exchanges of view both with the consulting countries and with each other. This healthy process for all concerned was one which the United Kingdom would hope to see continuing in the future in one form or another. The problems of international trade were fairly intractable and quick results could not be expected; it was right, therefore, that agricultural policies should be kept under regular examination in the kind of forum which Committee II constituted. In his view,

it was important that as many contracting parties as possible should come before the Committee for frank discussion about their policy. In this way the Committee would have at its disposal the comprehensive materials from which, in due course, it might prove possible to make a census which everyone would accept as valid. His delegation appreciated that other contracting parties shared its desire that the Committee should make progress as rapidly as possible.

With regard to the work programme for the next few months the United Kingdom Government would be prepared to see a start made on the next phase of the Committee's work alongside completion of the remaining consultations. It seemed to him that the Committee had itself indicated the form which its next stage should take: the material which existed in the papers and reports of the consultations held hitherto should supply the starting-point for a survey, commodity by commodity, on a world-wide basis. In this way there might emerge more concretely than at present an indication of the effect of various agricultural systems on international trade. In order to enable an early start on this commodity study, his delegation would suggest that the Committee should proceed during this session, in conjunction with the secretariat, to examine how this work might best be organized. The Committee would thus be able to report to the CONTRACTING PARTIES towards the end of this session so that its future programme might be decided.

One of the great difficulties in this field was whether it was practicable, and if so how, to measure the degree of protection provided by different systems. The Committee had indicated its ideas on this problem and the United Kingdom would welcome the proposal that a small group should be established with the specific purpose of considering further this problem of measurement. In its view, this group should be composed of certain persons with qualifications in the science of economic and statistical measurement from the administrations of various contracting parties. His Government favoured such an expert group because it was convinced that only in this way could any conclusion that might be reached have a chance of being universally accepted. His delegation would itself be happy to participate in the work of such a group. The important and continuing rôle which Committee II had to play had always been recognized by the United Kingdom.

Mr. KASTOFT (Denmark) stressed the great concern of his Government about the widespread use of both tariff and non-tariff measures for the protection of agriculture. His delegation had repeatedly stated its views as to the damage which such measures had caused to the export trade in agricultural products of his country. For this reason Denmark had strongly supported the decision of the CONTRACTING PARTIES to establish the programme for expansion of international trade which could be a useful means towards finding a better balance of advantages and obligations for agricultural exporting countries through the gradual elimination of the non-tariff barriers to trade. Denmark had, therefore, with great interest taken part in the work of Committee II, which at the present stage, had resulted in the consultations of a majority of the contracting parties, among which all of major interest as outlets for agricultural exports were represented. There were still, however, a few

countries which should be examined and the vast material collected by the Committee needed further elaboration and processing before final conclusions might safely be drawn. The report at present before the CONTRACTING PARTIES was of an interim character and thus did not and could not reflect the enormous work carried out so far by the Committee. However, the representative of Denmark wished to pay tribute to the Committee, and to its Chairman, for the task which had been carried out so far and for the thorough and complete way in which the examination had been dealt with by the Committee.

With respect to the future work programme, the Danish delegation was of the opinion that the Committee should complete its country examinations at an early date. In order not to waste valuable time it might well embark on other aspects of its work simultaneously with the remaining consultations. In his opinion an examination on a product-by-product basis should be undertaken immediately, as such a study would produce valuable material and assist the Committee in drawing its conclusions concerning the effect of the non-tariff measures on international trade in agricultural products. However, the product-by-product studies should not only concentrate on the non-tariff measures applied, but should at the same time aim at exposing the magnitude of the problems involved for each single product. Such a study, together with the analysis referred to in paragraph 5 of document L/1192, would help the CONTRACTING PARTIES to draw the proper conclusions in the near future.

Sir John CRAWFORD (Australia) stressed the important work accomplished by Committee II which had been covered in a very frank, open and helpful way. He expressed his hope that the value of the documents and information collected by this Committee would be finally seen by the CONTRACTING PARTIES in a decision to publish it; it would serve the world's public interest in these matters. With regard to paragraph 19 of the report which was now before the CONTRACTING PARTIES, the Australian delegation wished to make some observations which the Committee might take note of in its planning of its future work. Similar to the work of Committee III, the work of Committee II had certainly to be continued and the balance of the consultations should be held. The question before the meeting, however, was what followed these consultations or what could concurrently be proceeded with to further the objectives of the Committee. One should not overlook the fact that the work of Committee II was an exercise under the heading of the expansion of world trade, and the Australian delegation hoped that this objective was never lost sight of and that, therefore, the problems of raw materials and agricultural protectionism had to be more precisely identified in relation to their impact on world trade. This was necessary if progress was to be made in containing and ultimately moderating protectionism which now characterized so much of the trade in foodstuffs, agricultural and other raw materials. Although the work of Committee II was continuous and long-term in character, it was, nevertheless, unfortunately true that there were two major factors which required some effective short-term results from the Committee. These two factors were the forthcoming tariff negotiations and the development of agricultural policies in the European Economic Community. It was vital to know whether it was possible for countries dependent on the exports of foodstuffs, raw materials and semi-manufactured

products usefully to negotiate tariff and non-tariff concessions. It was no less vital that Australia's concern in future agricultural developments in Europe be properly and completely identified for consideration by the Community before the latter took final and firm decision.

In order to make its September meetings or any other special meetings, as well as the seventeenth session, really fruitful, the Committee might consider the following two points which were related to those put forward by the delegates of the United Kingdom and Denmark. In the first place the secretariat might be asked to prepare further commodity data so as to supplement the already very valuable and excellent material provided. In this work the secretariat could be guided by the appointment of a group from within Committee II itself. Furthermore, the Australian delegation would hope that the Committee would embark on a commodity-by-commodity analysis in order to show how trade was or was not being hampered; this work would enable the agricultural exporting countries to test the scope for negotiations within this particular field of trade. Although Sir John recognized that Committee II was not itself charged with the responsibility for dealing with the European agricultural question, he nevertheless hoped that this point might be further considered at the next meeting of the Committee to be held during this session. He agreed that the whole idea had its difficulties, but in his view it was most important to find a procedural solution to the work of Committee II if the latter was to fulfil something of the promise with which its work had begun.

In concluding, the representative of Australia wished to state again his country's policy on the broad matters of agricultural protectionism. He did not see a sin in the protection of agriculture which was surely not very different from secondary industry in this respect. On the other hand, he saw no reason either why agriculture should be singled out as being different in this matter from secondary industry. His Government, however, felt that agricultural protectionism had taken more extreme and more harmful forms and that in practice, it was less subject to fair trade rules than was the protection for secondary industry products. In his view, primary products, like secondary industry products, ought to be subject to some fair trade rules. Moreover, the rules which now existed in GATT, such as those relating to quantitative restrictions, should in fact operate in regard to agriculture just as much as they did with regard to any other product. Tariff concessions should not be defeated by such non-tariff devices as import restrictions. The degree of protectionism ought to be capable of negotiation and such negotiations could in many instances include understandings about non-tariff actions. It was true that some progress had been made under this heading in the work of the CONTRACTING PARTIES, but Australia's aim and the aim of many countries in a similar position, was to seek, to contain and to moderate the excesses of agricultural protection. He was aware that one could not expect dramatic overnight changes. However, the Haberler Report had shown that moderate changes would produce a useful balancing expansion of world trade. His Government needed to know soon, and very soon, whether there was any such prospect ahead; if not, it had finally to be convinced that the balance of GATT was not that assured to Australia in 1947 and again in 1954 and this

would mean that contracting parties must expect the present imbalance in world trade expansion to continue, probably in an aggravated form. For Australia, the work of Committee II was therefore of enormous importance and its participation was eager but also constructive and practical.

Mr. SWARD (Sweden) informed the meeting that his Government had not yet been able to examine the report of the Committee. He therefore asked permission to revert to this item later during the session.

Mr. TAYLOR (New Zealand) stated that of all the work being undertaken by the CONTRACTING PARTIES the work on the expansion of international trade was for his country of the greatest significance and importance. He pointed out that it was not going too far to say that if GATT membership was to have any real significance for New Zealand, and no doubt for other contracting parties, it was absolutely essential that this initiative ultimately succeeded in breaking through the existing barriers to the trade of those countries which were not at present receiving the full benefit to which they were entitled under the General Agreement. His country, therefore, welcomed the decision to establish the three Committees which enabled the interested contracting parties to have equal time and opportunity to voice their opinions freely within these bodies. New Zealand had thus taken an active part in the deliberations of Committee II and had sent observers to the meetings of both Committees I and III.

The delegate of New Zealand expressed his country's disappointment that Committee I did not make more definite progress in improving the bargaining status of agricultural countries in relation to the forthcoming tariff negotiations. In fact, agricultural exporting countries were still no further forward and this problem became more and more urgent as the date for the tariff negotiations drew nearer. The studies in Committee III covered a small number of products, which in themselves, had not been of great interest to his country, but his delegation was watching the progress of this Committee with sympathy. New Zealand would welcome any solutions which might emerge from the recently adopted new studies of this Committee which would assist and enable the less-developed countries to play a more balanced rôle in the pattern of international trade.

New Zealand's main energies had been directed towards the work of Committee II as it was in the sphere of agricultural protectionism that one of the most substantial barriers to expanding multilateral world trade existed. Member countries of the GATT in spite of their obligations had continued to protect their agriculture in such a way as to deny the agricultural exporting countries the chance to compete on a fair trading basis for a share in their markets. The studies undertaken by Committee II covered many of the agricultural policies of contracting parties and the varied means of protection had been freely discussed. New Zealand felt that these studies so far had been most valuable and it appreciated the work done by the Committee and its Chairman. However, only part of the work of the Committee had been done and the solutions to the problems which caused the setting up of this Committee had yet to be examined. In respect of the future work of the Committee, the report was somewhat vague and this was partly due to pressure of time on the

Committee's work programme, but also due to the fact that these issues were so important that more time was needed for deeper consideration of what would be the most fruitful future approach. Informal discussions which the New Zealand delegation had had with other delegations led it to believe that the Committee might within the next few days meet again and reach agreement on proposals for its future work. These proposals could then be presented to the CONTRACTING PARTIES for their approval before the end of the session.

New Zealand wished to suggest to the CONTRACTING PARTIES two considerations which should be kept in the forefront of any discussion on this problem. There was first the fundamental and basic problem of the continued existence of substantial non-tariff barriers to agricultural trade. As also expressed by the representative of Australia no one denied the right of a contracting party to take tariff measures to protect any industry, including agriculture, but on the other hand it could not be denied that a large number of protective devices were being used which were outside the letter of GATT, or certainly outside the spirit of it. These measures had been affecting New Zealand's trade for a long time and some alleviation of their effect was overdue. Although this was a difficult field of work, it was essential, nevertheless, that the future work of Committee II should always be directed towards finding ways of reducing barriers and modifying over a period of time the policies which had given rise to such barriers. This might take some considerable time, but New Zealand firmly believed that a solution on these grounds was in the interest of all countries, importers and exporters alike. Not only the timing but also the direction of the future work was of importance. In the view of his Government the suggestions put forward by some delegates in the course of this meeting that the Committee should undertake commodity-by-commodity studies were useful ones provided that the approach of such examinations was carefully defined and that they took the form of an analysis and not of further fact finding. The second problem to which the Government of New Zealand wished to refer was the basis on which agricultural exporting countries could hope to enter the forthcoming tariff negotiations with any prospects of achieving meaningful results. New Zealand had hoped that Committee I would have found some means whereby any tariff concessions made by it could be set against real reductions in barriers to its trade. At the Tokyo session the CONTRACTING PARTIES agreed that certain non-tariff measures might be the subject of negotiation but there had so far been little indication that the major countries applying protectionist devices in agriculture would be prepared to enter any such negotiations. Thus, this part of Committee II's work did not look like providing a solution to the problem unless there was a change in attitude. In these circumstances the work of Committee II would become even more important for New Zealand. If Committee II could find a formula, or indeed make such progress as would give real confidence to agricultural exporting countries for the future, giving these countries real assurance that any concessions they might negotiate would not be lost sight of by quantitative restrictions, levies or other non-tariff devices, then the Committee would have made a real contribution to the success of the forthcoming tariff negotiations.

The report which was now before the meeting showed that there were still a number of countries to be consulted and in the view of his delegation these consultations should be brought to a conclusion as speedily as possible, but

they might be carried on concurrently with other work of the Committee. In view of the very short time at the disposal of the Committee prior to the commencement of the tariff negotiations, New Zealand believed that it was essential that either extra time should be set aside for the Committee, or at the very least, that a good opportunity be provided at its next meeting for consideration of the practical problem which he had just outlined. With respect to the problem of measuring the degree of protection which was an extremely complex task for the Committee, New Zealand supported the suggestion made by the representative of the United Kingdom that an expert group should be set up to investigate the possibilities of carrying this work a stage further.

Mr. DUHR (Luxemburg) expressed his delegation's appreciation for the work accomplished by Committee II and for the most valuable information collected by it. This documentation needed to be studied most carefully as the problems with which Committee II was confronted were very complex. The Member States of the European Economic Community supported the work programme outlined in the report of Committee II; they were of the opinion that the Committee should complete its consultations and at the same time start assessing the documentation made available to it. Once this work was accomplished the CONTRACTING PARTIES might proceed at their next session to a more detailed and deep study which would enable them to draw more precise conclusions.

Mr. VIDAL (Brazil) said that the Brazilian Government attached great importance to the work of Committee II. The agricultural exporting countries had always been faced with difficult problems in international trade. The consultations carried out so far by Committee II had revealed the general tendency to increase protectionist devices on agricultural products applied by most of the industrialized countries. Some countries which prior to the war had been importers of agricultural products had now reached self-sufficiency or had even become exporters of such products. He wished to draw the attention of the interested contracting parties to the studies which Committee II had so far made on the situation of the agricultural policies in certain European countries as these studies showed that his country as an exporter of agricultural products might lose its access to certain European markets in the very near future. The international trade of Brazil depended to a very great extent on the export of such products and therefore Brazil took a vital interest in the work of Committee II. Its work might induce certain governments to increase their trade in agricultural products which in fact was most essential for Brazil's agricultural policy.

Mr. LACARTE (Uruguay) said that his country gave full support to the pre-occupations that had been set forth at this meeting by a number of delegations which, as in the case of Uruguay, were fundamentally exporters of agricultural products. In the view of his delegation the forthcoming tariff negotiations could have great significance for agricultural exporting countries, but only on the condition that participating countries were able to take up in the course of these negotiations the problems which were now being dealt with by Committee II. The various forms of protectionism which the exports of his country had met with and continued to be met with in various markets rendered

it difficult for his country to export its goods to those markets and consequently this resulted in diminishing its income of foreign exchange. This had the effect of making Uruguay a less important purchaser of foreign goods than it would otherwise be and under these considerations his country gave full support to the work of Committee II. His delegation also supported the suggestion that Committee II should, in the course of this session, carry on its work and report to the CONTRACTING PARTIES before the end of the session.

Mr. ADAIR (United States) stated that the future work of the Committee should be directed towards arriving at some judgment as to the effect of the support measures on international trade. The United States therefore suggested, as other delegations had done before, that a useful way of doing this would be to assemble and study the available material on a commodity-by-commodity basis. The precise manner in which such a review might be carried out should be further discussed and decided upon by the Committee itself. The magnitude of the problem of agricultural support was impressive, the policies of agricultural protection widespread and deeply ingrained in the social and economic fabric of the countries concerned; it would therefore be unrealistic not to recognize both the importance and the difficulties of the work with which the Committee still had to deal.

Mr. MATHUR (India) said that his delegation felt that the work done during the last few months offered solid ground for hope that the efforts to broaden markets and widen opportunities would also produce results for trade in the sector of agricultural products. The review of measures maintained by different countries had underlined the fact that several countries maintained price support schemes, mixing regulations and quantitative restrictions in regard to items such as vegetable oils which were not directly related to policies for stabilization of agricultural production. Many of these restrictions, which were initially maintained for balance-of-payments reasons, were now being maintained for protective purposes. Furthermore, there were various packing and currency regulations which had the effect of inhibiting exports for processed and semi-processed goods from a number of countries. India hoped that contracting parties maintaining such measures would be able to relax and eliminate them as rapidly as possible.

Mr. PATTERSON (Canada) expressed his delegation's view that the Committee still had a very great task ahead of it. It should move as quickly as possible towards an evaluation of the effects of the various measures which were being employed by many, if not all, of the contracting parties, and which had an adverse effect on the expansion of international trade in agricultural products.

U SAW OHN TIN (Burma) drew the attention of the meeting to an omission in the text of Annex A, page 1 of document L/1192 where Burma should be included in the countries listed.

The CHAIRMAN announced that Committee II would establish during the course of the present session its work programme for the immediate future and that the results of such discussions would be reported to the CONTRACTING PARTIES later in the session.

2. Expansion of International Trade - Third Report of Committee III
(L/1162)

The CHAIRMAN recalled that the Committee had presented its Second Report to the CONTRACTING PARTIES at their fifteenth session in Tokyo. In that Report the Committee had identified and described what appeared to be the main obstacles in the export markets of less-developed countries to the expansion of their exports of a selected list of products. Following the discussion in Tokyo, the Committee had proceeded with its examination of barriers to the expansion of export earnings on these commodities, in accordance with the work programme endorsed by the CONTRACTING PARTIES at the fifteenth session. The Chairman also recalled that at the Tokyo session the CONTRACTING PARTIES had adopted the recommendation contained in paragraph 14 of the Second Report of the Committee that: "... contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures applied by them with a view to facilitating an early expansion of the export earnings of less-developed countries". He was pleased to note from paragraph 7 of the Third Report of Committee III that progress towards modification or elimination of obstacles had been made since the adoption by the CONTRACTING PARTIES of this recommendation and he expressed the hope that there would be further announcements of progress during the present session.

Mr. G. WARWICK SMITH (Australia) Chairman of Committee III, in presenting the Third Progress Report of the Committee, outlined briefly the work of the Committee which had been carried out in accordance with the work programme established at the fifteenth session. Under item (i) of the work programme the Committee had examined the trade effects of the particular measures which had been identified in the Second Report of the Committee as possible obstacles to trade and had investigated the possibilities of the reduction or elimination of those obstacles. In the Third Report the Committee highlighted the problems which had been identified and indicated the views of importing countries. He was glad to note that it had been possible to record a fair measure of agreement of views concerning a number of items. He then directed the attention to paragraph 7 of the Report which contained an account of the progress so far made, towards modification or elimination of obstacles which had been identified in the Second Report, in response to the recommendations contained in paragraph 14 of that Report. In paragraph 9 of the present Report the Committee expressed the hope that either at the present session or at the latest at the proposed meeting of the Committee in September it would be possible to report further progress towards modification or elimination of trade barriers listed by the Committee.

In accordance with item (ii) of the work programme the Committee had drawn up a second list of products of particular importance to less-developed countries, as indicated in paragraph 10 of the Report, for examination by the Committee concerning possibilities for less-developed countries to expand their exports of these products. In contrast to the first list of products with which the Committee had dealt so far this second list also contained a number of manufactured products. Under item (iii) of the work programme the Committee had been asked to consider the possibility of channeling the expansion of existing industries or the starting of new industries by less-developed countries into directions where such countries would be economically efficient producers; and under item (iv), to study measures which might be taken by less-developed

countries to improve their own production and marketing techniques and to examine trade controls or other internal measures which might disrupt export or import trade between less-developed countries. On these items of the work programme the Committee had had useful discussions on the general problem of expanding the export earnings of less-developed countries and, as indicated in paragraphs 11 and 12 of the Report, had devised some procedures for dealing with these aspects of the work. He pointed out, however, that the Committee felt that further consideration would need to be given to these important questions during the meeting scheduled for the present session when the Committee would also consider its future work and procedures in the light of views expressed by contracting parties in discussion of the work of Committee III.

In concluding his observations Mr. Warwick Smith expressed the hope that at the next session of the CONTRACTING PARTIES it would be possible to arrive at a comprehensive stocktaking of the position arrived at in Committee III, not with a view to terminating its activities but to give a thorough review of the lines on which the Committee was operating, and to see whether perhaps new directives to the Committee from the CONTRACTING PARTIES would be required. He himself considered the establishment of the Committee a major response by the CONTRACTING PARTIES to the challenging task of expanding the trade of developing countries. Although it seemed difficult to expect a definitive performance of the task of the Committee at an early time he felt that many of the problems dealt with by the Committee were primarily of a short term nature requiring urgent action, as had again been pointed out in the Third Progress Report. On behalf of the Committee Mr. Warwick Smith expressed the genuine appreciation of the Committee to Mr. F.H. Gerritzen (Netherlands) who had acted as chairman of one of the sub-groups which had been established by the Committee during the March meeting.

Mr. SWAMINATHAN (India), expressed his appreciation for the effective way in which the Chairman of Committee III had guided the Committee in dealing with its difficult task and for the friendly manner with which he had smoothed difficulties where those had arisen and had further united the members of the Committee in their common objective of finding ways and means to assist the less-developed countries to expand their export earnings at the earliest possible time. He particularly thanked the industrialized countries among the contracting parties for the spirit of understanding and co-operation which they had shown especially during the later stages of the work of the Committee. The apprehensions which had initially been shown by some countries regarding certain aspects of the work of the Committee had disappeared during the later stages of the work and the atmosphere at the last meeting, earlier during the year, had been one of universal desire and willingness to discuss all matters objectively and to try and help the Committee forward in its work. As a result of this spirit of understanding, the work, after its initially slow start, had gathered some speed and momentum and some first results had been obtained as indicated in paragraph 7 of the Report. It was his hope that the recommendations now put forward would continue to be considered with the same degree of understanding which had led to the first relaxation of restrictions, in order to make possible the inclusion in the next report of a much longer list of measures which had been taken or were to be taken by contracting parties in removing restrictions to the trade of less-developed countries.

In commenting on the future work of the Committee, the representative of India welcomed the inclusion of manufactured products in the list of products to be considered. This was a sign of the growing awareness in industrialized countries that in the process of economic development, countries would have to rely for an increasing share of their foreign exchange earnings on exports of manufactured products. He also welcomed the decision to examine possibilities in which the CONTRACTING PARTIES could assist in directing the establishment of new or the expansion of existing industries in a way which would assure that countries could be economically efficient producers. Less-developed countries, especially those which had had some experience with economic development planning, could indicate to the Committee the problems and prospects of developing certain industries so as to contribute to a further co-ordination and harmonization of trade and development policies. The concern of the Committee with such essentially long-term projects was a revolutionary and a highly desirable move. On the other hand, this new work should not prevent the Committee from giving its first and foremost attention to measures which could be taken by industrialized countries to help the less-developed countries to expand their export earnings as rapidly as possible. For example, it was necessary for the developing countries to know where they stood in regard to tariffs, quantitative restrictions, internal fiscal duties, etc. in order to have a point of departure on which to base negotiations during the coming round of tariff negotiations with the EEC countries later this year and with other contracting parties in 1961, and perhaps plan the future course of action in Committee III and in the CONTRACTING PARTIES. Furthermore, in view of the great number of developing countries which were in urgent need of assistance it was imperative that every effort should be made that those countries which had reached a certain level of development which made it possible for them to help themselves in meeting part of their foreign exchange requirements through increased trade, should indeed be given an opportunity to find markets for their export products. To the extent that the less-developed countries could increase their foreign exchange earning capacity, the pressure on the world's capacity to give aid either in the form of grants or loans would be alleviated. What was required therefore were concrete results facilitating an increase in the export trade of less-developed countries. He appealed to the governments of contracting parties which were at present in the process of reshaping their tariff and trade regulations, by establishing and implementing regional groupings such as the EEC and the EFTA, to prove that they were in fact outward-looking and working for general prosperity and an increase in trade not only among themselves but for increased levels of prosperity and international trade in general. The pursuit of liberal trade policies by these countries would make it easier for the less-developed countries to contribute better and more sympathetically towards the needs and objectives of such regional groupings.

The representative of India explained that many less-developed countries had had to borrow heavily abroad to finance earlier phases of their development and had therefore heavy commitments for servicing and amortizing these loans. It was therefore of the utmost importance that these countries be given an opportunity to increase their foreign exchange earning capacity especially as there was no question, and indeed that question was no longer being asked, of stopping or slowing down economic development in countries with an average per capita income of the order of £20 or £22 per year.

Every effort had to be made to assist less-developed countries to maintain and accelerate their rate of economic development and one of the prerequisites of sustained development was an increase in trading opportunities. It was important, therefore, that the pressure and the tempo of the work of the Committee should be kept up. He realized the great need for strengthening the resources of the CONTRACTING PARTIES by providing the necessary staff and equipment in order to enable the Organization to deal promptly and efficiently with the many new and often complex matters arising from ventures in new fields. Although the work undertaken by the Committee had so far been on a modest scale, when compared to the magnitude of the task, the continuation of this work on an increasing scale was essential and an increase in the work of the Organization in this field was fully in line with the objectives of the General Agreement. The attitude of the less-developed countries towards the structure of the Organization and the future work of the CONTRACTING PARTIES depended largely on whether the work of the CONTRACTING PARTIES and particularly the efforts of Committee III would lead at an early time to concrete results in facilitating their export trade.

Mr. VIDAL (Brazil) was pleased to see that some of the doubts which had been expressed during the fifteenth session concerning the Committee's ability to reach concrete conclusions had not been confirmed. Indeed, the present Report of Committee III was probably one of the most important documents emerging from the work of the CONTRACTING PARTIES during the last few years. He noted with satisfaction that some restrictions which had been listed by the Committee had already been relaxed. However, the liberalization measures indicated in paragraph 7 of the Report, should be considered as mere examples of what could be done to improve the trading opportunities for less-developed countries. There still remained much to be done and it was now up to governments to implement the recommendations put forward by the Committee. Unless governments could take appropriate measures to reduce barriers to trade with regard to the products which had so far been examined under Part I of the Committee's work programme, it was difficult to imagine how any success could be achieved with respect to the second list of commodities selected by the Committee for further examination, especially as it would be even more difficult to reach clear-cut recommendations for this second list of products. In conclusion he observed that the attitude of his Government towards the future work of Committee III would largely be influenced by the speed and type of action taken by governments in response to the recommendations which had been made by the Committee.

Mr. DYOYADISURYO (Indonesia) said that Indonesia was one of the countries which was largely dependent for its foreign exchange earnings on the export of primary commodities and his Government had therefore placed great hope and expectations on the work of the Committee. He noted with satisfaction that certain progress in relaxing import restrictions had already been made. Nevertheless, much remained to be done and further progress depended mainly on the readiness of industrialized countries to take appropriate action at an early time. His own country would do everything in its power to supply the necessary background material needed by the Committee for its future work. The continuing study of the problem of expanding the export trade of less-developed countries should, however, in no way be permitted to delay action by industrialized countries to give relief to the urgent needs of less-developed countries by removing barriers to trade.

Mr. WIRASINHI (Ceylon) joined the previous speakers in the appreciation they had expressed concerning the report of the Committee. One of the principal virtues of the report was the clarity with which existing trade barriers had been identified and the clear and thorough expression of the manner in which the barriers could be removed so as to provide greater opportunities to the export trade of less-developed countries. He recalled that the Committee had been set up in response to the growing imbalance in the trade of less-developed countries with developed countries which had been noted in the Heberler Report. This imbalance had, however, further increased when the terms of trade deteriorated as a result of a decline in the prices of primary products in the second half of 1957. Although it had in many instances been possible to carry on economic development projects through foreign borrowing, the resulting commitments for servicing and amortizing these loans had resulted in additional burdens which could not be absorbed without a reduction in the present level of development spending unless these countries were being given greater opportunities for increasing their foreign exchange earnings. In these circumstances, the problems indicated in the report should be given urgent and sympathetic consideration. He stated that his country had an immediate interest in two items covered in the report, namely oilseeds and vegetable oils and tea. He had been pleased to see that the barriers to trade in these products had been comprehensively analysed and that remedial action had clearly been started. It was hoped therefore that in the light of this report the industrialized countries which held the remedy in their hands would not delay taking early action to expand trading opportunities. Such a move would benefit less-developed countries and developed countries alike.

Mr. JARDINE (United Kingdom) stated that his delegation welcomed the Third Progress Report and agreed with those delegations which had referred to the valuable work of Committee III. It was encouraging that some progress had been made in removing obstacles to the trade of less-developed countries, as was recorded in the Report. However, in view of the opportunity provided at the present juncture of prosperity for making rapid progress in removing barriers to the trade of less-developed countries, the progress which had so far been made was not really enough. It was the view of the United Kingdom that these barriers should be removed and that no question of the imports causing difficulties to the importing countries could possibly arise until the matter had at least been put to the test. Moreover, the removal of the barriers to the trade of less-developed countries would reduce the danger of dislocations through the flow of imports being concentrated on a few markets which were more open than others. With the danger of dislocation removed, any possible difficulties from disruptive competition would be much less likely to materialize. He agreed that it would be useful to study the problems involved in connexion with the further list of products suggested in paragraph 10 of the report of Committee III.

Mr. SWARD (Sweden) recalled some of the arguments which had been raised during the discussion of Committee III. For example, it had been maintained that the elasticity of demand for certain commodities was so low that a decrease in high tariffs and internal taxes would not lead to a noticeable increase in consumption and that the removal of obstacles to trade by industrialized countries would not necessarily benefit less-developed areas but rather the exports from other industrialized nations. It was the view of his delegation that these arguments were not entirely relevant to the problem studied by the Committee. While it was true that the demand for many products was influenced by many other factors than price alone and although a relaxation of restrictions on a short-term basis might very often benefit industrialized countries more

than less-developed countries, the task of the Committee was to assist less-developed countries to compete in world markets on equal terms with more industrialized nations. To achieve this, less-developed countries would have to be given a fair chance to take all necessary steps to market their products and to try to increase the demand for them. The argument that there was no use removing import barriers because less-developed countries were not advanced enough to compete in quality, marketing techniques etc., and that these countries should first receive the capital and the technical assistance needed to expand their productive capacity, improve quality and marketing skill before trade barriers should be lowered was most certainly wrong. There could be no object of increasing production and production standards if no outlet for the goods produced could be found on world markets and it seemed that the maintenance of restrictive trade practices would impair the benefits of grants, loans and technical assistance which was given to these countries. On the other hand, if less-developed countries were offered a chance to export their goods, there would be new incentives to raise standards and to increase production. This was not a question of aid or trade, but the only possible solution was aid and trade.

At the same time, while appealing for urgent and unilateral action, the less-developed countries on their part had to recognize that industrialized nations might be faced with great difficulty in finding rapid and appropriate solutions to the problem. For example, a substantial decrease in internal consumption taxes might cause a serious disruption in the budget structure of some countries. Also it should be recognized that problems sometimes arose in connexion with imports of goods sold at particularly low prices. This problem, however, would be taken up in another context by the CONTRACTING PARTIES. In any event the restriction of such imports by a number of countries had the result of concentrating imports in those markets into which these goods could enter more freely. In concluding, he stated that although the work done by Committee III was a valuable contribution towards identifying and analysing the problem for expanding export earnings of less-developed countries, a great deal still remained to be done and it was the hope of his delegation that the Committee would examine the possibilities to be taken in common by all industrialized countries among the CONTRACTING PARTIES to increase trading opportunities for the less-developed countries.

Mr. RIZA (Pakistan) stated that the Committee had no doubt done very good work and had made a useful contribution to the task of removing barriers to trade. He was particularly pleased to note from paragraph 7 of the report the progress made in removing obstacles to the expansion of trade. However, there were still many disturbing features which needed immediate attention. For example, in the case of tea it could be found from paragraph 5 of Annex I to the report that no changes facilitating an early expansion of the export earnings of the tea producing countries had been made since the Committee had first considered the matter and that the rate of duty proposed by the European Economic Community for tea was as high as 35 per cent ad valorem. Similarly, Member countries of the EEC had maintained the high rate of duty of 30 or more per cent for jute manufactures and there continued to be quantitative restrictions on imports which, together with other internal charges on these products, constituted a serious obstacle to the expansion of exports of these commodities. His delegation was pleased, however, to note the action by the United Kingdom Government to reduce from

30 to 20 per cent the mark-up on the bulk of jute goods imported from India and Pakistan. In referring to the projects for an expansion of exports of cotton textiles, the delegate of Pakistan stated that the situation continued to be unsatisfactory, especially as there was still a large element of discrimination in the administration of quantitative restrictions. It was hoped that countries such as France and Germany, which maintained more severe restrictions, would soon consider ways and means of removing these barriers. He referred to the voluntary arrangement by the United Kingdom textile industry with the textile industries of India, Hong Kong and Pakistan as a helpful solution, and suggested that other countries, particularly France and Germany, might consider following the example of the United Kingdom.

Mr. Riza observed that the work of Committee III had become more complicated because of the emergence of regional groupings such as the European Economic Community and the European Free Trade Association. The tariff concessions introduced by these regional groupings were bound to have some effect on the export trade of less-developed countries and it was not unlikely therefore that Committee III would have to direct its attention to the effects of the new tariff regulations of the EEC and the EFTA. He supported the view expressed by the delegate of the United Kingdom that the present time, when prosperity and employment in the industrialized countries were high, would be the most appropriate moment for bringing about necessary re-arrangements in the industrial structure of these countries without causing undue social and other disturbances. He also agreed with the delegate of Sweden that the argument of inelasticity of demand could and should not be used as an argument for not removing trade barriers. He was confident that if hindrances to the expansion of trade were removed there would definitely be an increase in the demand for goods which would thus become more easily and cheaply available. He felt that there was no real conflict of interests between the less-developed and the industrialized countries especially as it was now generally accepted that the less-developed countries deserved special consideration in their efforts of accelerating the pace of their development. He welcomed the aid which had been made available by industrialized countries for the development of less-developed countries in the form of aids and grants and technical assistance. In order to render this aid more effective, however, it seemed only logical that industrialized countries would also take other appropriate measures in the field of production and trade, so as to permit less-developed countries to increase their foreign exchange earning capacity through increased trade.

Mr. GARCIA OLDINI (Chili) said he had noted with pleasure the atmosphere of goodwill and co-operation which had characterized the work of the Committee, particularly during its last meeting in March 1960. This spirit of understanding by all contracting parties was undoubtedly a reflection of the growing awareness in all countries that the difficult position of the less-developed countries could not be ignored without the risk of serious social and political consequences. One of the factors contributing towards this increased understanding of the difficulties of the less-developed countries was the possibility for consultation which had been considerably enlarged in the revised General Agreement. In the atmosphere of precise questioning and answers prevailing in these consultations and on the basis of much valuable background material supplied by the contracting parties or prepared by the secretariat, members of the Committee had made an earnest search for solutions to the

problem of expanding the trade of less-developed countries and he was pleased that these fact-finding efforts had indeed shown possibilities for improving the situation of these countries and had led to the recommendation of specific measures for permitting them to expand their export trade. The problem was to find ways and means for translating the recommendations and the goodwill which had been shown by all parties in these consultations into concrete results for the benefit of less-developed countries. From the first responses by governments to the recommendations of the Committee it had appeared that such a way had indeed been found. The measures of relaxation listed in paragraph 7 of the report, although obviously only a beginning were an example of the contribution which industrialized countries could make to increasing the export earning capacity of less-developed countries. These measures were particularly welcome because they had been taken spontaneously and voluntarily by industrialized countries and not in accordance with some specific commitments on the part of these countries under international agreements. It was to be hoped that industrialized countries in the future would continue to regard the problems of less-developed countries in the same sympathetic manner which had led to these liberalization measures. His delegation was looking forward to the report by the industrialized countries concerning further measures they had taken or were proposing to take in the near future, for the relaxation or elimination of barriers impairing the free flow of trade. He expressed the hope that the work of the Committee and the success which it had achieved would be given sufficient and in any event more publicity than in the past, as this would not only benefit the Organization but would also provide some further incentive to governments to continue and accelerate the liberalization programme. At the same time, a wider diffusion of information concerning the efforts and the success of the CONTRACTING PARTIES would give hope to the people of the less-developed countries. He expressed the hope that the CONTRACTING PARTIES would give their sympathetic and early attention to a study of the work of the Organization, with a view to increasing the capacity of the CONTRACTING PARTIES through a strengthening of the resources of the Organization, to enable them to deal promptly with the many difficult and complex problems before them.

The CHAIRMAN adjourned the meeting at 5.05 p.m.; the discussion on the report of Committee III to be resumed.