

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2307/Add.1

19 November 1964

Limited Distribution

CONTRACTING PARTIES
Second Special Session

REPORT BY THE CHAIRMAN OF THE ACTION COMMITTEE

Addendum

In the report by the Chairman of the Action Committee reference was made to a survey, prepared by the secretariat, on the progress made in implementing the different points of the Action Programme and to a note summarizing the main points of discussion at the last meeting of the Action Committee on 9 November.

As stated in paragraph 2 of document L/2307, it is intended that the survey and the note be appended to the report.

The two papers are attached.

ANNEX I

Survey of Action Taken and Remaining Problems
in Relation to Points (i) to (viii) of the
Action Programme (MIN(63)7)

The secretariat has drawn up the following survey, in accordance with the instructions of the Action Committee. The information contained in this survey is based primarily on data in documents AC/SC1/11/Rev.1 and Corrigendum 1, and AC/SC2/1. Account is also taken of information on recent developments brought to the notice of the Action Committee and its Sub-Committees 1 and 2, at their meetings in October and November respectively (see AC/SC1/14 and Corrigendum 1, and AC/SC2/2.)

This survey covers action taken during the period May 1963 to November 1964.

A. Survey of action taken and of remaining problems under Points (i) to (vii)
of the Action Programme

(i) Standstill provision

"No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature." (MIN(63)7, paragraph 1)

Austria, Denmark, Finland, Norway, Spain, Sweden and Switzerland have indicated in their reports on the implementation of the Action Programme (AC/12 and Add.1-6) that no new tariff or non-tariff barriers were erected during the period under review in respect of products covered by the Action Programme. While this was not explicitly indicated in the reports submitted by the other industrialized GATT countries, there appears to have been only one case where action was taken which involves a departure from the standstill provision. The one exception¹ is the imposition by the United Kingdom of a surcharge of 15 per cent ad valorem on imports, put into effect on 27 October. The United Kingdom Government considers that the measure is covered by the exception in favour of special and compelling circumstances which make a departure from the standstill unavoidable and have offered to consult with contracting parties in this regard.

¹See also the summary of a statement by Argentina in Annex III to this report.

(ii) Elimination of quantitative restrictions

"Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT, shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items would be progressively reduced and eliminated by 31 December 1965." (MIN(63)7, paragraph 1)

When the Action Programme was adopted in May 1963, there were seventy-eight instances in which quantitative restrictions were applied by industrialized countries on products examined by Committee III, and classified under forty-three¹ headings in the table below. In a further ten instances, these products were subject to State trading or Monopoly.

Out of the seventy-eight instances, in nineteen instances, restrictions were applied under the provisions of Article XII of GATT, namely those applied by Denmark and Finland. During the period under review, Denmark has disinvoked the provisions of Article XII.

In four instances, restrictions were applied under special procedures recognized by the GATT or notified as being required by existing legislation, thus protected under the terms of provisional application Protocols.² In a further six instances, the restrictions affected cotton textiles.³ In two instances licensing control is maintained under an international commodity agreement.⁴

During the period under review, restrictions were eliminated in twenty-four instances. The elimination of quantitative restrictions in respect of part of the item concerned was reported in six instances. Indications regarding impending import liberalization (by the end of 1964 or early in 1965) affect six of the entries in the table (see symbols in parentheses).

¹Including bananas, which had been examined in the Special Group on Trade in Tropical Products.

²See footnotes 2, 4 and 5 to the following table.

³Import controls on cotton textiles are subject to the provisions agreed upon under the Long-Term Arrangement Regarding International Trade in Cotton Textiles (see MIN(63)7, paragraph 3 and footnote 4 to the table).

⁴See footnote 3 to the table.

If account is taken of the liberalization measures which have already been announced - and not counting restrictions on cotton textiles (six instances) and licensing controls applied in accordance with the International Coffee Agreement - there will remain twenty-five instances of "residual restrictions". In addition, there remain eleven instances in which restrictions are applied on balance-of-payments grounds and the four cases where restrictions are covered by existing legislation, or in accordance with the specific provisions mentioned earlier. In nine instances the products concerned remain subject to State trading or Monopoly.

An overall survey of the progress made and of the remaining barriers is contained in the table below. For further details see AC/SC1/11/Rev.1.

PROGRESS MADE AND QUANTITATIVE RESTRICTIONS MAINTAINED BY INDUSTRIALIZED
GATT COUNTRIES ON PRODUCTS EXAMINED BY COMMITTEE III

"_" denotes no quantitative restrictions.
 "L", "l" denotes licensing requirement but imports are generally liberally licensed.
 "R", "r" denotes import restriction.
 "M", "m" denotes State monopoly.
 "*" denotes progress made in respect of the item concerned since 1 July 1963.

Where small letters are used, the measure applies only to a part of the item against which it appears. A symbol appearing within brackets denotes that the government concerned has notified that the measures will be eliminated by the end of 1964 or in the near future.

PRODUCT	COUNTRY	Austria	Belgium/ Luxembourg	Canada	Denmark	Finland	France	Germany Fed. Rep. of	Italy	Japan	Netherlands	Norway	Sweden	Switzerland	United Kingdom	United States
LIST I																
Coffee: raw	-	-	-	-	L ⁶	-	L* ⁷	-	-	-	-	-	-	-	-	-
roasted	-	-	-	-	L ⁶	-	R	-	-	(r)	-	-	-	-	-	-
Tea:	-	-	-	-	-	-	-	-	-	(r)	-	-	-	-	-	-
Cocoa: beans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
butter and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
paste	-	-	-	-	-	-	-	-	-	(r)	-	-	-	-	-	-
powder	-	-	-	-	-	-	-	-	-	(r)	-	-	-	-	-	-
Oilseeds	-*	-	-	-	-	R	-	-	-	r	-	-	-	-	-	r ⁴
Vegetable oils	-*	(r)	-	-	-	r	r*	r ²	r	r	(r)	-	-	-	-	-
Tobacco: leaf	M	-	-	-	-	-	M	-	M	M	-	-	M	-	-	-
manufactured	M	-	-	-	-	-	M	-	M	M	-	-	-	-	-	-
Lead: ore and concen- trate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unwrought	-	-	-	-	-	-	-	-	-	-*	-	-	-	-	-	r ⁵
wrought	-	-	-	-	-	-	-	-	-	-*	-	-	-	-	-	-
Copper: ore and concen- trate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unwrought and matte	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber: in round	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
sawn in rough	-	-	-	-	-	-	-	-	-	-*	-	-	-	-	-	-
sawn length- wise	-	-	-	-	-	-	-	-	-	-*	-	-	-	-	-	-
Cotton	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	r ⁴
Cotton textiles ¹	r*	-	-	-	-	r*	r*	r	-	-	-	-	-	-	l	r
Jute manufactures	R	-	-	-	(r)	r*	r*	r	-	-	-	-	-	-	M.K.	-

1

Import controls on cotton textiles are subject to the provisions agreed upon under the Long-Term Arrangement Regarding International Trade in Cotton Textiles which provide for progressive annual increases in quotas over the period of validity of the Arrangement.

2

Subject to regulation under the Marketing Laws.

3

Under the International Coffee Agreement, imports of coffee, from all sources are subject to licensing control, but open (i.e. unrestricted).

4

Restrictions are imposed under Section 22 of the Agricultural Adjustment Act, see also L/2081

5

Controls are applied under Article XIX of GATT.

6

Licensing controls are stated to be non-restrictive.

7

De facto liberalized since July 1964.

PRODUCT	COUNTRY	Austria	Belgium/ Luxembourg	Canada	Denmark	Finland	France	Germany, Fed. Rep. of	Italy	Japan	Netherlands	Norway	Sweden	Switzerland	United Kingdom	United States
LIST II																
Iron ore		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bauxite		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alumina		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aluminium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leather		-	-	-	-	-*	-	-*	-	-	-	-	-	-	-	-
Leather goods		-*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leather footwear		-*	-	-	-	R	-	-	-	-	-	-	-	-	-	-
Diesel engines (under 50 H.P.)		-*	-	-	-	R	-	-	-	-	-	-	-	-	-	-
Sewing machines		-	-	-	-	-	R	(F)	-	-	-	-	-	-	-	-
Electric motors		-*	-	-	-*	R	-*	-	-	-	-	-	-	-	-	-
Electric fans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bicycles		-*	-	-	-*	-	-	-	-	-	-	-	-	-	-	-
Sports goods		-	-	-	-	-	-*	-	-	-	-	-	-	-	-	-
LIST III																
Canned fish		-	-	-	-	R	R	-	-	-*	-	-	-	-	-	-
Phosphates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cement		-	-	-	-	R	-*	-	-	-	-	-	-	-	-	-
Coir manufactures		-*	-	-	-*	R	R	-	-	-	-	-	-	-	-	-
Ferro-chrome		-	-	-	-	-	R	-	-	-	-	-	-	-	-	-
Ferro-manganese		-	-	-	-	-	R*	-	-	-	-	-	-	-	-	-
Copper products		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Steel furniture		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bananas		-	-	-	-	R	R	-	(M) ¹	-	-	-	-	-	R	-

¹ Monopoly to be terminated on 1.1.65.

(iii) Duty-free entry for tropical products

"Duty-free entry into the industrialized countries shall be granted to tropical products by 31 December 1963" (MIN(63)7, para.1).

In the Ministerial Conclusions relating to the tropical products covered by the Action Programme, (cocoa, coffee, bananas, tropical oilseeds and oils, tea and tropical timber) **in addition to certain general principles** (MIN(63)7, paragraphs 10-23), different provisions were adopted in respect of different products.

Summary tables have been devised to facilitate an appraisal of the action taken and of the actual import treatment of the different products. The symbols appearing in the upper left-hand corner of the tables show the action taken: "R" denotes removal or reduction of duty, "S" denotes duty suspension. (If these symbols appear in parentheses, action has been initiated but not yet been completed.) Where action was taken the previous duty or duty range is shown in square brackets in the upper left hand corner. The figures in the right hand corner show the ad valorem incidence of duties presently applied. Two or more figures indicate the duty range. (Figures in parentheses show the duty level which will result when action which has been initiated - also shown in parentheses - will have been successfully completed).

Tea and tropical timber

Ministers agreed inter alia that customs duties on tea and tropical timber "should be removed with the least possible delay, and, if practicable, before the end of 1963". (MIN(63)7 paragraphs 22 and 23.)

As can be seen from the table below, duties on these products have been removed or suspended in almost all industrialized countries. In three instances legislative approval is still being sought for duty removal or suspension. There are two instances in respect of which no action aimed at effecting duty-free entry has been reported.

Action Taken and Import Treatment of Tea

	EEC	Austria	Denmark	Finland	Norway	Sweden	Switzerland	United Kingdom		United States		Canada	Japan	Czechoslovakia
								MFN	Pref.	MFN	Pref.			
Tea in bulk	S/18/0	S/33/0	R/25/0	R/50/+(R) 29(0)	R/10/0	R/7/0	R/15-17.5/0	S/4/0	0	0	R/4/0	0	35	S
Tea in small containers	S/23/5	S/42/4-8	R/25/0	R/50/+(R) 22(10)	R/10/0	R/7/0	R/15-17.5/0	S/4/0	0	0	R/4/0	0	35	S

Action Taken and Import Treatment of Tropical Timber

	EEC	Austria	Denmark	Finland	Norway	Sweden	Switzerland	United Kingdom		United States	Canada		Japan	Czechoslovakia
								MFN	Pref.		MFN	Pref.		
Tropical timber	S/5,10/0	0	0	0	0	0	R/1-5/0	S/7.5-15/0	0	(R) (-7.5)	0	0	S/0,20,20/0	S

Cocoa

Subject to the reservation by Ministers of the EEC and the States associated with the Community, Ministers agreed, inter alia, that:

"..... the removal of tariffs in respect of raw and semi-processed cocoa should be accomplished in the context of a cocoa agreement"
(MIN(63)7, para. 13)

To date such an agreement - which was then under discussion in the United Nations - has not materialized.

A suspension or reduction of duties on cocoa was put into effect during the period under review by Australia, Czechoslovakia, the European Economic Community and Norway. In the case of the United States, where raw cocoa already enters free of duty, legislative authority is being sought to remove duties on semi-processed cocoa.

Action Taken and Import Treatment of Cocoa

	EEC	Austria	Denmark	Finland	Norway	Sweden	Switzerland	United Kingdom	United States	United States	Canada		Japan	Czechoslovakia
								MFN Pref.			MFN	Pref.		
Cocoa, raw	S/97 5.4	6	0	48	0	6	0.4	1.5	0	0	5	0	5	S 0
Cocoa, Semi-processed	20-27	R/16,23,14/ 16,23,25	0-7	6-78	0-28	6-14	1-50	0.5-2	0	2-6(0)	4-22.5	0-22.5	30	S 0

Coffee

Subject to the reservation of the EEC and the States associated with the Community, Ministers, inter alia:

(a) "agreed that tariffs, internal charges and other non-tariff barriers in respect of coffee should be removed by joint action, and wherever possible by the end of 1963;

(b) "recognized that the proposed GATT trade negotiations would give an opportunity to eliminate all remaining barriers affecting trade in coffee" (MIN(63)7, para. 15).

As regards action falling under point (iii), duty suspensions or reductions have been put into effect, during the period under review, by Austria, Czechoslovakia, the European Economic Community, Norway and Spain.

Action Taken and Import Treatment of Coffee

	EEC	Austria	Denmark	Finland	Norway	Sweden	Switzerland	United Kingdom MFN Pref.		United States	Canada MFN Pref.		Japan	Czechoslovakia
Coffee, raw	S <u>16</u> 9.6	S <u>27</u> 0	33	56	R <u>3.4</u> 0	10	16	3	0	0	6	0	10	S 0
Coffee roasted	25	S <u>30</u> 10-20	23	76	12	7.5	20	2	1	0	6	3	35	S 0

Bananas

The Ministers agreed inter alia "that each consuming country should consider possibilities to increase the consumption of bananas"....;

Subject to the reservation by the EEC and the States associated with the Community, Ministers agreed inter alia; that "while the study¹ was in progress,... governments ... should make an effort to enlarge their markets for bananas on a universal basis". (MIN(63)7 paragraphs 17 and 18).

During the period under review duty reductions were put into effect by Finland and Norway.²

Action taken and Import Treatment of Bananas

	EEC	Austria	Denmark	Finland	Norway	Sweden	Switzerland	United Kingdom MFN Pref.	United States	Canada MFN Pref.	Japan	Czechoslovakia
Bananas	20	0	5	R/1037 300	R/57 0	10	26	14 0	0	7 0	70	n.a.

¹See also document Spec(64)166.

²Italy announced recently that the Italian Banana Monopoly will be abolished with effect from 1 January 1965, and that, instead, a tax of 70 lire per kg. will be imposed on fresh bananas and of 350 lire per kg. on dried bananas and banana flakes. It is envisaged that the new system will lead to a reduction of price of bananas on the Italian market (see AC/SC1/14/Corr.1).

Tropical oilseeds and oils

In respect of tropical oilseeds and oils, "the Ministers noted the need for further study.... and that arrangements for this work would be put in hand".

Subject to a reservation by the EEC and the States associated with the Community, Ministers agreed inter alia that "governments.... should consider the desirability of including the problems.... in the framework of the GATT trade negotiations and in international discussions on internal agricultural price and production policies.... [governments should] in framing their agricultural policies.... duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers". (MIN(63)7 paragraphs 20 and 21).

The Ministers of the EEC and the States associated with the Community, stated, inter alia in their Conclusions that "governments should, in framing their agricultural policies.... duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products". (MIN(63)7 paragraph 21).

During the period under review, duties on selected tropical oilseeds and oils were reduced or suspended by Czechoslovakia, the European Economic Community² and Japan.

	E E C	Austria	Denmark	Finland	Norway	Sweden	Switzer-land	United Kingdom		United States	Canada		Japan	Czechoslovakia
								MFN	Pref.		MFN	Pref.		
Tropical Oilseeds ¹	0	0	0	44-78	0	0	0.5-0.2	10	0	0-0.9	0	0	R 0.20 20 0.20	S 0
Tropical Vegetable Oils ²	5-15	0.12	0-5	96-172	0-8	0	1-10	10.15	0	0-33	0-20	0-15.01	10.27	S 0

¹Copra, palm kernels and groundnuts.

²Coconut oil, palm oil, palm kernel oil and groundnut oil.

³15.07B1a2 Castor oil, intended for other purposes Reduction of duty from 8 to 7 per cent

ex 15.07B

Ib1 Tobacco seed oil crude Total suspension of duty (old rate: 5 per cent)

ex 15.07B

Ib2 Tobacco seed oil, other Total suspension of duty (old rate: 8 per cent)

(iv) Elimination of tariffs on primary products

"Industrialized countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries."

and

(v) Reductions and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries

"Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years."

(MIN(63)7 paragraph 1)

The following duty reductions or suspensions on products covered by the Action Programme, other than tropical products referred to under point (iii), have been notified to date¹

Australia: duty reduction on sewing machine heads

Czechoslovakia: duty suspension on tobacco, lead, cotton yarns, jute yarns, leather, tinned or otherwise prepared fish

EEC: partial suspension of duty on gloves and mittens, bathing costumes and babies outer garments; and total suspension of duty for equipment for cricket and polo.

In the reports on the implementation of the Action Programme submitted by Austria, Canada, Finland, Norway, Sweden and the United States¹ it was explicitly stated that action aimed at implementing these points will be taken in the context of the Kennedy Round negotiations. Similar indications were given by other industrialized countries during the discussions in the Action Committee and in Sub-Committee 1.

At the meeting of the Trade Negotiations Committee, held at ministerial level in May 1964, the Committee reaffirmed that in the trade negotiations every effort shall be made to reduce barriers to exports of less-developed countries and agreed that this consideration should be borne particularly in mind in the approach to the question of exceptions. The Trade Negotiations Committee noted with satisfaction that all participants were prepared to consider the possibility of taking such steps as are open to them to make cuts deeper than 50 per cent in, or to eliminate completely, duties on products of special interest to less-developed countries.

¹Also see AC/SC1/11/Rev.1 pages 16/17.

(vi) Progressive reduction of internal fiscal charges and revenue duties

"Industrialized countries shall progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965". (MIN(63)7 paragraph 1).

Apart from the elimination of fiscal charges on coffee in Sweden with effect from 1 January 1964, no indication of action for the reduction or removal of such charges has been received from any industrialized country.¹

Action taken and Present Tax Treatment of Selected Tropical Products²

Symbols used:- " - " = no tax " T " = tax of 25% or more " B " = bill seeking legis-
 " t " = tax of 10% or less " R " = tax removed during period under review lation for reduction
 of tax introduced

	BELG- IUM	NETHER- LANDS	F.R. GERMANY	FRANCE	ITALY	AUSTRIA	DENMARK	FIN- LAND	SWEDEN	NOR- WAY	SWITZER- LAND	U.K.	CAN- U.S.A.	JDA	JAPAN	
Coffee raw	-	-	T	T	T	-	-	-	-/R	-	-	-	-	-	-	t
Coffee roasted	-	-	T	T	T	-	-	-	-/R	-	-	-	-	-	-	t
Cocoa beans	-	-	-	t	T/B	-	-	-	-	-	-	-	-	-	-	-
Semi- processed Cocoa	-	-	-	t	T/B	-	T	-	-	-	-	-	-	-	-	t
Tea	-	-	T	T	-	-	-	-	-	-	-	-	-	-	-	-

¹Also see under point (i) reporting the abolition of the Italian Banana Monopoly.

²General turnover and sales taxes of less than 15 per cent are not shown.

(vii) Reporting procedures

"Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries." (MIN(63)7 paragraph 1)

Reports have been received from all industrialized contracting parties.¹

Enlargement of the list of products covered by the Action Programme

The Action Committee and its Sub-Committee 1 have also addressed themselves to the enlargement of the list of products covered by the Action Programme, which had been envisaged by Ministers at their meeting in May 1963 (MIN(63)7 para.3), the Committee took note of the work in progress in Committee III (see L/2080/Section II and Annex II, COM.III/136 and COM.III/137). Arrangements for study of a further list of products early in 1965 have been proposed at the meeting of Committee III of 12 November.

For details of duty reductions or suspensions and import liberalization measures notified by contracting parties in respect of products of export interest to less-developed countries other than those covered by the Action Programme, see Section II of document AC/SC1/11/Rev.1.

¹Reports on action taken have also been received from a number of other contracting parties; see AC/12 and Add.1-6.

B. Implementation of the Ministerial Conclusions relating to point (viii) of the Action Programme

(viii) Other measures

"Contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales." (MIN(63)7 paragraph 1)

Points specifically mentioned in the Ministerial Conclusions in relation to point (viii), and action taken, or in progress, for implementing proposals made in this regard:

(a) Study of the grant of preferences to imports from less-developed countries (Paragraph 24 MIN(63)7)

Questions relating to this point have been examined in the Working Party on Preferences which was established in accordance with the Ministerial Conclusions. The last report of the Working Party is contained in document L/2281. It is intended to continue examination of the problem in the appropriate body next year. (See also AC/SC2/2, paragraphs 5 and 6)

(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 of MIN(63)7)

The matter has been raised in Sub-Committee 2 of the Action Committee, but has not been dealt with in detail. At the last meeting of Sub-Committee 2, the secretariat was instructed to prepare a paper, on the basis of material and data to be requested from contracting parties, showing the measures in existence in the different countries for providing adjustment assistance. The Sub-Committee felt that such a paper would facilitate discussion to be undertaken at a later stage. (AC/SC2/2, paragraph 6)

(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 of MIN(63)7)

Sub-Committee 2 of the Action Committee has dealt briefly with a proposal relating to "market organization." This proposal and other related proposals have also been discussed in other bodies, in particular at the recent United Nations Conference on Trade and Development. At its last meeting the Sub-Committee agreed that, at the present stage, it would be advisable to take note only of the proposals and to await further clarification and elaboration of proposals made in this regard. It was suggested that the CONTRACTING PARTIES should consider the possibility of appropriate follow-up action in respect of those recommendations of UNCTAD which fall within the competence of the CONTRACTING PARTIES or are addressed to the GATT relating to measures in these and related fields.

- (d) Extension of the work of Committee III in the field of trade and aid studies (paragraph 27 of MIN(63)7)

Committee III has drawn up a programme and outline for the studies and has selected a number of countries for priority study. The first series of studies is scheduled to be taken up - by the appropriate body - early in 1965. (See COM.III/118 and Add.1, L/2080 Section B, COM.III/129 and L/2304).

- (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 of MIN(63)7)

Possibilities for action in this field were discussed by Committee III at its meeting in October 1963 (L/2080 Section V), and by an Expert Group - convened at the suggestion of Committee III - which met from 27 to 29 January. The Expert Group reached certain conclusions regarding the rôle of GATT in this field. In respect of other points in the proposals before the Expert Group it was felt that further clarification would be required. Experts from less-developed countries reserved the right to revert, at an appropriate time, to the discussion of the proposals made in the Expert Group. The report of the Expert Group is contained in document COM.III/127 which was adopted by the CONTRACTING PARTIES at their twenty-first session, in March 1964.

- (f) Study, and possible amendment, of the legal and institutional framework of GATT (paragraphs 28 and 29 of (MIN(63)7)

The Draft Model Chapter on Trade and Development, drawn up by the Committee on the Legal and Institutional Framework of GATT in Relation to Less-Developed Countries, has been submitted for adoption to this Special Session of the CONTRACTING PARTIES.

- (g) Establishment of a centre for trade information and market research within the framework of GATT (paragraph 7 of MIN(63)7)

Based on recommendations of Committee III and of an Expert Group, the CONTRACTING PARTIES, at their twenty-first session, decided unanimously to establish needed trade information and trade promotion advisory services. The new International Trade Centre providing these services commenced operations on 1 May this year.

ANNEX II

NOTE ON THE MAIN POINTS TAKEN UP AT THE MEETING
OF THE ACTION COMMITTEE ON 9 NOVEMBER

The Action Committee held its fourth meeting on 9 November. The Committee had before it the reports of Sub-Committees 1 and 2.

The acting Chairman of Sub-Committee 1, in introducing the Sub-Committee's report (AC/SC1/14), drew the attention of the Committee to the salient points in the report, and in particular to paragraphs 12-14 and 20-23 of the report. These paragraphs relate to proposed submissions to the Trade Negotiations Committee, further action for securing fuller implementation of the Ministerial Conclusions, and the extension of the coverage of the Action Programme.

The report of Sub-Committee 2 (AC/SC2/2) was introduced by the Chairman of the Sub-Committee. He drew the attention of the Committee in particular to the points and suggestions regarding work to be undertaken, set out in paragraphs 6, 7, 12 and 13 of the report.

The discussion was opened by the representative of India who recalled that the Action Programme represented the culmination of efforts within the GATT, begun in 1958, to overcome the trade problems confronting the developing countries. In May 1963, the Ministers had, with certain exceptions, adopted a Programme of Action, which, in the view of the developing countries sponsoring it, fell far short of the minimum conditions necessary to enable them to make their full contribution to the expansion of international commerce, and which, in their view, represented a practical compromise between the difficulties stated by some industrialized countries and their responsibilities under the GATT. Addressing himself to the maintenance of quantitative restrictions, and noting that in some instances no target date for import liberalization had been announced, the representative of India drew attention to the fact that some tariff bindings negotiated by his country at Havana and Torquay were being nullified or impaired by the maintenance of quantitative restrictions on the items in question. He suggested that countries applying such quantitative restrictions should consider offering appropriate compensation, to be approved by the CONTRACTING PARTIES, to offset the damage done by the restrictions.

The representative of India also pointed out that the tariff adjustments and reductions made in the context of the establishment of regional economic groupings by developed countries had the effect of worsening the competitive position of developing countries such as India. He suggested that consideration might be given to action, whereby, as an interim device, member States of the EEC and EFTA would extend to developing countries tariff reductions accorded to their partners in these trade groups, pending the introduction of a more generalized preferential scheme in favour of developing countries.

In his statement, the representative of India also expressed the hope that obstacles affecting products on the further list of products would soon be identified so that these products could also be given equitable treatment in the tariff negotiations and that the reduction of duties on products of export interest to less-developed countries, would be brought into effect without being spread over a number of years. Referring to the need for speedy action for implementing the Action Programme, he suggested that the CONTRACTING PARTIES might appoint a panel to examine how best further action can be taken. The full text of the statement of the Indian representative has been circulated in document AC/W/7.

The representative of the United Arab Republic endorsed the views expressed and the suggestion made by the representative of India. He pointed out that a particular point of concern to his country was the fact that the timing and terms of the participation of the developing countries in the Kennedy Round had yet to be determined.

The Executive Secretary, speaking at the request of the Chairman and in his capacity as Chairman of the Trade Negotiations Committee, pointed out that only very recently had agreement been reached to enable the commencement of the negotiating stage of the Kennedy Round. The terms of participation by developing countries had already been agreed in principle. Any developing country could participate if it were prepared to make a contribution to the general liberalization of the conditions of international trade, to the extent, and in the form, which it considered were in conformity with its economic and trade interests. It would be appropriate for the developing countries to make suggestions in the Sub-Committee on the Participation of Less-Developed Countries, which he suggested should meet during the week beginning 23 November, concerning the manner in which, as participants in the Kennedy Round, they would make their "offers". On the basis of the conclusions of the Sub-Committee on the precise terms of participation, governments of developing countries could decide whether they wished to participate in the negotiations. Participating developing countries might find it useful, to have preliminary consultations, with industrialized countries, early in 1965, before actual negotiations begin, on the contents of their exceptions lists, so that they would be in a position to mobilize their arguments for the actual negotiations, should the lists contain products which were of special interest to them.

The representative of Brazil pointed out that the major barriers confronting the trade of developing countries had been identified for some considerable time and that further study of them was therefore unnecessary. What was now needed was the necessary political will, on the part of the developed countries, to bring about the removal of these barriers.

A number of the representatives of developing countries referred to the harmful effects on the trade of their countries of the recent imposition of an import charge by the United Kingdom and to the fact that this action represented a departure from the standstill provision of the Action Programme.

The representative of the United Kingdom expressed regret that it had been necessary to introduce the surcharge. In doing so, the United Kingdom had, however, had in mind the effect this would have on trade, and particularly on trade of less-developed countries. The measures had been taken in special and exceptional circumstances and were covered by the understanding recorded by Ministers of industrialized countries in paragraph 4 of the Ministerial Conclusions (MIN(63)7). Further, only a small proportion¹ of the United Kingdom's imports from the developing countries were affected by the charge. Less-developed countries would have an opportunity to consult with the United Kingdom regarding the effect of these measures on their trade at the meeting of the Special Working Party, scheduled to meet in the near future.

Members of the Action Committee expressed the hope that the surcharges introduced by the United Kingdom would indeed be shortlived and that every effort would be made, in the meantime, to reduce their adverse effect on the trade of less-developed countries.

It was pointed out by some members, in connexion with point (ii) of the Programme of Action, that certain quantitative restrictions, whilst not inconsistent with the GATT obligations of the countries applying them, nevertheless restricted exports from developing countries. These members expressed the hope that restrictions in respect of these products, which included the restrictions maintained by the United States on imports of cotton, would soon be eliminated.

The representative of Argentina referred to measures taken by an industrialized country for limiting imports of cotton textiles. He stated that in the view of his Government, such action constituted a departure from the standstill provision. His country was not a signatory to the Long-Term Arrangement Regarding International Trade in Cotton Textiles. Since they considered the action taken to be contrary to the GATT obligations of the country concerned, his Government reserved the right to initiate appropriate action, in accordance with the relevant provisions of the General Agreement.

The representative of the Federal Republic of Germany emphasized the importance his Government attached to structural adjustments in industrialized countries with a view to facilitating the export trade of developing countries. He suggested that such structural adjustments were, in fact, essential if any real progress were to be made in enlarging export markets for the products of less-developed countries.

¹According to the figure supplied by the United Kingdom delegation the surcharge affects 9.02 per cent of imports into the United Kingdom from less-developed countries (see AC/SC1/14/Corr.1).

Commenting on the suggestion by the representative of India that a panel should be established to review the progress made in the implementation of the Action Programme, a number of representatives of developed countries expressed the view that it would be unwise to prejudice the deliberations of the CONTRACTING PARTIES on the subject of institutional arrangements, particularly in view of the provision in the Draft Model Chapter for the establishment of a Committee on Trade and Development.

Representatives of developing countries recalled that it had not been possible to proceed, in the context of the Action Programme, beyond the list of some thirty items identified by Committee III as being of export interest to developing countries. They noted that Committee III had initiated work aimed at the detailed examination of these products with a view to having additional products included in the list of products covered by the Action Programme. These representatives expressed the hope that Committee III, at its forthcoming meeting¹, would give attention to the urgent need of proceeding with this work so that appropriate action can be taken by the CONTRACTING PARTIES.

Representatives of developing countries emphasized that seventeen months had elapsed since the Ministerial Meeting of May 1963, and that some of the target terminal dates contained in the Action Programme had been overtaken and others were likely to be overtaken without their provisions being fulfilled. Whilst some action in implementing the Programme of Action had been taken it was not sufficient and the main part of the mandate entrusted to the Action Committee remained unfulfilled.

Members of the Committee representing industrialized countries, expressed their appreciation of the seriousness of the economic and human problems confronting the developing countries and of the urgency attached to their solution. They expressed the view that the progress which had been made, whilst it might fall short of what developing countries would regard as satisfactory, was nevertheless substantial. They pointed out that the Committee was meeting immediately before the Special Session of the CONTRACTING PARTIES, at which the Model Chapter would, it was hoped, be adopted, and the commencement of the negotiating stage of the Kennedy Round, which was likely to yield tangible results in the form of improved trading conditions for the developing countries.

The Committee noted in this connexion that certain ideas which had been raised in connexion with point (viii) of the Action Programme had been incorporated in the Draft Model Chapter. The hope was expressed that the Draft Model Chapter on Trade and Development would be adopted at the forthcoming Special Session of the CONTRACTING PARTIES. In relation to this point, the Executive Secretary, speaking at the invitation of the Chairman, emphasized the importance of there being the necessary political will to overcome the few points of difference which still remained, and suggested that members of the Committee impress upon their governments the importance of achieving agreement on the Chapter.

¹ See document L/2304.