

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

LDC/M/20
30 October 1964

Special Distribution

MINUTES OF THE MEETING OF A GROUP OF LESS-DEVELOPED COUNTRIES ON THE 20 OCTOBER 1964

1. Twentieth meeting of the representatives of the Group of Less-Developed Countries took place on the 20 October 1964 under the Chairmanship of H.E. Mr. E. Letts, Ambassador of Peru. The meeting was attended by representatives of Argentina, Brazil, Chile, Dominican Republic, Ghana, India, Indonesia, Israel, Jamaica, Nigeria, Pakistan, Peru, Trinidad and Tobago, United Arab Republic and Uruguay.

Preferences

2. The Chairman of the informal discussions between the developing and developed countries on preferences reported on the latest of these discussions which had been held on the afternoon of 19 October. The United States, he said, had remained adamant in its refusal to accept the principle of preferences by developed countries to developing countries and between developing countries, except on a regional basis. There did not, therefore, in his view, appear to be any prospect of progress before the Special Session and he suggested that the Working Group on Preferences should consider a proposal made by the Executive Secretary on the previous afternoon to the effect that future consideration of preferences should be based on the working hypothesis that the Agreement would be suitably amended at a later date to enable implementation of preferential schemes. The Working Group could recommend the adoption of such a working hypothesis to the Council who in turn would submit the recommendation to the Special Session.

3. Although the United States would not, by adopting the working hypothesis, have in fact have given its assent to the principle of preferences, such an approach was, he suggested, an advantage to the developing countries since it might lead to a situation where the United States would be alone, or nearly alone, in rejecting preferential schemes which had been worked out in detail.

4. Although, the member continued, the United States was nearly as strongly opposed to preferences among developing countries as she was to preferences by developed countries to developing countries, it might be advisable to concentrate attention on the former type at the present juncture. This member stated that his country, which was relatively more developed, was prepared to negotiate preferences with other countries at a similar stage of development, which would be extended to all developing countries. His country would not expect reciprocity on the part of countries at a lower stage of development.

5. A member pointed out that the working hypothesis proposed in the case of preferences was not analogous to that adopted by the Trade Negotiations Committee since, in the latter case, the hypothesis appeared within the framework of an overall agreement of principle to proceed with trade negotiations. In the case of preferences there was no such overall agreement. Another member felt that the "working hypothesis" approach was merely a device for diverting the developing countries from their necessary objective of obtaining consent to the principle of preferences. It was pointed out that some countries might have difficulty in recommending the adoption of the Model Chapter should there be no reference to preferences. Some members emphasized that they were without instructions on the point and could not therefore adopt a firm attitude to the proposal.
6. However, many members took the view that, although efforts to insert the principle of preferences within the Model Chapter should be continued, the "working hypothesis" approach was the only way of ensuring progress. It was to be hoped that, when confronted with the facts of the case, the United States would change its attitude on the issue and that therefore further study could be useful. On the time factor, it was suggested that it might be appropriate to attempt to have the Agreement modified to enable the implementation of preferential schemes at the first session of 1965.
7. A number of members referred to the work being conducted by the United Nations in the field of preferences. They held the view that the United Nations, because of its larger membership, was a more appropriate body to consider the details of preferential schemes. The GATT should therefore content itself with establishing a legal framework for preferences and should not take further action on this matter until after the United Nations institution reported. Other members considered that the work being undertaken in the United Nations and that proposed for the GATT were not mutually exclusive but rather complementary and could be of benefit, the one to the other.
8. A member presented a draft text for insertion into the Draft Model Chapter. This text is set out below:

"Subject to such conditions and in accordance with such procedures as may be prescribed by contracting parties, preferential treatment may be accorded, in respect of all matters in the Agreement, to products originating in less-developed countries, with a view to helping them augment the export earnings of less-developed contracting parties and to enlarge their opportunities for trade in processed and manufactured items. Such preferential treatment accorded to any contracting party shall be applied automatically and unconditionally to like products originating in all other developing countries /unless under special circumstances the contracting parties give, with a two thirds majority, to the contracting party according the preference, the right to deviate from this provision/.

"A Standing Committee shall be set up to (a) hold consultations, in accordance with procedures prescribed by contracting parties, to determine the depth and range of preferences, the safeguards necessary for the interested countries not benefiting from preferences, to make recommendations in regard to the special needs of countries in a lower stage of economic development, and (b) to keep under review the working of the preferential system with a view to making recommendations on remedial measures which may be found to be necessary to secure the objective of augmenting the export earnings of the developing countries."

9. Commenting on the above draft a member suggested that it was not necessary to establish a special Standing Committee since provision would presumably be made in the Draft Model Chapter for the establishment of a Committee on Trade and Development as was proposed in the secretariat note INT(64)558. This latter institution could consider preferences. Divergent views were expressed about the inclusion of the text in square brackets. A member suggested that the words "as may be prescribed by contracting parties" in the second line should be replaced by "established for that purpose". The same member also suggested that specific reference should be made, possibly in a new paragraph to be inserted between two existing paragraphs, to preferences between developing countries. Members drew attention to the fact that it was likely that the text, as formulated, would prove acceptable to the developed countries.

10. The Group agreed that its Chairman, together with a few other members, should draft formulations both on the legal text and to establish the "working hypothesis". In this connexion the member proposed the following text on the subject of the working hypothesis:

"Notwithstanding the contents of the General Agreement and without prejudice to the rights established in paragraphs 2, 3 and 4 of Article I, the CONTRACTING PARTIES may grant, as regards all subjects contained in this Agreement, preferential treatment for products coming from less-developed countries, for the purpose of promoting the economic development and the international trade of the less-developed contracting parties and thus contribute to the expansion of the world economy."