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GATT and the Trade Problems of the Less Developed Countries

by

Jean M. Wilkowski

May 31, 1963

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At the start of the Sixties, real concern arose over the damage being done foreign aid by failure of export earnings of the less-developed countries (LDC's) to hold their own. Secretary of State Rusk summarized the problem, as follows:

Support for the less developed nations in their efforts to move self-sustaining growth and independence must include not only direct economic assistance but also a determination to provide markets for their products, so that they may earn foreign exchange necessary to generate their own dynamism for development. 1/

New findings call for new emphases and new directions in government policies.

United States policy recognizes that the major economic challenge today is not from the Soviet Bloc but from the need to achieve cooperation between the developed countries of the West to accelerate their own economic growth and expand their trade so as to provide a sound basis for promoting the stability and growth of the LDC's. This will require a meshing of economic and commercial policies in a manner never before tried on a multilateral scale.

The instruments and tools for dealing with the challenge will be important. Their efficiency could determine whether the degree of progress in helping the economic development of the poorer nations will be more significant in the Development Decade of the Sixties than in the Fifties.

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The United States has both old and new tools for dealing with today's challenging problems of trade and development. Two of the old and trusted institutional ones are the General Agreement on Tariffs and Trade (GATT) and the International Bank for Reconstruction and Development (IBRD), both of which were created in the Forties. Two new tools, which are still in the testing stage, are the Organization for Economic Cooperation and Development (OECD) and the U. S. Trade Expansion Act of 1962 (TFA).

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II. STATEMENT OF PURPOSES AND ASSUMPTIONS

It is not intended that this paper discuss each of these four tools. They constitute scarcely an exhaustive list of policy instruments available to the United States in the field of LDC trade and development. Rather, the paper intends to cover the following: the significance of GATT for the LDC's, GATT's recent work on LDC trade problems; differences between the developed countries in their approach to the problem; the challenge to GATT's existence posed by the United Nations Conference on Trade and Development; and LDC attitudes on the help which they can expect from the TEA.

The study is based largely on reading in restricted GATT and UN documents, on unofficial and personal interviews with delegates of the LDC's at GATT in Geneva and on conversations with government officials in the trade policy field at Geneva, Brussels, Paris, London and Washington.

A few recommendations are offered on how the United States might exercise new leadership in helping to remove obstacles in the way of LDC trade and development.

The paper assumes that GATT is an effective instrument for furthering U.S. foreign economic policy as well as the policies of other developed nations of the West and that support from GATT from these quarters will continue.

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It also assumes that present participation in the work of GATT by such Soviet Bloc countries as Czechoslovakia and Poland is not presently a hindrance to its operations and can in time be usefully channeled to help solve the trade problems of the LDC's.

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III. BRIEF REVIEW OF GATT'S HISTORY AND OBJECTIVES

A. General

United States leadership helped to create the GATT in the Forties at a time when the primary concerns of the moment were the recovery, stability, and growth of the war-damaged European economies. Although LDC's clamored for equal attention in the draft provisions of the Havana Charter at the time, their problems were assigned a subsidiary and minor role which they have been fighting to overcome ever since.

The objective at the time the Havana Charter was drafted was the creation of an International Trade Organization (ITO) which would have taken its place alongside the International Monetary Fund (IMF) and the IBRD in a triangular arrangement for effecting postwar economic and financial order.

The Havana Charter, which provided for the ITO, was an ambitious undertaking which was not one agreement but six agreements in one, covering trade policy, cartels, commodity arrangements, employment, economic development and international investment, plus the statutes of a new United Nations agency - the ITO. GATT, which was extracted from the trade policy chapter, was all that emerged from this grand effort to put order in world trade.

GATT has three distinguishing markets. It is a multilateral trade agreement containing a schedule of negotiated tariff rates. It is a code of rules based on a philosophy of multilateral and non-discriminatory

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trade, although it listens to exceptions and grants waivers from the rules under carefully controlled conditions. Finally, it is a forum where members, who consider the rules violated or their trading interests adversely affected, can consult and negotiate.

Instead of including all thirty-four LDC's which had taken part in drafting the Charter, it counted only 11 LDC's among its predominately industrial country charter membership. For these LDC's the GATT from the start was a poor substitute for a world organization which would deal with economic development in its broadest positive aspects, including trade expansion.

LDC dissatisfaction festered and grew until 1955 when it broke out in a minor rebellion, with the LDC's demanding that GATT take a more positive approach to their problems. Specifically, they sought preferential access for their exports in the markets of the developed countries; the broadening of GATT to include international commodity agreements; authority to subsidize exports - in brief, carte blanche in their commercial policies.

What the LDC's received in a compromise settlement was a small measure of latitude to use quantitative restrictions to protect infant industries. The rebellion was put down gracefully with no LDC defections from the ranks of the "liberal trading club".

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Still insistent in the late Fifties that GATT do something about their problems, the LDC's were instrumental in agitating for a thorough-going review by experts (Haberler among them) of all outstanding obstacles to trade.<sup>2/</sup> The conclusions of the study were revealing and promptly led the GATT to undertake a trade expansion program.<sup>3/</sup>

Three committees were established: Committee I, to consider further tariff negotiations; Committee II, to consult with the Food and Agriculture Organization (FAO) on restrictions to agricultural trade; and Committee III, to take up "other measures", specifically, how export earnings of the LDC's might be maintained and expanded and how their economies might be developed and diversified. This important decision gave a new direction to GATT's work.

Since its 1958 departure GATT has been credited by one responsible LDC as having stirred the conscience of the world and of being the one international forum where LDC problems could be considered with the greatest objectivity and vision.<sup>4/</sup>

While LDC's in GATT have all at one time or another been critical of GATT's characteristic way of doing things -- gradual, steady and undramatic erosion of the obstacles to trade, which is often mistaken for immobility -- most have been forced to admit that GATT alone provides an orderly, practical and realistic framework for putting pressure on the developed countries, and that a better substitute has yet to be suggested.

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B. LDC Participation in GATT

This attitude tends to explain the impressive growth of LDC membership in GATT. Twenty-three countries subscribed to GATT's rules and commitments at the outset in 1947. Only eleven of these, or less than half, were LDC's. Today there are 91 countries associated in one way or another with GATT's work. Seventy-three of these are LDC's. Not all are full-fledged members having assumed all rights and obligations. But thirty-one of the fifty which are full contracting parties now have a distinctive LDC majority. Four out of five have acceded provisionally and are in process of revising their tariffs prior to assuming full responsibilities. Two of the LDC's participate in GATT under special arrangements and are expected to accede in 1963. Fifteen of the LDC's (most of them former French African colonies where GATT has been applied since 1948 under obligations assumed by the former metropole) continue to apply the GATT de facto, pending final decisions regarding their commercial policies. Finally, there are 18 countries sending observers to GATT, all but one of which are LDC's.

GATT has two procedures whereby countries may become contracting parties. Article XXXIII is the general route through accession negotiations and is open to all countries. The other route is through sponsorship under provisions contained in Article XXVI, which takes account of previous political status. It does not necessarily involve tariff negotiations.

It has generally been accepted that the country which negotiates accession under Article XXXIII pays an "entrance fee" for concessions which were previously negotiated in GATT by other contracting parties and which the newly-acceding country will enjoy under MFN provisions of GATT.

Eighteen of the 31 LDC's which are full contracting parties to GATT negotiated their way in under this article in one of the five general tariff rounds sponsored by GATT (Geneva, 1947; Annecy, 1949; Torquay, 1950/51; Geneva, 1956; and Geneva, 1960/61).

Between 1950 and 1962 there were eight countries which joined GATT under the sponsorship provisions of Article XXVI, as follows: Indonesia, Malaya, Ghana, Nigeria, Sierra Leone, Tanganyika, Trinidad and Tobago, and Uganda.

At the GATT Council meeting in April, 1963 a simplified and accelerated procedure for accession was introduced under Article XXVI whereby five, newly-independent states (Cameroon, Central African Republic, Congo (Brazzaville), Kuwait and Upper Volta) were admitted upon simple certification of de facto application of GATT rules by the GATT Executive Secretariat. Only one state, Upper Volta, assumed tariff concessions which had been negotiated on behalf of former French West Africa.



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There are a number of differences within GATT as to how lenient the organization should be in attracting new members from LDC ranks. Some frankly view the accelerated procedure introduced by the Secretariat as a somewhat frantic effort to pack and strengthen the house before the UN Conference. Others believe relaxation of the rules might cause digestion and assimilation problems. Among certain LDC's (e.g. Nigeria) there is opposition to scaling down rules and obligations which other LDC's have previously met.

The United States is in favor of encouraging the LDC's to take a more direct and vocal part in GATT's work, rather than play a silent observer's role, especially on matters of concern to them. A proposal that some arrangement be developed to permit this without requiring LDC's to assume full rights and obligations was made by the U.S. in April, 1963. Members were not disposed to take immediate action on the U.S. proposal and felt that U.S. assumptions behind non-participation of some LDC's in GATT work should be explored. The U.S. believes that many of the LDC's are out of GATT because they are either not conversant with its rules and operations or are not prepared to assume its obligations. In some instances there may be a basic misunderstanding of GATT's aims and activities which has not been removed because individual observers assigned from non-member LDC's to GATT have not felt the responsibility of going against basic prejudices of their governments. In other instances the cost of staffing delegations at Geneva has been a factor in non-membership.

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Mexico and the Philippine Republic are two outstanding examples of LDC's which prefer to stay out of GATT.

Mexico gives two principal reasons for not joining GATT. Its trade is largely with the United States (70% of its imports and 67% of its exports), and tariffs are not a problem in these exchanges. While U.S. quotas and prices are claimed to be a problem, Mexico feels it can discuss these better bilaterally than in a multilateral forum. Even more fundamental is Mexico's inflexible intention to maintain quantitative restrictions on its imports for balance-of-payments reasons. It does not believe it could honestly undertake GATT obligations in these circumstances.

The Philippine Republic is in course of upward revision of its tariffs to protect domestic industry and feels that joining GATT would entail untold problems of compensation which they are unwilling to face. Moreover, the Philippines are not convinced that GATT has been an effective instrument in dealing with LDC trade problems. Recently the government called for an assessment of the advantages of GATT accession, and there are signs that the disposition to join is more favorable than heretofore.

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IV. A STATEMENT OF THE LDC PROBLEM

The LDC trade problem should be common knowledge, and as it is not intended to over-burden this paper with illustrative statistics, brief mention of some of the fundamentals is thought appropriate for the background.

Import needs of LDC's rise in the process of industrialization and development, yet there has been a relatively slow development of export incomes in the face of widespread and considerable growth in import expenditures over the past 10 years. The tendency for import expenditures to outpace import capacity, as expressed in terms of actual exports, has persisted into the Sixties. For example, over the two-year period, 1960-1961, the LDC's imported nearly \$3 billion more from OECD countries than was exported.<sup>5/</sup>

The Western developed countries today have 20 percent of world population and account for 67 percent of its trade, whereas the LDC's have 47 percent of total population and account for only 21 percent of total trade. The remainder of population and trade is accounted for by the Sino-Soviet Bloc. The LDC share of world trade is declining rather than increasing. Regions such as Latin America, which accounted for 11 percent of the value of world trade in 1950, were down to only 7 percent in 1960.

Between the mid-Fifties and the early Sixties OECD exports to the world rose by over 30 percent while LDC exports to the world went up less than 13 percent.

V. ATTITUDES OF THE DEVELOPED COUNTRIES TOWARD THE PROBLEM

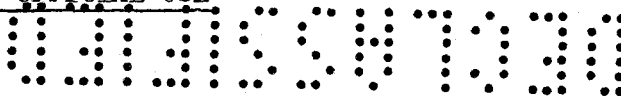
The 1961 GATT Ministerial Meeting was the first formal opportunity which developed countries had to assess the initial results of the trade expansion program set up in 1958 with special emphasis on LDC problems.

The statements made by ministers of the developed countries were heavy on generalities but contained some important and revealing policy directions as well as basic attitudes on responsiveness to LDC trade problems.

A. United States

The United States felt that a coordinated approach by the developed countries which recognized the primacy and flexibility of GATT could adequately cope with the "new realities of a new trading world" in which LDC trade problems figured so prominently.<sup>6/</sup> The United States authorities and experts viewed the Sixties as appropriate for introducing new techniques but inappropriate for abandoning old and steadfast principles - multilateralism and non-discrimination through the most-favored-nation principle (MFN), which it called "the eternal verities of trade liberalization".

The Americans made it clear they considered trade equally important with aid and that the former had not yet been given adequate emphasis.



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Alone among the developed countries in its dissatisfaction with the "inadequate" progress on LDC trade problems in GATT's Committee III, the United States put forward a draft resolution of guiding principles for developed countries to follow in their trade policies. Adoption of the Declaration enabled the 1961 GATT Ministerial Meeting to conclude on the positive note of the willingness of the developed countries to press forward jointly on the trade problems of the LDC's.<sup>7/</sup>

The United States was alone among the major developed countries in supporting the Nigerian proposal for duty-free entry of tropical products.

The United States urged its economically-advanced colleagues to channel financial assistance into LDC export industries and give technical assistance in marketing methods. On the issue of reciprocity in tariff negotiations, the Americans' language was guarded, although it implied that the level of reciprocity might be something less than for developed countries. There was also an indication that the United States was breaking with the past by viewing commodity stabilization agreements as less evil than in 1955 during the GATT Review Session; however, it implied that GATT should still keep hands off this question and leave it to other international organizations.

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B. United Kingdom

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The British attitude during the 1961 Ministerial showed Britain's official hopes to be firmly pinned on joining the European Economic Community. The British were at great pains to extol the merits of economic integration generally and suggested that the example of the Latin American Free Trade Area be followed in Africa. The British felt that trade among the LDC's should become increasingly important.

But the British were convinced that LDC's would be "dependent for a long time" on primary products as a major source of export earnings even though their future prosperity would depend on economic diversification.<sup>8/</sup>

The British rather proudly suggested that other industrialized countries might follow their example in the Lancashire textile industry by making "necessary" and "inescapable" domestic industry adjustments so as to permit increased imports of LDC manufactured products. Attention was drawn to British imports of cotton yarns and piece goods from India and Pakistan, which had more than doubled between 1954 and 1960. It was pointed out that 40 percent of the British market for cotton textiles was being met from imports (mainly from the LDC's). The British hoped that other developed countries would make "comparable contributions" in GATT (particularly before expecting the United Kingdom to undertake new commitments) and thus give meaning to what the developed countries were saying about the importance of trade and aid.

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The British were wary of pushing "precipitately" into new kinds of international agreements (specifically, a commodity agreement on cereals in which the French had expressed interest) and of abandoning existing and time-honored GATT techniques before working out "practical and equitable alternatives".

The British showed a genuinely sympathetic attitude toward LDC problems, describing them as one of GATT's major and most difficult endeavors.

C. European Economic Community

EEC spokesmen thought GATT had been responsive to the major changes going on in the world and was carrying out its task with ever-increasing authority.<sup>9/</sup> The EEC solicited LDC understanding and patience and brushed aside LDC charges that the EEC was "damaging to African unity",<sup>10/</sup> rigid to their demands, and making economic progress at the "unfair" expense of others.<sup>11/</sup>

France optimistically assured the LDC's that developed countries would be understanding of their problems and proposed a study group on tropical products.<sup>12/</sup> It restated its policy that high prices and organized markets were the solution for primary commodities.

Germany pointed to the trade-creating effects of the Common Market, doubted the market-disruptive effects of LDC exports in industrialized markets, and asked for LDC indulgence while German fiscal duties and taxes on tropical beverages were changed gradually.<sup>13/</sup>

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The Italians were ~~more promising of what they were doing~~ about their taxes on tropical beverages, although they thought LDC estimates of the trade restrictive effects of these taxes were exaggerated.<sup>14/</sup> The Italians reported progress in the removal of quantitative restrictions on manufactured goods of interest to LDC's.

The Belgians displayed some irritation with the optimism and complacency of their EEC colleagues and called for "dynamic action".<sup>15/</sup> The Belgians warned of "a terrible state of chaos" if LDC trade problems were not put upon more urgent footing.

The Dutch echoed the Belgian call for early and tangible results and asked their colleagues not to be dogmatic about the particular forum where solutions might be found, suggesting FAO and the UN.<sup>16/</sup> The Dutch picked up the British suggestion on the need for domestic industry adjustment and suggested that public and political campaigns be mounted in the developed countries to convince labor and management that breaking down import barriers would serve their own long-run national interests. The Dutch pressed for GATT interest in the subject to avoid new forms of subsidies from creeping in as old one disappeared.

VI. GATT POLICY AND ACTION PROGRAMS

A. 1961 Ministerial Declaration

The Declaration on the Promotion of the Trade of the Less Developed Countries which came out of the 1961 Ministerial Meeting was the result of GATT's first five years of intensive work on the LDC trade problem, and the document itself has come to be recognized as GATT gospel in the field. It contains three major conclusions: (1) aid is no substitute for trade, and LDC export earnings must also pay for economic development; (2) the major industrialized countries are responsible for opening markets to the LDC's and reducing restrictions to a minimum; and (3) market opportunities must be enlarged for new industrial as well as traditional LDC exports.

The Declaration's seven guiding principles are as follows:

(1) speedy removal of quantitative restrictions; (2) reduction of tariffs, preferably elimination on primary products and downward adjustment on processed products; (3) reduction or removal of revenue duties and fiscal charges; (4) adjustment of state trading policies to accommodate increased LDC imports and hold down re-sale prices; (5) administration of preferences in a manner beneficial to LDC's enjoying them but not detrimental to LDC's excluded from them; (6) limited use of subsidies so as to avoid injury to LDC's; and (7) disposal of commodity surpluses with as little damage as possible to third countries.

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The Declaration urges the developed countries to be "sympathetic" on the question of reciprocity with LDC's, to furnish them with technical and financial assistance to improve production and marketing techniques and to work concurrently toward smoothing out price fluctuations in primary commodity markets. For their part, the LDC's should increase trade among themselves.

While the Declaration was a major step forward, it called for no firm or binding commitments, lacked specificity in certain elements and carried no due date when the developed countries were to produce.

Committee III was asked to implement the Declaration and to set up target terminal dates "where feasible". A Special Group on Tropical Products was formed to consider a Nigerian proposal that there be duty-free entry of tropical products in the developed countries. The working party assigned to draw up rules for the next general round of tariff negotiations was asked to give special attention to the LDC's.

The high points of the work of each of these three groups together with related issues of concern to the LDC's which arose between the 1961 and 1963 Ministerial Meeting are reviewed below.

B. Committee III

The committee met five times following the 1961 Ministerial Meeting and reported some progress by GATT members in the removal of trade barriers, particularly quantitative restrictions on LDC exports. But

by the end of 1962 it concluded that there was still a lag between intent and performance.

(1) Eight-Point Action Program

Determined to make a break-through of sorts, 21 LDC members of GATT, reportedly led by India, Ceylon and the UAR, drafted an action program which they presented to Committee III. It was based on the 32 commodity categories which the committee had identified as of interest to LDC's. Essentially the program calls for: (i) a standstill against new tariff or non-tariff barriers on these commodity categories; (ii) removal within one or two years of those quantitative restrictions (QR's) on LDC exports which are inconsistent with GATT; (iii) duty-free entry for tropical products by the end of 1963; (iv) elimination of tariffs on primary commodities; (v) reduction and elimination of tariffs on LDC exports of semi-manufactured and manufactured goods within three years; (vi) progressive reduction of internal fiscal charges and revenue duties on LDC exports and their elimination by 1965; (vii) more detailed reporting procedures on remaining trade barriers on LDC exports; and (viii) adoption of "other" appropriate measures to facilitate economic diversification, promote exports and increase foreign exchange earnings.

It was obvious that the industrialized countries were not prepared to accept the program without qualification, and it appeared that the EEC would have the greatest difficulty of all with most of the provisions.

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The industrialized countries promised "best endeavors" on the standstill and good possibilities of meeting the deadline on QR's. France especially thought that tariffs on primary commodities were of secondary interest to market organization. The United States thought it might have difficulties with the deadline on manufactured goods because it had no legislative authority. The Germans and Italians reported continued difficulty in dismantlement of their tax structures, which for the former involved state as well as federal governments.

(2) Point 8 and GATT Cooperation with OECD and IBRD

Point 8 has caught the imagination of LDC's and developed countries alike because it opens up entirely new vistas for GATT to engage in non-tariff activities for the first time and to link its conventional trade resources with outside aid facilities. Under this program GATT has made formal arrangements with the OECD and IBRD to do joint studies on the economies and development plans of the LDC's.

This work had its origins in GATT consultations which LDC's were required to hold in connection with trade restrictions they employed for balance of payments reasons. The work was extended in Committee III and resulted in valuable studies on the development plans of India and Pakistan. Additional country studies were developed on Ivory Coast, Nigeria and others as part of GATT's study work on tropical products.

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The new joint study arrangements will be directed by a high Indian government official and former delegate to GATT, Mr. Swaminathan, who will be on loan to the GATT Secretariat. The studies are intended to assist GATT in identifying those industries where a real competitive export potential can be developed and to guide the OECD and IBRD towards export-oriented more than import-substitute industries.

The OECD is particularly enthusiastic with the arrangement. It has long felt it should do something more in the trade-aid field. An OECD Ministerial Resolution passed in November, 1962,<sup>17/</sup> recognized the interdependence of trade and aid. It recommended that OECD member countries formulate concerted policies to help the LDC's increase their earnings of both primary and manufactured products and to integrate their aid programs with other efforts to stabilize and expand LDC earnings. But OECD suffers from internal dissension among its European members; this has a long history from Marshall Plan days and extending on up through the tensions of the ill-fated Maudling negotiations for a free trade area, the birth of the Treaty of Rome, and last but not least, the rejection of the United Kingdom's bid for Common Market entry.

OECD officials are hopeful that the common cause of LDC trade and development programs will be a unifying force. They feel the new OECD-GATT link has particular value in helping to dispel some of the suspicion and distrust which LDC's have shown toward the OECD.

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IBRD's cooperation with GATT on its Point 8 program is based on a strong conviction that it is unrealistic for the developing countries to rely entirely or even mainly on measures designed to improve their terms of trade for present exports of food and raw materials. By implication, the IBRD has been critical of the basic French approach to the LDC trade problem and has expressed skepticism over the efficacy of price support programs as a real long-term solution. As the Bank has pointed out, such arrangements tend to tie up scarce money and reduce the prospects of long-term financing of basic development projects.<sup>18/</sup>

The GATT Secretariat has shown considerable initiative and imagination in guiding the Point 8 program because it feels that Committee III work has mistakenly concentrated on lists of items rather than basic LDC problems in their broadest terms. As one GATT official put it, the LDC trade problem is not just about tennis balls and electric fans and the tariff applied to them. Secretariat officials also hope that the new program will clarify for the developed countries that LDC exports are largely not competitive and will not flood or overrun the markets of developed countries.

(3) Preferences

In Committee III's last report<sup>19/</sup> which Ministers considered at their 1963 meeting there were two proposals on preferences -- one initiated by the Indians called for preferences on selected products to be extended by industrialized countries to all LDCs; the other was

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initiated by the United Arab Republic and also called for preferences on selected products, but to be granted among LDCs.

The cry for preferences is not a new one. It was first heard during the long deliberations leading to the draft of the Havana Charter and ITO in the Forties. And many LDCs have long felt it was a shortcoming that the GATT did not pick up the preference provisions on economic development which were contained in the Charter. The issue was revived but promptly squelched at the 1955 GATT review session.

In its illuminating 1961 study on the LDC trade problems, the United Nations Economic Commission for Europe recommended that developed countries extend preferential free entry to LDC manufactures if they do not exceed 3 or 5 percent of total imports in the previous year for that commodity group;<sup>20/</sup> imports in excess of these limits would pay the regular tariff. Under this system the Commission thought there would be no real threat to domestic industries and that the arrangement would also limit the amount of foreign capital that might otherwise come rushing into the LDCs under an unrestricted preferential arrangement.

Beyond thinking in only the most general terms that preferences are a good idea, none of the LDCs have yet worked out the specifics of their proposals.

The developed countries have promised to study the proposals in GATT, but the United States and most other developed countries, with the

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notable exception of the EEC, have indicated they are biased against them from the start. The Indian proposal is regarded as having theoretical merit which the UAR proposal lacks. The latter strikes most observers as stemming largely from UAR self-interest, tending toward regionalism and carrying political overtones.

India would like to see how preferences would work, for example, on silk and artificial fabrics, worked metals, and possibly sewing machines. The Indians would avoid jute or coir manufactures, which are fairly low-cost and competitive with developed country products. Generally, they would try to stay away from politically-sensitive and highly protected industries so as to avoid repetition of the "painful experience" on cotton textiles.

The Indians recognize that preferences would probably encourage foreign investment, but they appear unconcerned about possible domestic effects.

Ceylon thinks "selected preferences" would not necessarily do violence to free trade, and is strongly behind the Indian proposal together with Pakistan, Israel, UAR, Argentina and Chile.

The LDCs feel that the EEC with French and Dutch urging will eventually say "yes" to the proposal -- in part because they have been saying "no" for so long on other LDC trade problems. The GATT Secretariat

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also tends to favor preferences more on psychological and political than on economic grounds, about which they have reservations.

For obvious political reasons, with preparations continuing for the UN Conference, the United States has been reluctant to throw cold water on the preference proposal, even though it doubts its practicability and is offended by its implications for the "external verity" of MFN.

An official American position is in suspense but majority opinion is adamantly opposed. Yet some open-mindedness is creeping in from those who see theoretical possibilities which might be made practical with certain safeguards. Selectivity would be crucial and products chosen on case-by-case basis would have to be acceptable to all developed countries. Extension would have to be non-discriminatory to all LDCs. Any preference arrangement would have to be approved by all contracting parties to GATT, preferably by a two-thirds majority vote under the exceptional circumstances of Article XXV.

Like the Americans the British are biased against preferences, believing that they would do more violence to GATT than they would be worth. But the British could, it seems be persuaded to agree to them if majority opinion runs in that direction. British bias is founded on the suspicion that preferences would give renewed life with only minor adjustments to certain prestige and high-cost industries which probably never should have been started by the LDCs and might delay LDC movement into fields where they could be truly competitive.

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C. Tropical Products

GATT's work on this problem of LDC trade originated with a Nigerian proposal for duty-free entry of tropical products and a French proposal of 1961 for a special group to study the matter. The results of this study by a special and a sub-group responsible to Committee III produced detailed documentation on the production, marketing and consumption of cocoa, coffee, bananas, tropical oils and oilseeds, tea, and tropical timber as well as analyses on the importance of certain of these commodities in the economies and development plans of Ivory Coast, Nigeria, Senegal and Somali.

In the special group's last report which was considered at the 1963 Ministerial Meeting sharp differences were noted between the position of the EEC and AOCs on one hand and the other developed countries and non-associated LDCs on the other.

The EEC-led group resisted a general endorsement of free access for tropical products as well as other general recommendations on these commodities, even though in effect they were little more than extensions of the general objections of the 1961 Ministerial Declaration.

The crux of EEC/AOC objection was that the AOCs could not immediately be plunged into the cold waters of international competition but would continue to require a gradual transition under sheltered conditions while their economies were developing "on a sound and

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balanced basis." In other words, the EEC/AOC convention which had just been negotiated was inviolate.

The ACCs parted company with their EEC patrons only on the issue of removing revenue duties and internal charges on tropical products, which they supported along with other developed countries and non-associated LDCs.

There was general support, which included the EEC and AOCs, for "efficacious" application of the recent International Coffee Agreement. But when it came to removing tariff and non-tariff barriers on coffee by the end of 1963 and if not then, in the course of the Kennedy Round, the EEC and AOCs again said "no".

The EEC/AOC combination also refused to go along with a standstill on barriers to banana trade or to agree on the desirability of including tropical oilseeds and oils in the forthcoming tariff negotiations.

There was general agreement that tariffs on tea and tropical timber could be eliminated by the end of 1963.

Basic to the EEC's isolated position on tropical products is the French attitude that prices and market organization and not tariff dismantlement are the most appropriate ways to cope with problems of trade in raw materials and primary commodities -- a view which the Americans cannot accept because of the dangers of stimulating surpluses and impeding economic diversification in the LDCs, and of increasing living costs in developed countries.

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The EEC considers it has been reasonably forthcoming in its plans to reduce tariffs on coffee and cocoa by 40 percent and to drop duties on tea and tropical timber. But there are indications it does not intend to go beyond these accommodations, other than confirming them in the forthcoming tariff negotiations.

There is considerable speculation as to whether EEC resistance can be maintained indefinitely, or at least through the five-year life of the AOC convention.

Observers who have worked closely with the EEC in Committee III believe the French are fighting a losing battle and that political considerations and economic necessities are drawing the associated and non-associated LDCs of Africa closer together -- and this can be an increasingly disruptive force. Also, the non-associated Africans have effectively argued on the long-run benefits of multilateral as opposed to North-South regional trade.

But much of this is wishful thinking, including the suggestion that the French stand will be weakened from pressures within the EEC itself. The Germans have pressed the EEC to speed up implementation of its policies toward third countries, calling for an effective reduction on certain tropical products by the summer of 1963, and for ratification of association conventions with the AOCs and Turkey and of settlement of trade agreements with Iran and Israel at the same time.

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The Germans also want a "global policy" towards Latin America to be in effect by the end of 1963. 22/

D. Tariff Negotiations

GATT Article XXXVIII bis urges developed countries in their tariff negotiations with the LDCs to be mindful of the latter's need for more flexible use of tariffs to assist their economic development. Sympathy was implied but not always practiced.

Eighteen of the 31 LDCs which are full contracting parties to GATT have negotiated with the United States; most of them have negotiated only once. Eight have had one or more successive rounds with the United States after negotiating for accession (Brazil, Chile, Dominican Republic, Haiti, India, Pakistan, Peru and Turkey). But from some of these come the most vocal complaints about the lack of sympathy for limited LDC bargaining power.

The 1961 Ministerial Declaration explicitly urging sympathetic treatment on reciprocity came toward the end of the Dillon Round negotiations, which some of those LDCs who participated looked upon as the most disillusioning negotiating experience of them all, particularly with the EEC.

In the GATT working party which drew up principles for the Kennedy Round negotiations for consideration by Ministers at their 1961 meeting,

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it was agreed that developed countries should make every effort to reduce barriers to LDC exports and not expect reciprocity from the LDCs. Exports of interest to LDCs should not be included in the limited exceptions or exclusions from the negotiations and the widest possible LDC participation should be encouraged. It was made clear that the LDC role would be directly related to their development needs. LDCs were cautioned against excessively high tariffs for development reasons and urged to consider that low tariffs could be beneficial in stimulating intra-LDC trade.

Although most LDCs have been expansive in their praise for American initiative and leadership shown in passage of the TEA, they view the Kennedy Round as basically a battle of the giants with their role little more than one of waiting on the sidelines for whatever crumbs may fall their way. Some of this exaggerated pessimism and clouded vision is bred of impatience.

The American suggestion that LDC commercial policies be examined in the light of their development needs in the course of the negotiation--intended as something of a quid pro quo for concessions obtained from developed countries --, has been poorly if not coldly received.

Some LDCs have asserted they have no intention of "mortgaging" their future commercial policies as the price of participating in the Kennedy Round. A few like Brazil and Uruguay resentfully thought it far more

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appropriate for the developed countries to submit their policies to examination and require them -- not the LDCs -- to furnish a letter of intent, as the United States suggested.

Despite American assurances that its own non-tariff as well as tariff barriers would be the subject of negotiation, doubts are strong that the United States could overcome domestic political obstacles in the way of removing quantitative restrictions -- for example, on oilseeds, which are subject to quota under Section 22 of the Agricultural Adjustment Act.

On the eve of the 1963 Ministerial Meeting only India and the UAR among the LDCs seemed to have reached a firm policy decision to participate in the Kennedy Round. Others were still considering the matter but some thought their governments would participate not so much for economic reasons as political.

The LDC members of GATT as well as the outsiders realize that they need not participate in the negotiations to gain benefits under MFN. They desire, of course, that items of interest to them not be excluded, but they feel this can be conveyed to the developed countries through normal diplomatic channels.

LDCs not associated with the EEC believe that the EEC will not respond to the U.S. invitation on tropical commodities in the TEA.

A few American officials have shown signs of impatience with LDC attitudes on the negotiations and are tempted to threaten that if the

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LDCs choose to remain outside, they cannot be guaranteed that products of interest to them will be included.

E. 1963 GATT Ministerial Meeting

In contrast with the 1961 Ministerial Meeting where the LDCs held the center of the stage and had a measure of hope renewed in GATT, the 1963 Ministerial found them pushed to the wings with few props to pin their hopes to. Some specifics were added to the general guiding principles of 1961, but there were no major gains except on reciprocity, and that had been a foregone conclusion.

LDC problems at the 1963 Ministerial were almost completely overshadowed by the keen differences separating the EEC and the United States on the basic question of whether or not there would be tariff negotiations under authority of the TEA.

Second billing was something the LDCs should have anticipated from the course and tone of the various GATT working groups which led up to the Ministerial, but there was still lingering hope in a number of quarters for some magical break-through in policy commitments from the developed countries, mainly from the EEC.

The United States, United Kingdom, and Canada with good support from Norway, Austria and Japan strove hard for full endorsement of the 8-point action program; but the way was blocked by the EEC and AOCs who

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thought it contained "desirable objectives" but not ones to which they could subscribe completely because of prior and overriding commitments in their association convention. Again the EEC and AOCs minimized the importance which other countries attached to tariffs as an obstacle to LDC trade. They pointed to rising trade with non-associated LDCs despite these barriers and held the door open to association for LDCs who might qualify. The EEC continued to divert attention from tariffs to "more positive measures" including the all-too-familiar prescription of high prices, market organization and regional cooperation plus diversification of production. The EEC wanted to deal with LDC problems on an ad hoc and pragmatic basis rather than being tied down by the kind of commitments being urged on them.

The EEC flatly rejected free access for all tropical products on grounds of poor timing but did not exclude the possibility of future acceptance of the principle.

The meeting resulted in formation of a committee to implement the 8-point program, notwithstanding EEC intransigence; and working groups to study preferences and the adequacy of GATT's institutional structure to deal with LDC problems.

Despite its negative stand on conventional issues, the EEC was positive and favorable on Point 8 of the action program and showed a serious interest in some easing of the MFN principle in response to the Indian preference proposal.

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Germany and Italy were still incapable of action on the tax question but noted that coffee consumption was rising in both countries.

The Dutch and Italians were most sympathetic but were as powerless as before to impose a more forthcoming position from the EEC.

The LDCs aired a number of standard complaints ranging over the International Cotton Textile Agreement, surplus disposal programs, anti-dumping and tied aid. There was support from a number of different quarters for GATT to concern itself with commodity agreements, economic assistance, compensatory financing, and soft loans.

The Americans kept trying to arouse interest in the Kennedy Round, but the response was continued LDC reluctance.

Brazil maintained its dubious distinction of being the most outspoken LDC critic of GATT and was supported in its needling by Czechoslovakia, which advocated "a wider solution". The UAR, Uruguay, Chile and Indonesia lent support to certain proposals from this "radical" wing, whereas India and Ceylon maintained their reputation as LDC "moderates" in GATT.

F. Structural Change in GATT

The proposal for a stronger institutional framework in GATT arose out of work in Committee III, where it was felt that GATT's provisions should be expanded to deal with LDC trade problems and to demonstrate "the essential dynamism of the General Agreement".<sup>23/</sup>

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Article XVIII on governmental assistance to economic development recognizes an important principle -- that the lower standards of living prevalent in the LDCs place them in a special economic position which relieves them from strict observance of GATT's general rules of conduct; but it is essentially a negative provision in practice. Only Ceylon, for reasons of convenience and compatibility with domestic legislation, has availed itself of the infant industry provisions of the article. The effect has been restrictive rather than stimulative for international trade.

The GATT Secretariat has circularized a draft revision of Article XVIII picking up some of the themes from the 1961 Ministerial Declaration on LDC trade promotion and proposing they be made an integral part of GATT's obligations.<sup>24/</sup>

The draft presents certain problems for the developed countries, including an implication favoring preferences. For LDCs the revision appears to fall short of their desire to draw more heavily on the lost provisions of the Havana Charter, possibly including those for a permanent GATT organization.

In this connection the warning of an American economist writing in 1952 is recalled:

....GATT is the ITO manque. There is a constant striving to fulfill the original pattern. If this striving

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is satisfied, GATT would risk going over the same precipice as the Charter. So long as the striving is frustrated, GATT's strength is in doubt and it becomes the vortex of many strong and conflicting pressures. These pressures would exist without GATT. GATT may be able to survive them and to help control them, but the issue is in doubt. 25/

That writer felt that the economically nationalistic world of the Forties was incompatible with the liberal principles on which the ITO was premised and that there was inadequate provision for bridging the gap. He contended the ITO had failed because the traditional protectionists were supported by perfectionists who sought the ultimate in liberal trading principles.

When the Organization for Trade Cooperation (OTC) went to Congress in the Fifties, GATT had become something of a nasty word and its destiny was predetermined. Even when the OECD Convention went to Congress for ratification long memories there recalled the ill-fated passage of the ITO through the House Foreign Relations Committee and the OTC through the House Ways and Means Committee and wondered whether the OECD might not be a Trojan Horse for the GATT. 26/

Is the United States ready to give favorable consideration to a permanent organizational structure for GATT, even in the best interests of the LDCs?

American objectives at the United Nations trade conference indicate that this country is opposed to the creation of a new world trade

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organization, seeks minimal disturbance of GATT's present form and desires a modicum of functional merging among existing organizations.

GATT Secretariat officials do not feel that a permanent organization similar to that conceived by the ITO or OTC is needed at this time, for it might divert energies from the more important and immediate tasks of bringing real and tangible accomplishment to the trade problems of the LDCs.

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VII. THE CHALLENGE OF THE UN CONFERENCE ON TRADE AND DEVELOPMENT

The agenda of the United Nations Conference on Trade and Development leaves little doubt that GATT's competence to deal with LDC trade problems will be subjected to the closest scrutiny.<sup>21/</sup>

GATT will have to stand on its record with all of its self-acknowledged weaknesses, hoping that its new directions will overcome adverse criticisms and that the drive for a new world trade organization can be stopped. Much will depend on GATT's performance in 1963 and the first half of 1964. Although the atmosphere was gloomy and pessimistic for the LDCs at the conclusion of the 1963 GATT Ministerial, only an alarmist would conclude that GATT's future is in jeopardy and that LDCs in GATT will lend their full support to Soviet and Brazilian proposals for a new world trade organization.

The Soviet historical record and trade performance is basically weak. The Soviets refused to have anything to do with the Havana Charter or the ITO in the Forties. In recent years they have actively courted the LDCs, but the resulting bilateral trade agreements have been disillusioning for the latter, who have found the Soviets opportunistic and disruptive.

Yet the Soviet proposal for a universal world trade organization is tempting to the LDCs, some of whom see it as an opportunity to continue petitioning the developed countries of the West, while

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combining and strengthening their bargaining power vis a vis the Soviets.

The Brazilian argument for a new trade organization -- and here it is not clear whether they want GATT to evolve or to die -- appears to hold little or no political content but to be motivated mainly out of annoyance with GATT's delays and of hopes for real economic gain.<sup>28/</sup>

Brazil objects to GATT's "lack of universality, equality and realism", yet it has encouraged LDCs in GATT to remain and LDCs outside of GATT to join.

Essentially what the Brazilians desire is a forum where the three major groupings in international trade -- the industrialized West, Soviet Bloc, and LDCs can discuss and promote trade. The Brazilians have yet to come to grips with the question of what kind of a multi-lateral arrangement would be negotiable, enforceable, and productive in trade with the Bloc, however. They would coordinate the activities of the many international organizations in the trade field and would like to see the Havana Charter provisions on commodity agreements resurrected.

Like the Soviets, the Brazilians have admitted to the possibility of incorporating into a larger body those existing institutions "so as not to lose the fruits of the considerable body of experience of various types of trade".<sup>29/</sup>

Brazil's interest in creating a new kind of trade organization has so far gained it limited directed support among LDCs at the UN and has gone practically unnoticed by permanent LDC representatives to GATT at Geneva.

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Among these representatives there is a manifest lack of disapproval of the legalistic and emotional manner in which Brazil has been trying to champion their cause in and out of GATT. Brazil and India have earned a reputation as the leading spokesmen on LDC trade problems in GATT, but whereas India, often supported by Ceylon, has played an increasingly constructive role, Brazil has tended to follow the other course. Among the newer members, the UAR and Nigeria have become increasingly active and constructive. The specific action programs which these four countries have shown leadership in drafting are regarded by the majority of LDCs in GATT as holding much more promise of immediate results than Brazil's obstructionist initiatives either for having GATT evolve along uncertain lines, or for creating a new world trade organization.

Many LDCs believe Brazil's radicalism can be moderated in the course of the UN conference and that in the end Brazil will not insist on a wholly new organization. Nevertheless, a number of LDCs see merit in Brazil's proposals for a forum where they and the Soviets could discuss trade opportunities and for a means whereby international work in the trade field could be better coordinated; but like the Brazilians, none of them has attempted to sharpen these generalities with specific draft proposals.

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LDC representatives to GATT at Geneva thought their countries were better off in than out of GATT but frankly admitted that they were not always fully supported by their home governments to the degree they felt they should be in this position.

Many representatives -- including those of Yugoslavia, Ceylon, India, and Indonesia -- all pointed up the desirability of closer ties between their GATT and UN delegations to develop a better coordinated position in defense of GATT at the United Nations conference.

Some LDC representatives thought the conference might produce tangible results in commodity stabilization or lead to general commitments from the industrialized countries in adjustment assistance or preferential access. Others thought an endorsement of GATT might be the best that could be hoped for.

There were strong doubts, especially within the GATT Secretariat, that an endorsement of GATT -- roughly comparable to that made in the Cairo Declaration of July, 1962 -- could be expected in view of strong Bloc opposition to GATT, which on occasion in outside forums has included Bloc participants in GATT work. These Bloc participants are normally non-obstructionist in the regular course of GATT business and have been generally cooperative in principle on LDC trade problems. GATT has not, however, singled out Bloc obstacles to LDC trade and attempted to whittle these down as it has for Western obstacles.

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The British attitude toward the UN conference which is shared by many of the Commonwealth associates is that it will soon get bogged down in political discussions and be generally unproductive. The British view the effort rather complacently as a steam-generating movement to put pressure on the developed countries for more concessions, but they are convinced the LDCs know full well that the United Nations is the wrong forum for gaining them.

The French expect the LDCs at the UN conference to press for a new organization to the extent they are deprived of full membership in GATT, as equality would not be at issue in a specialized UN agency. The French see some form of coordinating machinery in the international trade field as the most likely outcome of the United Nations conference. The British are inclined to believe that the LDCs might extract some promises from the Bloc, for they feel that the obstacles in its autarkic system make it more vulnerable to attack than the market economies of the West.

The EEC has been unable to develop a coordinated position for the conference despite Rome Treaty provisions that the Commission is responsible for all contacts with the United Nations and its specialized agencies and with GATT. French and German opposition is responsible. In part this is explained by a belief that if the EEC speaks with one voice, the Bloc's COMECON will demand equal status and time and this could divert attention and energy from the central problem of LDC trade and development.

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Of the major industrialized countries of the West the United States appears to be the best prepared for the conference with the clearest idea of what the UN conference can achieve without interfering with the salutary and evolutionary trend in GATT. The Americans have specific plans for setting up coordinating machinery between GATT and the UN whereby the former would report annually to the Economic and Social Council and a regular period would be set aside for discussing and coordinating GATT's work with that of other agencies in the international field, such as CICT, ICCICA, and the UN regional economic commissions whose annual reports would also be considered at the same time.

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VIII. CONCLUSIONS AND RECOMMENDATIONS

The experience of the LDCs in GATT has tended to confirm a belief which they held before joining, that LDC trade problems can be dealt with only in terms of special treatment by the developed countries. This is a practical recognition of the economic disparities between the rich and poor nations.

Only in the past five years have the developed countries in GATT started to look at LDC problems in this way. But the current trend in GATT is clearly toward greater comprehension and readiness to take action. There are still differences among developed countries as to the urgency of the problem, and there is still an inadequate appreciation among nearly all of the developed countries of the sacrifices to be exacted of their own economies.

But after lagging for many years, GATT is clearly in process of evolutionary change to accommodate the LDCs in their trade and development aspirations. This accommodation seems to be going to the very roots of GATT's basic principles and to the very structure of the organization itself.

In its own ponderous and lumbering way -- for it has had no experience of acting otherwise -- GATT has moved forward on the LDC trade problem. A consistent trade-aid policy in collaboration with OECD and IBRD appears to be in the making. GATT has gradually

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chipped off non-tariff barriers on LDC exports and some duties on tropical products while lowering others. It is looking to the Kennedy Round of tariff negotiations to bring further progress. For the first time in GATT history, LDCs have been assured that reciprocity will not be expected of them in the negotiations.

Although the United States was originally opposed to the idea, the United Nations conference may prove to be not a bad thing after all. It is causing the developed countries to take a closer look at their commercial policies toward the LDCs, and at GATT and other instruments for implementing them. It could lead to improvements in both.

American initiatives and proposals on the LDC problem in GATT and as found in the Trade Expansion Act of 1962 have been generally enlightened and forthcoming in response to basic LDC demands for special treatment by the developed countries. But while the United States is leading the way, it has been timid about the value of aggressive and exemplary unilateral action as a supplement and stimulus to joint policies which it is pursuing in multilateral forums such as GATT. The need for courageous and dramatic action is more imperative now than ever. Many American policies for multilateral action have been stalled in GATT because the EEC is not yet willing -- and it does not appear it will be for at least another five years -- to extend to non-associated LDCs the same privileges and preferences which the Community

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extends to the associated LDCs under the Treaty of Rome. The degree of LDC frustration and disillusionment has increased following the 1963 GATT Ministerial Meeting. Moreover, the United Nations conference is potentially dangerous.

1. The United States should continue to maintain pressure on the EEC to make specific commitments along the lines of GATT's 8-point action program and on the recommendations of the Special Group on Trade in Tropical Products. But it should be willing to show some flexibility on the deadlines set forth therein if the EEC can be persuaded to make commitments to become effective upon the termination of the AOC convention in five years.

2. The United States should consider amending the Trade Expansion Act with respect to its tropical products authority (Section 213) so as to remove the condition that the EEC grant comparable access to the same commodities. The LDCs should not be denied free entry into the United States on these commodities pending a decision by the EEC which it appears may be delayed several years.

3. The United States should continue to maintain a generally reserved position on the preference issue. At the same time it should: (a) urge simultaneous exploration of substitutes or alternatives which might accomplish the same purpose without violating the principle of MFN, and (b) recognize that on this issue -- which is crucial for the

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LDCs as well as GATT -- the United States might find its position and that of the EEC reversed, with the EEC urging a commitment from the developed countries, and the United States possibly being the lone hold-out.

A possible alternative might be for the developed countries to agree to go to zero in their duties on a few highly selected LDC products having real market potential and where the impact on domestic industries of the developed countries would not be politically impossible or economically catastrophic but manageable under adjustment assistance provisions of each country's legislation. Such an arrangement should be made subject to GATT control.

However, should majority opinion in the developed countries favor preferential arrangements for the LDCs, the United States should consider handling this issue through an amendment to the staging requirements of the Trade Expansion Act whereby concessions on a few highly selected LDC products would become effective upon conclusion of the negotiation for all LDCs and effective at a much later date (all at once? at the end of five years?) for developed countries, based on agreement by them to implement the arrangement in a comparable manner.

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4. So as to have a dramatic model for exhibit as well as to gain  
experience in the adjustment process, the United States should try under  
carefully controlled conditions to "force" an adjustment in a selected  
industry under "voluntary" arrangements between government and  
industry. Preferably the model would involve a small American  
industry, capable of conversion to another activity and which the  
government may already be capable of assisting. It would involve an  
LDC industry preferably limited to one country, although this is not  
indispensable (Brazil would be good for political reasons) where  
production is established and where export potential is good. The  
products involved should be those which Japan and Hong Kong are  
either not interested/<sup>in</sup> or if producing could be controlled. Enough  
has been said to indicate that this would not be a simple experiment  
and would involve far more complications than suggested here. But a  
model might be found which would demonstrate American courage and  
initiative, help educate the American public on the trade-aid  
relationship, and be reassuring to LDCs.

5. The United States should undertake a special program to inform  
the LDCs on the advantages of participation in the Kennedy Round. It  
is recommended that a roving team of experts on the United States  
Trade Expansion Act be sent to selected LDC capitals. It would be  
desirable that the team include a "name" economist (e.g., Haberler,

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Vernon, Kindleberger, Scitovsky) who would impress and convince the LDCs, especially those government officials who make LDC commercial policy, and also the economics faculties of the local universities which often play a leading role in moulding public opinion. Selected members of the United States Congress (e.g., Douglas, Mills, Reuss) should be invited to accompany the team so as to clarify the present temper of Congress on foreign aid and to stress the importance which the American public places on self-help by the LDCs.

Self-help should be stressed: to prevent exclusion from the negotiations of products of interest to the LDCs; to encourage intra-LDC tariff negotiations and trade; and to coordinate LDC positions vis a vis the developed countries. Closer relations among EEC associated and non-associated LDCs should be encouraged so as to help erode the EEC position on LDC trade problems in GATT.

The team should visit Latin America first because it is the LDC region which has been the most negative and unconstructive with respect to GATT and to tariff negotiations. Mexico and the Philippines should be included to encourage accession to GATT.

6. The United States should take a "long look" at GATT in terms of its broadest possible importance as an instrument of U.S. foreign economic policy and of the economic policies of its Atlantic partners. So far the view has been largely short-range and pragmatic and has

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led to some quick patchwork -- not at the initiative of the developed countries, as it should be -- so that GATT's facade would be more presentable at the United Nations conference. The United States should decide for itself what it wants GATT to look like at the end of the Development Decade and it should then consult closely with the United Kingdom, EEC and other developed countries. The GATT framework, erected in the Forties and only whitewashed in the Fifties, is now subjected to an atmosphere of dynamic change in the Sixties. It should be well prepared to withstand the elements if it is to continue as an effective instrument of United States trade policy.

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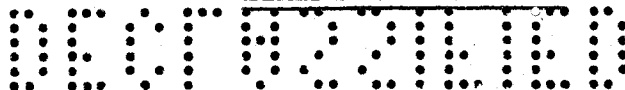
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XI. AUTHOR'S BIOGRAPHY

Miss Jean M. Wilkowski, Foreign Service Officer of Class 2, has been in the United States Government service since 1944. Previously she was an instructor at Barry College in Miami and on the Extension Editor's staff at the Wisconsin College of Agriculture at Madison.

In 1945 Miss Wilkowski was sent as Vice Consul to her first post in Port-of-Spain. She had succeeding tours of duty in economic and commercial work at the Embassy in Bogota and at the Consulate General at Milan before returning to Washington in 1951 under inter-agency assignment to the Department of Commerce. During her tour there she served first on the Italian desk of the European Division and later in the Office of Strategic Export Controls. Miss Wilkowski was subsequently assigned to the Economic Section of the Embassy at Paris and appointed Second Secretary and Consul in 1955. Following her tour there she received advanced economic training from the Department at the University of California at Berkeley and was then assigned to the Embassy at Santiago as economic and financial officer.

In 1960 she was named to the U.S. Delegation to the GATT tariff negotiations at Geneva where she served as deputy chairman of the U.S. team negotiating with the European Economic Community. She served briefly in the Commercial Policy Branch of the Bureau of Economic Affairs before being assigned to the Senior Seminar in Foreign Policy in September, 1962.

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