

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1768  
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## REPORT OF COMMITTEE III ON THE MEETINGS IN MAY 1962

1. In accordance with the Decision taken by the CONTRACTING PARTIES on 7 December 1961 on the implementation of the Conclusions of Ministers (L/1699), the Committee met for the second time since the nineteenth session from 1 to 9 May 1962 to carry out the programme of work which it had adopted in February 1962 and which was set forth in document L/1732.
2. That programme of work envisaged that the question of trade barriers affecting exports of tropical products would be taken up in the first instance by a Special Group at meetings to be held in April prior to the present meeting of the Committee. For various practical reasons it had been found desirable to postpone the meeting of the Special Group until the beginning of June. The Committee considered that any substantive discussion of questions relating to the five tropical products should be left to the Special Group. On the other hand, there was no reason why the Committee, at its present meetings, should not refer to those products when they were relevant to the subjects under discussion.<sup>1</sup>
3. In the light of the Ministerial Conclusions and the Declaration of 7 December 1961, the Committee had decided to examine plans for the reduction or removal of the following types of trade barriers:
  - I. quantitative import restrictions;
  - II. customs tariffs;
  - III. revenue duties and internal taxes; and
  - IV. other non-tariff barriers (State trading and subsidies).

The Committee discussed these measures in turn. The conclusions which it has reached and the recommendations or arrangements for future work which it wishes to make are set out in the following paragraphs

### I. The Removal of Quantitative Import Restrictions

4. It was agreed at the meeting in February that the Committee, at its meeting in May, would give first attention to the question of the removal of quantitative import restrictions. In preparation for this work contracting parties which applied import restrictions affecting the products examined by the Committee were invited to indicate their intention regarding the removal of such restrictions.

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<sup>1</sup>In fact the Committee heard a statement by the representative of the FAO on prices and consumption of cocoa, tea and coffee which was circulated as COM.III/84.

In response to this request, a number of contracting parties supplied statements concerning the action they had recently taken to remove restrictions, the present state of their import controls, and/or steps they intended to take in the near future; these statements were made available to the Committee in documents COM.III/74 and 76 to 81. The Committee also had before it a secretariat document containing commodity schedules showing the restrictions at present in force in various countries (COM.III/72 and Corr.1).

5. On the basis of this information the Committee discussed the remaining import restrictions with the contracting parties concerned. The representatives of a large number of contracting parties, including those in the less-developed group, outlined for the Committee the position of their governments. In some cases they amplified the written submissions, and in other cases the information set out in the summary schedules (COM.III/72) was corrected, supplemented or brought more up to date.

6. In the course of the discussion a number of points were clarified, and views were expressed by less-developed countries concerning particular restrictions.<sup>1</sup> It was noted that in a gratifying number of cases contracting parties were able to indicate liberalization measures introduced since the ministerial meeting or to announce the adoption of plans or programmes for the removal of the remaining restrictions. With respect to certain products the immediate liberalization of which was considered difficult at present, the contracting parties concerned were able to announce a progressive widening of global quotas or other measures to increase the access to their markets. In a few cases, important industrialized countries stated that they would be prepared to enter into direct consultations with the exporting countries with a view to adjusting their licensing arrangements so as to provide less-developed countries with increasing export opportunities.

7. The information contained in the secretariat document COM.III/72, the written statements submitted by governments and the oral statements made at the meeting, together produced a picture which was both encouraging and gratifying; the Committee was of the impression that the use of quantitative restrictions affecting the exports of less-developed countries had been greatly reduced in the industrialized countries, especially since the Ministerial meeting last November. The industrialized countries reaffirmed their intention of demonstrating in practical terms their adherence to the Conclusions of the Ministerial meeting and their determination to remove import restrictions.

8. On the other hand, the Committee noted that, while these advances and indications for the future were encouraging, there remained certain problems and hindrances to the complete achievement of this objective. Among the products examined by the Committee, a number of them of great importance to less-developed countries still faced restrictions maintained in industrialized countries. The following features may be cited as requiring particular attention:

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<sup>1</sup> Annex I to this report contains notes on the interventions made at the Committee meeting.

- (a) The restrictions maintained by some countries still involved discrimination for which there could be no reasonable justification. The imports in question were admitted freely from European and certain other countries, but remained restricted when coming from countries in other areas, mostly less-developed countries.
- (b) Certain restrictions still involved an absolute ceiling on the quantity that could be imported, thus directly limiting the export possibilities of less-developed countries.
- (c) Certain import controls, though involving no effective limitation on the quantity of imports, were being maintained for sundry reasons and, due to their psychological effect on producers and traders and the uncertainty which they created, might constitute a factor preventing the expansion of the exports of less-developed countries.
- (d) Restrictions were still retained on products which had undergone simple processing while the related raw material had been liberalized. In some cases, the restrictions were also operated in a manner which discriminated against exports of raw materials from less-developed countries while favouring imports of semi-processed goods from industrialized countries which did not themselves produce the raw materials.

9. Accordingly, the Committee agreed that arrangements should be made for periodical reviews or discussions of the remaining restrictions in the light of the Ministerial Conclusions and the Declaration of 7 December 1961. To this end it recommends:

- (a) that all contracting parties (including non-members of Committee III) should be asked to supply up-to-date information on any quantitative import restrictions which still applied on the products examined by Committee III and to inform the secretariat of any modifications or corrections which should be made to the tables in document COM.III/72 and Corr.1, a distinction being drawn in such notifications between restrictions maintained on balance-of-payments grounds and other restrictions. On the basis of information thus received, the secretariat should produce a succinct table showing the existence of import restrictions on each of the products. This table should be revised and made available to members of the Committee and other contracting parties from time to time;
- (b) that the question of the removal of quantitative import restrictions should be kept on the agenda of the Committee. At each meeting the Committee will examine the progress made in the removal of the restrictions and discuss with the countries applying the restrictions the prospects for their removal whenever necessary; and
- (c) that whenever necessary or appropriate the Committee will report to the CONTRACTING PARTIES or to the Council on any specific action or measures which would contribute to a more rapid progress in this field.

## II. Customs Tariffs

10. The Committee agreed at its meeting in February 1962 that it would devote its attention to two main tasks in the field of customs tariffs, as described in paragraph 9 of document L/1732. The first task was:

"to consider ways and means of bringing about an earlier and more substantial reduction of the types of tariffs mentioned above than can be expected to result from the general plan for tariff reductions with a view to formulating a precise programme" (such reductions might subsequently be taken into account when a general tariff reduction plan is implemented).

11. In this connexion, all contracting parties maintaining the type of tariff barriers in question were requested to indicate the consideration given by them to action to reduce such barriers. In response to this request a number of contracting parties submitted statements, which were before the Committee (COM.III/74 and 76-82).<sup>1</sup> The Committee noted in particular the statements made by various contracting parties, notably the United States, the United Kingdom, Austria and Finland, on certain action which they had recently taken. The Commission of the EEC informed the Committee of the tariff reductions which were expected to be announced after the end of the current round of tariff negotiations on a large number of products examined by the Committee, especially those on Lists II and III (see paragraphs 3 and 4 of Annex II). The representatives of less-developed countries welcomed these announcements of tariff reductions which had been made on items of importance in their export trade.

12. The delegation of Rhodesia and Nyasaland, supported by the delegation of Chile, proposed that early consideration should be given to the reduction of import duties and taxes on unwrought copper. The delegation of Rhodesia and Nyasaland also proposed that consideration should be given to the conversion of the non-protective elements of high specific duties on tobacco to an ad valorem basis. It was agreed that contracting parties should give consideration to this proposal, and report to the next meeting of the Committee. The representative of Greece stated, however, that principally owing to the great importance of the tobacco industry in his country which was based on high quality tobacco, the Greek Government would be unable to support any proposals to change the present status quo on import duties on unmanufactured tobacco applied by various countries. This view was supported by the representative of Turkey.

13. The representatives of various less-developed countries re-emphasized the value of unilateral tariff reductions wherever they could be made by industrially advanced countries, on products of interest to the less-developed world. The Committee had identified, in the course of its past discussions, tariff barriers which were particularly restrictive of these exports. All contracting parties, particularly the industrialized countries, should give careful and continuous consideration to the possibility of making further reductions in their tariffs affecting these products. The Committee agreed that contracting parties maintaining the type of customs tariffs of concern to the Committee should continue to report on any action or plan for the reduction of such tariffs,

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<sup>1</sup>For notes on the discussion on various aspects of the tariff question see Annex II to the present report.

and that the question of "formulating a precise programme" should be taken up by the Committee at the first opportunity when any precise proposals were received from contracting parties.

14. The representative of India referred to the uncertainties which had been created by the current negotiations between the United Kingdom and the EEC; while there was no reason to oppose the United Kingdom's accession to the EEC, consistently with the provisions of GATT, it was important that the entry of the United Kingdom into the EEC should not entail increased discrimination or higher barriers against the exports of less-developed countries. This view was supported by the representatives of a number of less-developed countries who also stressed the importance of free entry for the exports of less-developed countries to the markets in the industrialized areas. The Committee noted the stress laid by less-developed countries not belonging to any economic grouping on the importance of free entry for their main export products.

15. The Committee then proceeded to consider the second task which it had undertaken in the tariff field, namely:

"to formulate principles and considerations, both in general terms and in regard to particular products, which would be made available to the Working Party on Procedures for Tariff Reductions and which the Committee considers should be taken into account in the new procedures to be recommended by the Working Party".

In this connexion the Committee noted the fact that there was as yet little guidance available as to the form which the proposed tariff exercise was likely to take. The Committee felt that, if such principles and considerations must be formulated at this stage, they would have to be cast in very general terms in the knowledge that it would have ample opportunities for elaborating or supplementing its present proposals as and when a plan for tariff reductions was formulated and elaborated.

16. The draft Trade Expansion Act of 1962, which was outlined for the Committee by the representative of the United States<sup>1</sup>, gave some general indication of possibilities for the United States Government and this initiative taken by the United States Government was welcomed by the Committee. The less-developed countries regarded the low-duty authority and the authority on tropical products as particularly encouraging and expressed the hope that other countries would follow the lead of the United States and participate in the exercise when a plan based on such legislation was put into effect. The Committee noted the recent declaration which the EEC had made with respect to the proposed legislation of the United States and which expressed the interest of the Community in future tariff negotiations and the hope that all contracting parties would have equivalent negotiating powers. (L/1733) In this connexion some less-developed countries represented on the Committee stressed their primary interest in securing free

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<sup>1</sup>See L/1763.

entry to their products on the markets of the main industrialized countries. It was recognized that the problem was a complex one, but it was hoped that, with goodwill on all sides, some satisfactory solution could be found. The Committee considered that the Working Party on Procedures for Tariff Reductions might examine the ways and means of securing maximum reductions on products exported by less-developed countries.

17. The Committee stressed that any tariff reduction plan should provide for reductions in duties on products of interest to less-developed countries including in particular all the products examined by the Committee, by as many as possible of the participating countries, and that these reductions should be sufficient to ensure a significant degree of expansion of the exports of less-developed countries.

18. Attention was drawn to the fact that for many items such as processed or manufactured items, the costs of newly-developed industries may be such as to call for very substantial cuts in order to move such exports into markets previously supplied entirely by well-established industries, especially in view of deterioration in the competitive position of less-developed countries caused by integration movements in industrialized regions. In many cases free entry would be needed in order to achieve any significant trade expansion.

19. The Committee, recalling the Declaration of 7 December 1961, noted that in any tariff reduction plan adequate provision should be made for the reduction of tariffs which disproportionately differentiated in favour of a processed product as compared to the raw material for that product. Tariff reductions on raw materials should be accompanied by reductions on related processed products. Consideration for free entry for products which had undergone simple processing should not be excluded.

20. Turning to the problems that might be faced by less-developed countries in participating in any new plans for tariff reduction, the Committee emphasized that the Conclusions of the meeting of Ministers had specifically recognized that "a more flexible attitude should be taken with respect to the degree of reciprocity to be expected from these countries". The Committee noted, however, that this principle was not an entirely new one, but had been stated or reflected in past arrangements for tariff negotiations, and in Article XXVIII:bis of the General Agreement. The fact that these arrangements and provisions had not led to enthusiastic or fruitful participation in recent tariff negotiations by less-developed countries would seem to indicate that the adequacy of these past arrangements in giving effect to the principle should be examined in order to ensure that it be better reflected in any future plans for tariff reductions.

21. The Committee noted in this connexion Section 2 of the Ministerial Conclusions, setting out the reasons why it was considered that the traditional method of tariff negotiations was no longer adequate and that consideration should be given to the adoption of some form of linear tariff reductions. In any plans formulated on this basis, adequate account would obviously be taken of the economic and other factors limiting the ability of less-developed countries to grant tariff concessions. This formulation would thus enable fuller participation by countries lacking bargaining power. Less-developed countries represented on the Committee expressed a deep interest in the evolution of such a plan which would enable them to participate within the limits permitted by their economic strength and capabilities.

### III. Revenue Duties and Internal Taxes

22. In the light of the Special Report in L/1557 and Section IV of the Report in L/1732, the Committee again discussed the question of the elimination of fiscal charges. The attention of the Committee was drawn to the written statement submitted by the United Kingdom (COM.III/74) concerning the recent elimination of the fiscal element in the United Kingdom customs tariffs on coffee and cocoa and to the statement submitted by Italy (COM.III/81) concerning a proposed law, which would be submitted for consideration by Parliament, providing for a 50 per cent reduction in the present consumption tax on cocoa and cocoa products.

23. The Committee noted these steps taken by the United Kingdom and proposed by Italy. These steps, in the view of members of the Committee, were welcome not only because of their direct effect on the exports of less-developed countries but, more importantly, because of their significance in marking a fundamental change in the attitude of these industrialized countries on the question of abolishing fiscal charges affecting specific exports. The action now taken by the United Kingdom provided a conclusive proof that the difficulties were not insurmountable provided there was determination to make progress in that direction. With regard to the proposed legislation of Italy, the Committee requested that serious consideration be given by the Italian Government to the possibility of extending similar treatment to other beverages such as tea and coffee.

24. In the light of the action taken by the United Kingdom and Italy, members of the Committee commented on the lack of progress in the Federal Republic of Germany. The representative of the Federal Republic informed the Committee of an unsuccessful recent effort in Parliament to provide legislative authority for the reduction of the taxes on coffee and tea. In the view of the Federal Government, the abolition of these taxes would entail a loss of \$250 million in revenue, which would have to be made good through increases in other revenues which could not be obtained without a major reform in the budgetary structure. The revenue from these taxes constituted a not insignificant part of the Federal Budget out of which some \$800 million were provided for financial aid to less-developed countries in 1961. In this connexion various representatives

recalled the Conclusions of the Ministerial meeting that aid was no substitute for trade and stressed that increases in trade were of basic importance to less-developed countries although aid was also desirable in as much as it supplemented their foreign exchange receipts and facilitated the implementation of their development plans.

25. As regards the proposal set forth in paragraph 19 of document L/1732, for a two-stage reduction of revenue duties and internal taxes on cocoa, tea and coffee, the Committee agreed that it might be taken up at a later stage in the light of the discussions at the Special Group on Trade in Tropical Products.

26. Contracting parties were also urged to give consideration to action to ensure that benefits deriving from reductions of such fiscal charges would be passed on to consumers and to the exporting countries.

#### IV. Other Non-Tariff Barriers

27. As agreed at the February meeting and as noted in paragraph 17 of document L/1732, the Committee discussed the desirability of adopting a supplementary questionnaire for the purpose of eliciting information on the operation of State monopolies affecting the exports of less-developed countries. On the basis of proposals made by contracting parties, the Committee adopted a questionnaire, the text of which is reproduced in Annex III to the present report. The secretariat is asked to transmit the questionnaire to all contracting parties with the request that information along the lines indicated, together with any other relevant information, be supplied in time for examination by the Committee at its next meeting.

28. As noted in paragraph 18 of document L/1732, the Committee had agreed that if any new questions of subsidization affecting the exports of less-developed countries should arise, it could be brought to the Committee for consideration in the light of the Decision of 7 December 1961. The representatives of certain contracting parties called attention to the new legislation introduced by the United States on 10 March 1962 providing for a 20 per cent increase in the export payments on certain types of tobacco. In the view of the representatives of Turkey and Greece this premium might impair their exports of tobacco to their traditional markets. The representative of Rhodesia and Nyasaland considered that this measure might not cause substantial damage to traditional tobacco exporters, but the representatives of these three countries considered that it was significant as a possible precedent for the introduction of similar subsidies in future which might cause serious damage to those countries.

29. The United States representative explained that the export payments applied only to flue-cured tobacco stocks remaining from the 1956 and earlier crops. In 1957 the payments to producers had been reduced by 50 per cent and production of this type of tobacco had ceased. In view of the very high prices in the

United States compared with world prices, it was unlikely that this export payment would have a substantial effect on trade. There was, therefore, no likelihood of the interests of other tobacco producing countries being damaged. The United States Government extended to Turkey and Greece the assurance given to Rhodesia and Nyasaland in this matter that due consideration would continue to be given in future to the interests of all tobacco producing countries if any such measures should be contemplated.

#### V. Other Matters

##### Examination of development plans

30. At its last meeting, the Committee had decided, in the light of the study which it had carried out of the Indian Third Five-Year Plan, that it would examine any other development plans which had been made available by contracting parties for this purpose and the examination of which had become practicable.

31. The Committee was informed that the Governments of Ceylon, Pakistan and Turkey intended to supply their current economic plans, which were at various stages of formulation or implementation, to the Committee for this purpose. The Committee agreed that the secretariat should keep in touch with the contracting parties concerned to arrange for the circulation of the material to members of the Committee. The present intention was that at its next meeting the Committee would begin an examination of the plan of Pakistan.

##### Measures to improve production and marketing techniques

32. The initial work programme of Committee III provided that the Committee should "study ... measures which might be taken by less-developed countries with, where appropriate, technical assistance and advice from other countries and international organizations, in order to improve their own production and marketing techniques" (BISD, Eighth Supplement, page 133). Discussion had taken place on this subject, and the Committee had declared itself "aware of the importance of measures which might be taken by less-developed countries to improve their production and marketing techniques with a view to increasing their competitiveness in foreign market" (BISD, Tenth Supplement, page 191).

33. The Committee agreed that this subject should be further gone into at its next meeting. To assist this discussion, the secretariat was asked to prepare a paper briefly describing the activities in this field in other international agencies.

##### Date of next meeting of Committee III

34. The Committee had expressed the wish that too long a period should not be allowed to elapse between its meetings, and recommended that the next meeting of the Committee should, if possible, be held before the next session of the CONTRACTING PARTIES. If, as seems likely, the Council decides that the session should be held towards the end of October, it would be appropriate for the next meeting of the Committee to be held at the beginning of October.

ANNEX I

REMOVAL OF QUANTITATIVE RESTRICTIONS

Notes on Statements Made by Representatives  
on 1-2 May 1962

At the meetings on 1 to 2 May 1962, representatives of various contracting parties made statements describing action which their governments had taken or intended to take to remove quantitative restrictions affecting products examined by Committee III. In some cases, they also outlined the scope and nature of their remaining restrictions. This Annex sets out in summary form the main points of such statements.

Australia

The position is set out in COM.III/79. Seven of the items under discussion by the Committee are still licensed on a non-discriminatory basis, six of these items being licensed for purposes of statistical control. Licences on the remaining item, aluminium, are issued on a case by case basis. No less-developed country was a main supplier of the unwrought metal. One less-developed country had recently, however, become a major supplier of waste and scrap which were licensed freely.

Austria

Certain products mentioned as restricted in COM.III/72 had been liberalized on 1 January 1962 i.e., finished leather, electric fans, sports goods, copper products, steel furniture and some bicycle parts.

The representative of India, referring to the restrictions still remaining on simple manufactures, noted that, although Austria had held consultations with less-developed countries and provided for quota access to its market, this was no substitute for complete liberalization.

The representative of Austria recalled that his country had only recently emerged from balance-of-payments difficulties. Considerable progress had been made in the short period available.

Belgium-Luxemburg

A correction should be made in COM.III/72. The remaining restriction on castor oil is not protective, and it is hoped that restrictions could be removed in Belgium-Luxemburg and in exporting countries. Restrictions on fine leather were removed on 1 January 1962.

Canada

No quantitative restrictions on items under discussion in the Committee.

Ceylon

Most restrictions are maintained for balance-of-payments reasons. Remaining restrictions for protective purposes - releases for these have been granted by the CONTRACTING PARTIES under Article XVIII:C.

Chile

Recent balance-of-payments difficulties have made necessary temporary emergency measures. Statement to be made at next Council meeting as announced in L/1755.

Denmark

Restrictions remained on nine items out of the twenty-nine under discussion in the Committee. In most cases only fractions of those items were subject to restrictions. The products involved are coffee, some oilseeds and vegetable oils, artificial or reconstituted wood, woven badges etc., of cotton, certain cotton and jute sacks and bags, some internal combustion engines of less than 50 cc. capacity, electric motors, bicycles and some balls. It is envisaged that woven badges will be liberalized on 1 July 1962, and vegetable oils on 1 January 1963.

The representative of Denmark confirmed, in answer to a question, that any liberalization of coffee would be extended to all GATT countries without discrimination.

Finland

Some hemp and coir manufactures (57.09 and 57.11) and steel furniture (Chapter 94) had been liberalized since the last meeting of the Committee. All products in Chapters 57 and 94 of the Brussels Nomenclature are therefore now liberalized. Global quotas still remaining had been increased annually. The last increase took place on 1 January 1962 and applied to all GATT countries except Cuba, Czechoslovakia, Greece, Israel, Japan, Poland, Turkey and Yugoslavia.

France

Document COM.III/72 listed five products (tea, lead, copper, timber and cotton) as unrestricted. To these should be added iron ores, aluminium, alumina and bauxite, finished leather, leather goods, leather footwear, internal combustion engines, electric fans, phosphates, copper products and steel furniture.

Although formally restricted, no problems had arisen on the majority of the remaining items under discussion in the Committee. Items in this category are cocoa products, oilseeds and vegetable oils, electric motors, sports goods, coir manufactures (all of which are only partially restricted) and sewing machines, bicycles, cement and ferro-chrome and ferro-manganese. Problems remained on four restricted items: coffee, on which discussions are being held in Washington; cotton textiles, which are the subject of the short and long-term Geneva Agreements; jute manufactures, regarding which problems arising from rapid expansion of imports are faced and for which reasonable quotas had been opened on a bilateral basis; and coir manufactures on which some problems existed as in the case of jute manufactures and for which a quota has been opened and increased.

The delegate of India called attention to the fact that the French restrictions were not in any way justified under the GATT, and that some of these restrictions were applied in a discriminatory manner. France was urged to take further action in particular on jute manufactures and coir manufactures.

The representative of Pakistan observed that if, as the French representative had stated, no problem existed on certain of the restricted products, these restrictions should be removed as soon as possible. Also, in the case of problems mentioned in the French statement, solutions had still to be found in the GATT.

The representative of Brazil stated that French restrictions on semi-manufactures of cocoa discriminated against some less-developed countries. The Indonesian delegation supported this statement.

#### Federal Republic of Germany

It was reported that restrictions on epingle or frisé of cotton, knitted underwear of cotton, and for outer garments of cotton terry towelling, would be removed by the end of 1962, on cotton gauze, woven fabric of cotton for padding, by the end of 1964. Restrictions on jute manufactures would be removed by the end of June 1964 and on finished leather by the end of May 1964.

Difficulties still remained on some products. Refined and hardened edible vegetable oils were governed by the German Marketing Laws and global quotas had been established which had, however, not been fully taken up. Quotas had been increased on certain cotton textiles (handkerchiefs, household linen and certain types of woven fabrics, of outer garments, of underwear, and of velvet and plush) under the Geneva Agreement. Global quotas were to be increased on woven carpets of coconut fibres. The Federal Republic of Germany was urged to take further action towards the removal of the remaining restrictions.

Stable economic conditions in the Federal Republic ensured an increasing demand for the products of less-developed countries.

Ghana

In COM.III/72 the remarks against all restricted products should read: "subject to import licensing". Licensing had recently been introduced for balance-of-payments reasons. Consultations under Article XVII:12(a) would be held in GATT next week.

Greece

Only a few products are still restricted, internal combustion engines, electric fans, electric motors, cotton textiles and sesame oils. COM.III/72 should be corrected accordingly. The possibility of removing these restrictions is always under consideration.

India

Restrictions noted in COM.III/72 are maintained on balance-of-payments grounds in strict conformity with the GATT.

Indonesia

Restrictions are maintained for balance-of-payments reasons.

Italy

Reference in COM.III/72 to restrictions applied to List C countries is not worth retaining. This List no longer applies to Israel, and bilateral agreements have been made with the other contracting parties on this List. Restrictions remained on oilseeds and vegetable oils (imports of crude linseed and soya oils subject to quota), and on cotton textiles (tulle, certain articles of tulle and other cotton net fabrics are subject to ministerial licences when imported from most contracting parties and to import quotas).

Japan

Items of interest to the Committee liberalized in the past six months include certain cocoa preparations, coconut and palm oils, jute manufactures and steel furniture. Most products examined by the Committee are expected to be liberalized in the near future. However, considerable difficulties remain on the removal of import restrictions on black tea, a few types of oilseeds and vegetable oils and certain finished leather and leather manufactures. Global quotas for these products are expected to be increased progressively.

In response to questions, the representative of Japan said that difficulties remained on black tea as this was an infant industry and that it was not Japan's aim to become self-sufficient in this product. It was also stated that Japan's leather goods industry was handicapped by the small units of production in this industry for which modernization is difficult. The representative of Brazil drew attention to the maintenance of restrictions on some processed goods including cocoa products and cotton products.

Netherlands

The Netherlands should be removed from the list of countries shown as having restrictions on coffee in COM.III/72. The remaining restriction on castor oil is not protective, and it is hoped that restrictions could be removed in the Netherlands and in exporting countries.

Nigeria

No import restrictions are in force.

Norway

Quantitative restrictions only remained on vegetable oils and on coffee. Restrictions on most vegetable oils are to be abolished on 1 July 1962 and on the remaining vegetable oils on 1 January 1963. Licences on coffee are issued liberally, the restrictions not being protective.

Pakistan

Restrictions made necessary by the adverse balance of payments.

Rhodesia and Nyasaland

Of twenty-nine items examined in the Committee, restrictions were maintained on:

- (i) Jute grain bags. No local production, licences freely issued.
- (ii) Cotton textiles. Some cotton piece goods restricted from Japan and Czechoslovakia.
- (iii) Used clothing subject to non-discriminatory quota.
- (iv) Certain oilseeds and vegetable oils.

Sweden

No quantitative restrictions maintained on Committee III products.

Turkey

Restrictions noted in document COM.III/72 and addenda are maintained for balance-of-payments reasons. These restrictions are in strict conformity with the provisions of the General Agreement. Jute cloth and sewing machines, components and parts have recently been liberalized.

United Kingdom

For goods privately imported the United Kingdom maintains no restrictions affecting the export by less-developed countries which are contracting parties to GATT of products considered by Committee III, other than cigars.

United States

Some items which had been examined by the Committee were still restricted. Restrictions on some agricultural commodities were applied under Section 22 of the Agricultural Adjustment Act. They are subject to periodic examination by the CONTRACTING PARTIES under the United States waiver. (Cf. the latest report on these products in L/1549 and the report of Working Party in L/1660.) Imports of tung nuts and tung oil have been freed of restrictions from 2 May 1962.

Restrictions remain on lead and zinc and are applied under escape-clause action. The situation on these products will be reviewed by the United States Tariff Commission in October this year.

Since the last meeting of the Committee Hong Kong and Spain have agreed to limit exports to the United States of certain categories of cotton textiles, following requests by the United States in accordance with the provisions of the short-term cotton textiles arrangement. In this connexion certain transitional import restrictions were applied by the United States.

ANNEX II

THE REDUCTION OF CUSTOMS TARIFFS

Notes on the Discussion on 3 May 1962

1. At the meeting on 3 May 1962, representatives of various contracting parties made statements on action taken or proposed in the tariff field, with special reference to products examined by Committee III. This Annex sets out the main points of the discussion.

Action taken to reduce tariffs

2. The view of the representative of the Commission of the EEC was that, although negotiations had not been completed, an indication could be given of some results that would very probably emerge from the 1960/61 Tariff Conference.

3. With respect to the items contained in the first list of products studied by the Committee, negotiations in progress with the African countries and the Malagasy Republic on the renewal of the Convention of Association with the EEC had influenced the Community's position: with respect to cotton textiles the difficulties were well-known and had led to the drawing up of special arrangements. Moreover, common tariff duties on those products were already relatively low. A small number of tariff reductions might nevertheless be expected on items contained in the first list.

4. On the second and third lists, however, it was envisaged that tariff reductions would be forthcoming in almost all categories, and would affect nearly two thirds of the items in the common external tariff examined by the Committee excluding those on which there was already a nil duty. In most cases that reduction would be of 20 per cent. Full reciprocity was not being asked of the less-developed countries and negotiations were being carried out in a liberal spirit.

5. The representative of several economically less-developed countries pointed out that they had been unable to offer reciprocity during the General Round, as their tariffs were maintained for revenue and development purposes only.

6. Delegations of several industrialized countries announced unilateral tariff reductions made by their governments in the recent past. The United States had reduced, suspended or eliminated rates of duty or taxes on thirty-five tariff import statistical categories since January 1959. The United Kingdom had reduced its import duties on coffee and cocoa, eliminating the fiscal elements which the duties had contained. Austria had made a 10 per cent reduction in many tariff items affecting twenty-seven of the thirty-two items listed in COM.III/73 and Add.1 which were subject to duty. Finland had reduced its import duty on coffee in the autumn of 1962 and was considering a similar reduction in its import duty on tea in the near future.

7. The United Kingdom representative recalled that the great majority of primary products studied by the Committee were free or partially free of duty in the United Kingdom. On the dutiable items (coffee, tea and cocoa) a unilateral reduction of the import duties on coffee and cocoa had recently been made and the United Kingdom had proposed, in their negotiations for membership of the EEC, a nil duty on both tea and cocoa. It was pointed out that with reference to the products set out in COM.III/73, while they were the majority of items, were subject to m.f.n. duties of from 10 to 20 per cent, imports from the major part of the less-developed countries represented in GATT were free of both duties and quantitative restrictions. In many cases the reduction of the m.f.n. tariff by the United Kingdom would risk limiting rather than increasing the export opportunities of less-developed countries. The ministerial declaration had made it clear that where preferences were involved any changes should be on a basis which met the marketing needs of countries benefitting from the preferences (cf. COM.III/82 for the text of the United Kingdom statement).

#### Problems of immediate concern

8. The representative of India pointed out that the negotiations now taking place for British membership of the EEC created uncertainties on the future of the system of Commonwealth preferences to which the representative of the United Kingdom had referred. The Indian delegation did not oppose moves towards integration, but the entry of the United Kingdom into the EEC should not subject the exports of less-developed countries to new discrimination or to higher barriers, and both the United Kingdom and the EEC were urged to recognize the obligations to those countries. The view of the Indian delegation was that it was the importance of free entry for the exports of the less-developed countries that should be stressed. The delegations of Nigeria, Pakistan and Ceylon associated themselves with the position of the Indian delegation. Less-developed countries which did not enjoy any preferential treatment also stressed the importance which they attached to securing free entry for their main export products.

9. The view of the delegation of Ghana was that tropical products should be accorded duty-free treatment. It had been reported that in negotiations between the EEC and the United Kingdom a proposal had been made that the common external tariff of an expanded community on tropical timber should be reduced to zero. Ghana would fully support the adoption of such a solution both in this case and in that of cocoa. This statement was supported by the representative of Nigeria, who also expressed disappointment that the United Kingdom had in the Dillon round only been able to agree to a tariff reduction on tropical timber of 20 per cent in response to the EEC offer of a nil duty. He reaffirmed the willingness of Nigeria to forego preferential treatment on the British market if exports to the United Kingdom and the EEC were afforded duty-free entry. The statements of Ghana and Nigeria were supported by the delegate of Indonesia.

10. The representative of the Commission of the EEC assured the delegation of India and those delegations who had associated themselves with the statement of the Indian representative that the Community was conscious of the problems raised for certain developing countries by the application of the United Kingdom for membership of the EEC. Those problems were among those being taken up in the difficult negotiations which were taking place in Brussels and they were receiving particular attention from the participants.

11. The representative of India drew attention to a report that the Federal Republic of Germany was considering the imposition of a specific duty on sewing machines. The representative of the Federal Republic of Germany indicated that no such imposition was under consideration.

#### Possible courses of future action

##### (i) General tariff reductions

12. The delegate of the United States outlined the scope of the proposed Trade Expansion Act of 1962. In its present form the Act provides four types of new tariff authority.

- (a) General authority to reduce duties by as much as 50 per cent in agreements with other countries.
- (b) Special authority to reduce or eliminate certain duties in relation to the EEC.
- (c) Special authority to eliminate low duties.
- (d) Special authority to reduce or eliminate duties on tropical products in relation to the less-developed countries.

It was expected that the exercise of the authority contemplated in the proposed legislation would be of benefit to less-developed countries as it would increase the volume of international commerce and result in a greater demand for the raw materials of the new countries. All reductions in United States' duties would be extended on a most-favoured-nation basis. The provisions relating to tropical products and to the removal of low duties should be of particular benefit to the less-developed countries (cf. L/1763 for the full text of the statement).

The Swedish representative noted the generally recognized position of Sweden as a low-tariff country, and expressed his great sympathy with the efforts of the less-developed countries to augment their exports to the industrialized countries. Accordingly Sweden was interested in multilateral measures designed to reduce trade barriers, such as the plan for the lowering of tariff barriers which had been outlined in the statement of the United States delegation. The representative of Japan also expressed the interest of his Government in participating in a new plan for the reduction of tariffs, such as had been outlined by the United States delegation.

13. The representative of the Commission of the EEC recalled a recent declaration of the Council of the EEC in which interest was expressed in future tariff negotiations and in which it was hoped that all contracting parties would have equivalent negotiating powers. (See L/1733)

14. In the view of the delegation of India the new legislation outlined in the statement of the delegation of the United States showed promise and would provide an opportunity for the less-developed countries. Other industrialized countries should follow the lead of the United States. The general authority to reduce duties by 50 per cent was the normal negotiating authority granted to the President. The special authority to eliminate duties in negotiations with the EEC was likely to be of vital interest to the less-developed countries and it was important not to exclude items in these groups which the less-developed countries might be able to export. The low duty authority and authority on tropical products were in the spirit of the ministerial basis in that they were not based on reciprocity and were of importance to exporters of simple manufactures as well as exporters of primary produce.

15. The representative of France pointed out, with reference to the special authority on tropical products, that the possibility of negotiating tariff reductions would apparently be limited to those tropical products which were not produced in significant amounts in the United States and for which the import duty applied by that country was often nil or extremely low. Consequently, if the EEC was asked to lower its customs duty on those products, what compensation could it expect from the United States so far as tropical products were concerned?

16. The representative of the United States pointed out that no interpretation had yet been put upon the draft act, nor would it be possible at this stage to say how the various authorities under the Act would be exercised.

17. The delegations of Ghana, Brazil, Nigeria and Indonesia welcomed the authority on tropical products sought by the President of the United States in the draft act. It was recalled that it would perhaps be appropriate to leave detailed discussion of this topic until the meeting of the Special Group on Tropical Products when more clarification could be obtained. It was the view of those delegations and of India, referring to the point made by the representative of France, that this problem should be approached in a liberal manner.

18. In the view of the delegation of Rhodesia and Nyasaland tariff reductions on non-ferrous metal raw materials and particularly those on copper should be accompanied by similar reductions in tariffs on semi-processed products. The representative of Chile supported this proposal, and the representatives of India, Brazil and Pakistan said that such action might also be considered on other commodity groups. The representative of Rhodesia and Nyasaland also expressed the view that duties on tobacco and in particular the non-fiscal element in such duties (i.e. the difference between the sum total of duties and taxes on the imported and on the domestically produced product), should not be excluded from the scope of any general tariff reduction plan.

19. The delegate of Chile also expressed the view that the "substantial interest" formula was unsuited to the needs of the less-developed countries because high tariffs in industrialized countries had often prevented the exports of the former from becoming principal suppliers or achieving a "substantial interest" position on a statistical basis, and that a new plan for tariff reductions should take less account of those criteria. Reductions on those products would be facilitated if they were effected gradually. In that event, as had been suggested at the preceding meeting of the Committee, the timing of tariff reductions might correspond to the timing of reductions adopted by regional groups.

(ii) Proposals on particular products

20. The delegation of Rhodesia and Nyasaland referred to the Committee's Decision at its February meeting to consider ways and means of bringing about earlier reductions in the type of tariffs restrictive to the trade of less-developed countries than could be expected from a general plan for tariff reductions and proposed that such reductions should be considered in the case of copper. Particular reference was made to the United States import tax on unwrought copper. The delegation of Chile supported that view.

21. The delegation of Rhodesia and Nyasaland also proposed that those countries maintaining high specific duties on tobacco should be asked to give consideration to the possible conversion of the fiscal non-protective elements of those duties to an ad valorem basis and to report to the Committee at its next meeting. The representative for Greece referring to the proposal of the representative for Rhodesia and Nyasaland, said that, because of the great importance of the industry in his country which was based on high quality tobacco, it was not possible for his Government to agree to any change in the present status quo on import duties on unmanufactured tobacco applied by various countries. This view was also supported by the representative of Turkey.

ANNEX III

SUPPLEMENTARY QUESTIONNAIRE  
ON STATE-TRADING ENTERPRISES

These questions are intended to supplement those contained in L/1014 in order to elaborate aspects of State-trading operations relevant to the work of Committee III in establishing specific programmes for action, and where feasible, target terminal dates, for the progressive reduction and elimination of barriers to the exports of less-developed countries.

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1. Has there been any change which requires amendment to your country's answers to GATT questionnaire on State trading (L/1014) in respect of any of the following commodities:

Cocoa, coffee, cotton, cotton manufactures, jute manufactures, lead, oilseeds, vegetable oils, tea, timber, tobacco, bicycles, sewing machines, electric fans, diesel engines, electric motors, finished leather and leather goods, iron ore, aluminium, aluminium and bauxite, sports goods, coir manufactures, steel furniture, ferro-chrome and ferro-manganese, copper rollings and fish (canned etc.), cement and phosphates.

2. What is the degree of autonomy conferred by Government on the enterprise covered by the notification.

3. Describe any rights and/or obligations in relation to domestic production enjoyed by the enterprise covered by the notification. Indicate in particular whether any obligations include an obligation to purchase the whole of the domestic product, a proportion thereof, or a specified quantity, whether obligations towards domestic production have varied in recent years and whether the enterprise has any influence over determining the size of domestic production.

4. If the enterprise covered by the notification enjoys privileges of manufacture as well as of import, indicate any differential basis of prices paid by the manufacturing undertaking, as compared with c.i.f. prices of imports or producer prices of domestic products.

5. Indicate whether import purchases are negotiated by the privileged enterprise itself or through agents. If through agents indicate:

- (i) how they are selected
- (ii) how frequently their appointments are reviewed or renewed
- (iii) whether they are remunerated according to the value or the quantity of their purchases.

6. Indicate what steps have been taken to acquaint the enterprise concerned with the GATT Declaration of 7 December 1961 and to direct their attention to the need to investigate potential sources of supply in less-developed countries.

7. Furnish statistics (where possible by quantity and value) of imports, exports and national production on the products notified, on the following lines:

- (a) The figures should cover the last three available years.
- (b) The figures should as far as possible be in comparable form for imports, exports, and national production.
- (c) The figures should be elaborated so as to show:
  - (i) Source of supply of imports,
  - (ii) Average value of imports by sources,
  - (iii) Average prices paid to domestic producers,
  - (iv) Proportion of imports obtained from less-developed countries ("Economic Class II" in United Nations commodity trade classification), and
  - (v) Relation of imports to apparent consumption.

8. In cases where the proportion of imports of the product concerned from less-developed countries is nil, negligible, or has declined, state the reasons.

