

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE GROUP OF THREE

"L'amour du prochain est
une politique réaliste"
(Engraved on the Nansen Medal)

I. BACKGROUND

1. At the launching of the GATT programme for the expansion of international trade in 1958 it was established that one of the important aims of GATT activities would be to facilitate the expansion of the export earnings of developing countries. The conclusions and resolutions of successive meetings of the CONTRACTING PARTIES at ministerial level over the past decade have given increasing emphasis to the importance of this objective. The acceptance of the need to increase the export earnings of developing countries as one of the major preoccupations of the GATT was given legal endorsement and recognition when Part IV was adopted in 1965. At their twenty-sixth session, the CONTRACTING PARTIES stressed that for the success of the Second Development Decade it was essential that GATT should contribute by making maximum efforts directed towards the expansion of the export earnings of all developing countries and by giving priority consideration to and by taking immediate steps towards solving the trade problems of these countries.
2. Not only has the international community recognized that the trade situation of developing countries should be progressively improved, but it has been generally accepted that there should be no backward moves which would reduce the effects of efforts which have so far been made to improve their situation. Under Part IV developed countries have accepted a standstill that they would refrain, except where compelling reasons make it impossible, from intensifying or imposing new barriers on the trade of developing countries.
3. Because the export composition of developing countries is heavily weighted towards primary products, these countries have not participated fully in the rapid expansion of world trade which has taken place in the second half of the 1960's. The increase in export earnings has been extremely uneven and the position of several developing countries has actually deteriorated. In order to achieve a reasonable rate of overall economic growth, particularly in countries which find themselves at present in a difficult position, a further acceleration of the rate of growth of export earnings and a less uneven distribution of export growth would be needed.
4. After several years of stability and some improvement in 1969, the terms of trade of developing countries deteriorated in 1970. This reflected mainly the continued inflation in major industrial countries which pushed up prices of manufactured products. The combined trade balance of developing countries (measured on f.o.b.-f.o.b. basis) deteriorated by close to \$1 billion. Moreover, the generalized and rapid increase in freight rates which started towards the end of 1969, contributed to an aggravation of the trading position of these countries.

II. MANDATE OF THE GROUP

5. It was against this background that the Committee on Trade and Development at a meeting of its Seventeenth Session held on 25 January 1971 established the Group of Three, comprising the Chairman of the CONTRACTING PARTIES, the Chairman of the Council and the Chairman of the Committee on Trade and Development. It was agreed that the Group "should be requested to present for consideration by the Committee and the CONTRACTING PARTIES proposals in regard to the concrete action that might be taken to deal with the trade problems of developing countries having regard to the provisions of GATT and the relevant conclusions of the CONTRACTING PARTIES". For this purpose the Group, with the assistance of the Director-General and the secretariat, was authorized to "carry out such informal consultations with both developed and developing contracting parties as it may consider necessary, taking into account the examination of barriers affecting trade of developing countries that has taken place in various GATT committees and bodies and the views and suggestions put forward and the conclusions reached in the discussions of those bodies" (paragraph 9 L/3487).

6. The Group has reviewed barriers to trade which have been notified by developing countries and already reproduced in existing GATT documents. It has consulted most developed countries individually and maintained contact with developing countries through the informal group of developing countries. As a result of these consultations it has been possible to delete from the documentation a small number of items which had either been included by mistake or had already been settled in bilateral talks with the notifying country or through unilateral elimination of the restriction. The remaining restrictions are dealt with below.

7. As the mandate of the Group was to present proposals in regard to concrete action to be taken to deal with the trade problems of developing countries, the Group has concentrated its efforts in fields where the prospects for concrete results would a priori seem the brightest, in view inter alia of the preparatory work already done within GATT, UNCTAD, and other international bodies dealing with the trade problems of the developing countries.

8. The examination which the Group has carried out with the help of representatives of developed countries have concentrated on four types of problems:

- (i) The possibility of eliminating or reducing the number of remaining quantitative restrictions on products of interest to developing countries.
- (ii) The possibility of eliminating other non-tariff barriers of particular interest to developing countries.
- (iii) Further possible action to improve trade in tropical products.
- (iv) The problem of tariff escalation in particular as regards tropical products and vegetable oils.

Some of the problems have been dealt with more thoroughly than others, but generally speaking it has not been possible for the Group in the time available to go as much in depth as it would have liked to.

9. After consulting with each individual developed country the Group in April 1971 drew up a report (document W(71)2) setting out its preliminary findings and recommendations along with summary papers containing preliminary conclusions for each developed country.

10. The preliminary report and the summary country papers have served as basis for a second round of consultations with industrialized countries with a view to ascertaining to what extent these countries were prepared to respond positively to the recommendations addressed to them individually and collectively. The consultations also made possible some correction of factual information in the preliminary report.

11. In the light of these consultations the Group has drawn up the present final report containing its findings and recommendations. Some information is also given on the preliminary reactions of countries to the various recommendations. These reactions are normally given in the form of "Remarks" under individual recommendations.

III. FINDINGS AND RECOMMENDATIONS

A. TARIFFS

12. In its preliminary report the Group stated as follows concerning the tariff problem of developing countries:

"In leaving aside to a large extent the tariff problem the Group has based itself on the assumption that all developed countries will during 1971 put into effect their proposals under the Generalized System of Preferences in favour of developing countries. The implementation of the Generalized System of Preferences will mean that with few exceptions, industrial products and a certain number of agricultural and primary products instead of meeting obstacles in the tariff field will receive preferential treatment as compared to similar products coming from developed countries. It will also mean that the major problem of tariff escalation will have been solved for most industrial and some agricultural and primary products".

Developments since April 1971 have shown that this evaluation was much too optimistic. It is true that certain important countries have already put into effect their preference schemes in favour of developing countries: European Economic Community (1 July), Japan (1 August), Norway (1 October). It also seems certain that practically all industrialized countries will have implemented their preference schemes before or on 1 January 1972.

13. However, there is one major exception to this favourable development. The United States has not only taken no steps towards the implementation of their preference scheme in favour of developing countries but has, as part of a general economic programme to safeguard the United States balance-of-payments situation, taken a major retrograde step by the imposition of a temporary 10 per cent import surcharge on a wide field of products.

14. While a certain number of primary products - many not produced in the United States - have been exempted from the surcharge thereby limiting to a certain extent the damaging impact on the economies of the developing countries, the imposition of the surcharge and the failure of the United States Government to exempt imports from developing countries constitutes a major backward step - hopefully of a very short duration - in the long and slow progress towards improvement in the trade conditions of developing countries.

15. The effects of the surcharge are manifold. Mention might be made of what appears to be some of the more important of these effects as far as developing countries are concerned. First of all there is the direct effect on the exports of developing countries of products covered by the surcharge, in particular on products on which the developing countries are concentrating their efforts of diversification. If the surcharge is maintained for more than a very short period of time on these products the diversification process in the developing countries could be seriously endangered. Furthermore, the fact that the United States has increased charges on imports at a time when most other countries are abolishing or reducing import duties in favour of developing countries may have the effect of braking these liberalization efforts. If the surcharge is maintained for more than a few months, the whole System of Generalized Preferences could be adversely affected because of the imbalance created in the "burden sharing" both of developed and of developing countries.

16. In the GATT Council, in the Working Party set up to study the United States economic measures and in the Group of Three, efforts have been made without much success to establish the United States rationale for not exempting imports from developing countries from the surcharge. In this connexion the Group of Three formally requested a calculation of the effects on the United States balance of payments of exempting imports from developing countries. Such a calculation has not been forthcoming, neither has convincing proof been received as to the legal or practical impossibility of such an exemption.

17. The United States surcharge is only one aspect of a monetary and commercial crisis, which if allowed to develop may have the most serious consequences for world trade in general and more particularly for the trade position of developing countries, considering their generally weak position of departure. "When whales fight, the small fish die." It is of the utmost importance therefore that countries in reacting to the crisis avoid any step which will further deteriorate the trade position of developing countries. In the light of these considerations the Group of Three recommends that:

- (i) In view of the very real danger that a major world recession might be triggered off if the United States surcharge is maintained for more than a few months, the surcharge shall be removed erga omnes within

a short time, the only really effective solution from the point of view of the developing countries.

- (ii) If - despite the strong arguments against such a policy - it should be the intention of the United States Government to maintain the surcharge beyond 1 January 1972, the United States Government should take steps to exempt imports from developing countries from the charge.
- (iii) The Group further recommends that all countries engaging in the adjustment process to solve the international monetary and commercial crisis, make it their policy to choose measures which will not damage the export interests of developing countries.
- (iv) All industrialized countries should carry out their commitments to developing countries and implement their Preference Schemes at the latest by the end of the year. Any delay by a donor country in implementing its preference scheme should not affect implementation by other donor countries.

18. Just before completing the final draft of this report the Group was informed of another retrograde step in the tariff field. On 21 October 1971 the Government of Denmark, as part of a general economic programme to safeguard the Danish balance-of-payments position, imposed a temporary 10 per cent surcharge on imports on a wide range of products. While, as in the case of the United States, most foodstuffs and raw materials - many not produced in Denmark - have been exempted from the surcharge, thereby limiting to a certain extent the damaging impact on the economies of the developing countries, Denmark like the United States has failed to exempt imports from developing countries. One of the reasons given for not exempting these imports is that it would not be possible to grant such treatment in the absence of an effective system of rules of origin.

19. The Group has, however, been informed that it is the intention of the Danish Government that the temporary import surcharge shall not interfere with or postpone the implementation by Denmark of the preference scheme in favour of developing countries. The intention remains to implement this scheme as planned on 1 January 1972. This will mean that with few exceptions imports into Denmark from developing countries will enter free of import duties. Furthermore, the law on the temporary import surcharge authorizes the Minister of Finance to exempt products covered by the Danish preference scheme from the surcharge.

20. While welcoming the assurances of the Danish Government that the import surcharge will not interfere with the implementation of the preference scheme, the Group considers that it would be highly regrettable if Denmark at the time of putting into effect its preference system would, to a large extent, nullify the effect of this action by maintaining the surcharge on products covered by the preference scheme. It would be of little comfort to a developing country

if, as part of the preference scheme, a duty was reduced from say 8 per cent to zero if at the same time the product in question was subject to a surcharge of 10 per cent.

The Group therefore urges the Danish Government to use the authority given it under the law on the temporary import surcharge to exempt from the surcharge imports from developing countries of all products covered by the Danish preference scheme in favour of these countries.

Furthermore, the Danish Government should consider the recommendations to the United States in paragraph 17 above as also addressed to Denmark to the extent they are relevant in the Danish case.

B. QUANTITATIVE RESTRICTIONS

21. A relatively thorough examination of quantitative restrictions still maintained by developed countries on products of interest to developing countries has left the following general impressions:

1. Industrial products

22. If the quantitative restrictions notified by developing countries to the GATT secretariat give a true picture of the situation, it can be stated that outside the textile sector the problem of quantitative restrictions has been reduced to a residual one. Most developed countries maintain no quantitative restrictions on industrial products of interest to developing countries outside the field of textiles, and consultations with those countries which still maintain certain restrictions seem to indicate that the real obstacles to trade are of somewhat smaller importance.

23. The fact that a number of developed countries and not necessarily the economically strongest have found it possible to do away with all industrial restrictions (except in most cases restrictions on certain textiles) would a priori seem to indicate that it should be possible for the remaining developed countries to do the same. Where particular problems exist or arise the provisions of the General Agreement - including Article XIX and the Anti-Dumping Code - would normally seem to be sufficient to protect all legitimate interests at the same time ensuring that protective measures do not go beyond what is absolutely necessary.

24. The Group recommends that those developed countries still maintaining quantitative restrictions on imports of industrial products (other than textile products) of interest to developing countries establish a programme for the elimination of remaining restrictions at least for all products covered by the Generalized System of Preferences, thereby creating a situation where - when the Generalized System of Preferences is put into effect - exports of industrial products from developing countries will normally meet no barriers in the form of tariffs or quantitative restrictions when imported by developed countries. Any discriminatory element still maintained to the disadvantage of developing countries should be eliminated without undue delay.

Remarks: To the best knowledge of the Group no progress has taken place in this field since the distribution of the preliminary report except for the liberalizations announced by Japan prior to the preparation of that report.

2. Agricultural products

25. Most of the quantitative restrictions still maintained by developed countries on products of interest to developing countries fall within Chapters 1-24 of the Brussels Nomenclature. Furthermore, a number of these measures are very restrictive, in particular as regards temperate zone products. It seems necessary to deal separately with certain groups of agricultural products:

(a) Temperate zone products

26. Over the years innumerable efforts have been made to improve trading conditions for temperate zone products. The obstacles are formidable. Although little progress has been made and retrogression has been seen in some fields, at least a somewhat better understanding of the problems has evolved from the discussions in GATT. It is now generally accepted that for these products quantitative restrictions are only one means of protection and therefore cannot be considered in isolation. Other restrictions such as variable levies may be just as or more restrictive, and government agricultural policies in general may, without interfering directly with imports, have similar effects.

27. The Group has taken as a basis for its consideration and consultations the strong desire of developing countries to see some progress in this field. However, in view of the position taken by developed countries it has come to the conclusion that major progress only seems realistic in the context of general multilateral negotiations comprising the agricultural policies of contracting parties. As long as this whole problem is not tackled in a general way in the context of major multilateral negotiations the countries depending on exports of temperate zone products - including a number of developing countries - will continue to suffer.

While awaiting multilateral negotiations attempts should be made to explore possibilities for limited action in this field in favour of developing countries. Such action could inter alia take the form of bilateral agreements along the lines of the arrangements on meat worked out between the EEC and certain countries.

Remarks: To the best knowledge of the Group no action has so far been taken in response to this recommendation in the preliminary report.

(b) Non-tropical fruits and vegetables, flowers etc.

28. Most developed countries still maintain restrictions often of a seasonal nature on some of these products with a view to protecting their own producers. The consultations carried out seem to indicate that the restrictions have mostly been introduced as a protection against the products of other developed countries.

By the same token an elimination of these restrictions is likely to benefit developed countries more than developing countries. At the same time the picture of the remaining restrictions in this field is a somewhat mixed one, some countries maintaining restrictions to a much larger extent than neighbouring countries with similar climatic conditions. It is not clear, for example, why Denmark and Norway find it necessary to maintain quantitative restrictions on a relatively large number of fruits and vegetables when Sweden finds it possible to do with only a few. In the same way it is not apparent why it is necessary for France to control imports on a relatively large number of these products when e.g. the Benelux countries can do without such restrictions.

29. The Group recommends that those countries which maintain an exceptionally large number of restrictions on fruit and vegetables of particular interest to developing countries, explore the possibilities of eliminating these restrictions or of progressively liberalizing trade in these products.

Remarks: Since this recommendation was made in the preliminary report of the Group, a few products of minor importance have been liberalized in a few countries, but no effective response has been given to the recommendation.

3. Discriminatory country classification

30. A special problem which the Group has dealt with in consultations with France and Germany is the maintenance by these two countries of discriminatory country classifications. Both countries administer their import régimes on the basis inter alia of two lists of countries: one containing practically all developed market economy countries and a certain number of developing countries, the other containing some developed and a large number of developing countries. The countries on this second list receive formally and to a certain extent also in practice less favourable treatment than the countries on the first list.

31. The representatives of France and Germany have explained that the systems are the result of historic developments, and that the discrimination against developing countries in practice is more limited than it looks on paper.

32. The Group of Three has not been able to accept the arguments put forward in defence of these systems. The Group finds it rather inconceivable that in the year 1971 - the year when the Generalized System of Preferences is put into effect - two highly developed countries treat some imports from practically all developed countries more favourably - as far as import restrictions are concerned - than imports from a large number of developing countries. This policy is contrary to the whole philosophy of GATT vis-à-vis developing countries, and it is contrary to the policy of the two countries in the tariff field. The fact that actual discrimination may be limited cannot be accepted as an argument for maintaining it.

The Group urges that any discriminatory country classification still maintained to the disadvantage of developing countries be eliminated forthwith.

Remarks: No action has so far been taken in response to a similar recommendation in the preliminary report of the Group.

4. Administration of quantitative restrictions

33. The Group has come to the conclusion following its discussions with developed countries that in certain of these countries a number of possibilities exist for improving the administration of quantitative restrictions in ways which would facilitate better access of products from developing countries to their markets.

The Group supports the suggestions made in this regard by the Group on Residual Restrictions in its report to the Committee on Trade and Development (COM.TD/79, paragraph 10).

The Group also suggests that developing countries make greater efforts to better acquaint themselves with the import regulations and practices of developed countries applying quantitative restrictions to products of interest to them.

C. OTHER NON-TARIFF BARRIERS

34. The Group has discussed with developed countries certain specific notifications on non-tariff barriers to which attention has been drawn by developing countries but it was not possible in the time available to deal with this sector in depth and in a comprehensive manner. The field of restrictions is much too varied, and special technical competence is needed to attack most of them. Some brief comments have been exchanged during the consultations with developed countries and a few facts or considerations have emerged.

35. State monopolies for wine and alcoholic products have been discussed, and it has been argued on the part of most of the countries maintaining such monopolies that they follow purely commercial considerations in their purchasing policies. This may, however, mean that the monopolies show a certain hesitancy in carrying stocks of more unknown brands, often coming from developing countries.

The Group recommends that wine monopolies of developed countries make an effort to include to the largest extent possible wines and other alcoholic products from developing countries in their purchases, thereby creating the opportunity of establishing a market for these products.

Remarks: During the second round of consultations some developed countries explained that their wine monopolies were already doing everything possible in this field. The recommendation is however maintained to the extent that such efforts are not being made.

36. Apart from specific cases it would seem that progress in the field of non-tariff barriers can normally best be achieved through concerted multilateral action. In attacking the problems of non-tariff barriers, GATT can try to select for priority treatment - on a multilateral basis - these restrictions where the interest of developing countries is relatively speaking the largest. This procedure was followed when it was decided in the Committee on Industrial Products to commence with the problems of licensing and customs evaluation. The same considerations should be kept in mind in connexion with future work on non-tariff barriers.

D. TROPICAL PRODUCTS

37. While quantitative restrictions on tropical products have normally been abolished and import duties on these products have been reduced considerably in the context of the Kennedy Round, most developed countries still maintain import duties and internal charges on some or all tropical products. Without being able to go deeply into the matter the Group has concentrated its attention on the following problems with regard to tropical products:

(a) Whether import duties and internal charges on these products are at a level likely to restrict demand significantly.

(b) The extent to which tariff escalation - higher tariffs for the more processed products - exists and protects the processing industries of the developed countries.

The second of these problems will be dealt with in a somewhat larger context in Section E below.

The total incidence of import duties and internal charges, although lower than earlier, is in most developed countries quite considerable. The question which is arguable is, to what extent these relatively high charges restrict consumption. Over the years many studies have been made in this field, and although a meeting of minds among exporting and importing countries is not likely in view of the different interests involved, it seems generally accepted that, ceteris paribus, the charges are likely to affect consumption of at least cocoa products and bananas.

However, with regard to coffee and tea it appears that developing countries consider that any action to reduce the total incidence of import duties and internal charges on these products which could have the effect of reducing prices at the retail level, could also stimulate demand and thus be of benefit to the developing country exporters of these items.

The Group recommends that developed countries which maintain import duties and/or internal charges on tropical products consider the possibility at the first opportune moment of eliminating or reducing these duties and charges.

Remarks: To the best knowledge of the Group the response to this recommendation has so far been minimal.

38. The Group believes that a solution to the problem of cocoa in general should be sought in the framework of international agreement.

Remarks: Consultations with a view to examining the possibilities of drawing up a cocoa agreement have recommenced in the autumn 1971 under the auspices of UNCTAD.

E. THE PROBLEM OF TARIFF ESCALATION

39. In the long and difficult process to move from an economy based mainly on primary products to a diversified developed economy certain paths are easier and more natural to follow than others. Thus for countries producing primary products like oilseeds, coffee beans, cocoa beans, and tea, it is easier to take up processing of these primary products in the country of origin than to venture into fields where no natural raw material base exists. Processing the raw material and exporting the manufactured product will broaden the economic base of the country and increase its foreign exchange earnings.

40. This development process has been and is still today being hampered by the tariff structure of developed countries where low or zero tariffs on raw materials and relatively high tariffs on manufactures and semi-manufactures ensure a protection of the manufacturing process equivalent sometimes to 50 per cent to 100 per cent. The tariff study now underway in the GATT will undoubtedly throw more light on this problem, but even the less sophisticated documentation which has served as a basis for the Group's work gives a clear picture of the situation.

(a) Vegetable oils

41. Here the pattern is very distinct: oilseeds are in practically all developed countries subject to zero (or very low) duties, while these countries at the same time maintain quite substantial duties on vegetable oils thereby ensuring that processing takes place in the developed country instead of in the developing one producing the oilseed, although the latter from an economic point of view may be better suited for this task than the developed country, the tariff escalation distorting what under liberal circumstances would be the natural structure.

42. The Group is well aware that the problem of tariff escalation on vegetable oils in relation to vegetable oilseeds is a complicated one, which has given rise to comprehensive discussion and studies in GATT, FAO, UNCTAD and elsewhere. Efforts to eliminate and reduce the existing high tariffs on vegetable oils have been hampered by the fact that oils and oilseeds produced in tropical countries cannot be treated in isolation from oils and oilseeds produced in the temperate zone.

43. Without underestimating the difficulties involved the Group is of the opinion that this is an area where a major effort should be made. It is a field where natural advantages of developing countries exist, and where progress would be beneficial to quite a substantial number of countries. Furthermore a potentially very large amount of trade and foreign currency earnings would be involved, while many of the other recommendations in this report addressed to individual developed countries of necessity are of relatively minor economic importance from an overall point of view.

44. The time to tackle the problem seems well chosen, inasmuch as today, within the framework of the Generalized System of Preferences, it may be possible to overcome some of the difficulties, which in the past hampered progress in this field. A modest beginning has been made, some vegetable oils have been included in the various preference lists, but not the items of major importance to developing countries.

45. The Group recommends that developed countries consider the possibility as part of a concerted action of eliminating (or reducing) the import duties on vegetable oils either within the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

Remarks: During the second round of consultations a certain number of developed countries have expressed their willingness to consider the possibility of taking part in concerted action in this field. They have, however, all made it a pre-condition that all or practically all developed countries participate. In view of this relatively positive response the Group feels that the matter should now be examined preferably on the basis of a secretariat paper giving a brief analysis of the problem and describing the work already going on in other international bodies.

While awaiting the outcome of possible multilateral talks on this subject, the developed countries should accept a standstill by agreeing not to increase the margin of effective protection on vegetable oils in relation to oilseeds.

(b) Coffee, cocoa and tea

46. A problem of tariff escalation also exists for such tropical products as coffee extracts in relation to coffee beans; tea extracts in relation to bulk tea; cocoa paste, cocoa butter, cocoa powder, chocolate in relation to cocoa beans, resulting in many cases in high protection of the manufacturing process. If this protection is maintained principally in order to shield local industries from the competition of other developed countries, it should be possible to exempt the developing countries from the protection by including the processed products in the Generalized System of Preferences. If on the other hand the tariff structure is mainly designed to protect local industries against competition from developing countries, this would seem to be an indication that these countries have a natural advantage in processing the raw materials they grow, and the question again arises, whether the developed countries should in the long run distort what would under liberal trade conditions be the natural structure.

47. The Group recommends that developed countries consider the possibility as part of a concerted action of eliminating (or reducing), the import duties on coffee and coffee products, cocoa and cocoa products, tea and tea products either within the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

Remarks: Very little, if any, action has so far been taken in response to this recommendation.

48. Solutions reached with regard to vegetable oils and tropical commodities would be of particular help to the least developed among the developing countries.

F. OTHER RECOMMENDATIONS OF A GENERAL NATURE

(i) Textiles

49. About one third of manufactured exports from developing countries (excluding non-ferrous metals) consists of textiles and clothing. The very great importance to these countries of favourable trade conditions for textiles is thus apparent.

50. In developed countries textile industries at present find themselves in the readaption process which has been necessary in view of increased competition from foreign countries including developing countries. The question is: How much time is needed for this readaption process? If the process is too slow, economic resources which could be used to better advantage elsewhere is tied up in the protected industries. Generally speaking, those developed countries which have taken a liberal approach to the problems in the textile sector today have a perhaps - smaller but better textile industry than those which have followed a more restrictive policy.

51. Considering the heavy brake on the growth rates in exports from developing countries due to restrictions enforced by developed countries in the textile field - directly or through "voluntary" restraints on exports - it is to be feared that the readaptation process in the developed countries will be much too long and slow and thus will hamper the development process of developing countries.

52. In connexion with its decision to seek a prolongation of the Cotton Textiles Arrangement the Cotton Textiles Committee in May 1970 adopted certain conclusions. In these conclusions the Committee inter alia reaffirmed that the Long-Term Arrangement was to be regarded as an exceptional and transitional measure and agreed to undertake discussion on the state of international trade in cotton textiles and the longer-term development of such trade beyond the period of extension of the Long-Term Arrangement. The textile problem in a more general context was discussed at an informal meeting in Geneva 31 July - 1 August 1970 between the US, EEC, United Kingdom, and Japan, although presumably from a somewhat different angle, and a proposal was made that a working party should be set up to study the situation in the textile sector as such, including wool and man-made fibres. The textile problem also was a major issue during the negotiations leading to the Generalized System of Preferences. The recent agreements concluded by the United States with Japan, Korea, Hong Kong, and Taiwan limiting textile exports of wool and man-made fibres from these countries to the United States has further emphasized the need for coming to grips with the whole problem of textiles in international trade.

53. The Group is of the opinion that from the point of view of the developing countries a good case can be made in favour of undertaking an examination of the textile problem provided the objective clearly is to find liberal solutions and increasing opportunities for developing countries for expanding their sales of textiles in world markets.

54. One of the main objectives concerning textiles should be to find means of accelerating the pace of the readaptation process in developed countries, thereby making room for a more rapid expansion of competitive exports from developing countries.

The Group recommends that a study be undertaken of the trade problems in textiles and that one of the purposes shall be to create conditions for a more rapid expansion of those textile exports from developing countries which are competitive.

(ii) Studies on the trade problems of individual developing countries

55. The examination carried out by the Group has taken as its starting point a catalogue of restrictions maintained by developed countries on products of interest to developing countries. Thus it has focused on individual developed countries and tried to establish the possibility of each such country to facilitate the trade of developing countries in general. While this approach has brought to light certain problems and possibilities the Group feels that further progress might be possible if some focus was also placed on the trade problems of individual developing countries.

56. Against this background the Group recommended in its preliminary report that the GATT secretariat be asked to carry out studies on the trade problems of individual developing GATT countries. Although this recommendation was not opposed in principle, questions were raised as to how deeply such studies should be pursued. Fear has been expressed that if the studies were thoroughly carried out, they would be too time consuming and costly.

57. The Group had had in mind a very modest and simple exercise which could be done in Geneva on the basis of information already available to the secretariat. A brief outline of such a possible simple statistical exercise is given in Annex II to the present report. This could be done without any prejudice as to the question of whether a more penetrating analysis should be undertaken at a later stage.

The Group recommends that the GATT secretariat be asked on the basis of available information to carry out a simple statistical study of the trade problems of developing countries vis-à-vis the developed countries along the lines set out in Annex II to this report.

IV. FINAL REMARKS

58. In April 1971 the Group of Three on the basis of a first series of consultations submitted a preliminary report containing a certain number of general and specific recommendations at the same time expressing the hope that some of these recommendations would be implemented or at least the process for their implementation set into motion before the second series of consultations in the autumn. It is with a sense of disappointment that now six months later after a second series of consultations, the Group takes stock of the situation. The response to the Group's generally very modest recommendations has been extremely meagre, and of the sixteen developed countries to whom recommendations were directed, two, including the most important trading nation in the world, have taken backward steps.

59. The Group wishes this disappointment to be seen in its proper perspective. It is true that the international community has come a long way in the direction of eliminating or reducing trade barriers, and it is true that most developed countries can point to a fairly good record. With very few exceptions quantitative restrictions have been eliminated on all industrial products outside the textile sector. Tariffs have been reduced in various trade negotiations, and a system of preferences in favour of developing countries has been initiated and will be operative in practically all developed countries from 1 January 1972. It is also true that those quantitative restrictions still maintained on agricultural goods outside the field of temperate zone products, although considerably greater in number than in the industrial field, are normally not of very great importance to developing countries.

60. This being said, there still remains a number of negative facts:

- (i) Restrictions in the textile sector are maintained and have a tendency to spread. There is no hope of progress unless a very determined multilateral effort is made.
- (ii) Restrictions and agricultural policies hampering access to developed countries of temperate zone products are maintained and there is no prospect of progress unless a very determined multilateral effort is made.
- (iii) The problem of stabilizing raw material prices has not been solved, and the terms of trade of developing countries are deteriorating.
- (iv) The failure of the most important trading nation to take steps to implement the Generalized System of Preferences in favour of developing countries may endanger the whole system.
- (v) The most important trading nation and another developed country have imposed import surcharges without exempting imports from developing countries.
- (vi) Two of the economically strongest developed countries in 1971 still maintain restrictions entailing less favourable treatment of a large number of developing countries than that given to highly developed countries.
- (vii) The general disarray in international monetary matters combined with the current surcharges create a very real risk of setting into motion a general recession with the serious consequences this will have inter alia for the development efforts of developing countries.

61. Compared to this formidable negative list many of the modest recommendations made by the Group in April, in an effort to achieve some concrete results while waiting for solutions to the larger problems, may appear somewhat unreal or even pathetic. However, considering the seriousness of the general economic situation, it seems even less real that countries unable or unwilling to move on the greater issues have not found it possible to make positive efforts on these generally modest proposals. Over and over again one is struck by the fact that individual developed countries, despite a generally good record, find it necessary to cling to residual restrictions on products which other developed countries have found it possible to abolish many years ago without apparently seriously endangering their economies. The Group had hoped that one of the less spectacular results of its efforts would have been the disappearance of all these "residuals". It has not yet given up all hope in this direction.

62. It is obvious that the present trend in world economic affairs cannot continue without very serious risks to all concerned, not least to the developing countries whose ability to sustain new burdens are so much smaller than that of more developed countries.

63. Serious discussions cannot begin unless some initiative is taken by the most important of developed countries, in particular the United States, the (enlarged) European Economic Community and Japan. If these countries recognize their responsibilities not only towards their own citizens but also towards the rest of the world not least the developing countries, there is hope that the dangerous trend can be stopped and reversed, and that GATT after a rather long pause may continue in an effective way its efforts of liberalizing world trade.

64. The process of enlarging the European Economic Community will soon be concluded and the time is drawing near when far reaching multilateral negotiations will have to be initiated if the major outstanding problems: agricultural policies, industrial tariffs, commodity problems, textiles, non-tariff barriers etc., will if not be completely solved, at least brought closer to a solution.

ANNEX I

The attached pages set out for each individual developed country in rather schematic form information contained in available GATT documentation or brought out during the Group's consultations with developed countries.

In a number of instances the explanations and justifications given by the countries consulted have been set out without any comments. In a certain number of other cases the Group has addressed to individual countries specific recommendations.

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AUSTRALIA

I. QUANTITATIVE RESTRICTIONS

It appears that in cases where Australia considers it necessary to provide protection reliance is placed mainly on tariffs. The only quantitative restrictions which are maintained are applied on the following:

1. ex 60.04 Certain knitted shirts
ex 60.05 Coats, jumpers, cardigans and similar articles not of cotton

The restrictions have been imposed following formal Article XIX action; according to the Australian authorities they are intended to contain trade at existing levels and not to reduce it (but apparently not to increase it, not even in step with increases in consumption).

2. Aluminium ingots
3. Second-hand motor vehicles and certain second-hand earth-moving and construction machinery

According to the Australian representatives experience has shown that the tariff is ineffective to deal with this item. The aim of the restrictions is to keep a check on developments and where necessary to prevent the sale of equipment by foreign firms at "write off" prices. Developing countries do not seem to be interested in this item.

Remarks:

The Australian representatives have informed the Group that aluminium ingots will be liberalized on 31 December 1971.

II. OTHER NON-TARIFF BARRIERS

Those notified have related to certain provisional anti-dumping measures taken by Australia through the use of cash securities; certain valuation practices; certain health and sanitary regulations relating to oilcake; and mixing regulations on unmanufactured tobacco.

With regard to the first three, it is Australia's view that problems which arose could be the result of incomplete understanding of the Australian system. In such circumstances, and if a country had a specific problem, the Australian authorities would be happy to discuss the matter bilaterally. In the case of

unmanufactured tobacco, Australia states that no mixing regulations are applied. Australian firms can import as much foreign tobacco as they wish. Imports can be obtained at a lower rate of duty if importers agree to use imported tobacco in conjunction with Australian grown tobacco.

III. TROPICAL PRODUCTS

There are import duties on coffee and coffee products, cocoa and cocoa products, certain tea products, bananas and pepper. There are no selective taxes on these products and the duties are in many cases low.

Remarks:

As a result of a tariff simplification exercise duties on roasted cocoa; cocoa shells and waste other than raw shells have been removed on 1 July 1971; the substantive duty on cocoa butter was reduced by more than one third on the same date.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKES

The pattern is the same as in most other countries; low and zero duties on certain oilseeds and oilcake, rather high duties (15 per cent to 50 per cent) on the oils.

The Group recommends that Australia considers the possibility - as part of a concerted action by developed countries - of eliminating the import duty on at least some vegetable oils either in the context of their preferential system in favour of developing countries or in some other form of concerted action.

Remarks:

No positive action taken. The Group has noted that whereas previously, end-users in Australia could import 2 gallons of groundnut oil free of duty for every gallon of locally-produced oil purchased, the facility was reduced to 1 gallon of imported oil for 1 gallon of locally-produced as from 1 July 1971. Further, that no groundnut oil will be permitted duty-free entry after 1 July 1972.

The Australian representatives have pointed out that it is not possible to say a priori that the by-law instituting these measures would result in an increase of the effective rate of the duty as the real effects of the measures could only be ascertained if the prices prevailing in the market at any given moment were taken into account.

GENERAL

The Group recommends that Australia take further steps to expand their preferential system to make it more comparable to those of the donor countries participating in the GSP. In carrying out this suggestion the Australian authorities should take into account suggestions from developing countries on products they would wish to see included in the Australian scheme.

AUSTRIA

I. QUANTITATIVE RESTRICTIONS

The remaining quantitative restrictions comprise the following groups of products:

1. Certain temperate zone foodstuffs (meat, meat products, butter, grains, wine)

Austria considers that the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural trade in general.

2. Certain fruits and vegetables (tomatoes, onions, strawberries and currants)

Seasonal restrictions comprising a period with licensing and a period with free imports.

3. Tobacco, manufactured and unmanufactured

State trading based upon commercial considerations (competitive bidding).

4. Two industrial products

ex 29.44 Penicillin tyrothricin
30.03 Medicaments

Austria explains that the maintenance of restrictions for penicillin etc. is necessary for defence reasons. However, other countries find it possible to do without restrictions, it should in the opinion of the Group be possible for Austria to do the same.

The Group therefore recommends that Austria considers the elimination of the quantitative restrictions on ex 29.44 and 30.03 at an early date.

Remarks:

No action taken or envisaged.

II. OTHER NON-TARIFF BARRIERS

- (a) Anti-dumping legislation

Austria is in the process of enacting legislation which will ensure that Austrian practices will be in conformity with GATT.

(b) Tax for foreign trade promotion

The tax 0.3 per cent is levied on exports as well as on imports.

III. IMPORT DUTIES AND INTERNAL CHARGES ON TROPICAL PRODUCTS

No selective taxes.

The import duties seem rather high, particularly on cocoa and cocoa products where a reduction is likely to lead to increased consumption.

There is tariff escalation for coffee extracts in relation to coffee beans; cocoa paste, cocoa powder and chocolate in relation to cocoa beans; tea extracts in relation to bulk tea.

The Group recommends that Austria considers the possibility of including more of these products in the Generalized System of Preferences.

Remarks:

The Austrian representatives have explained that in addition to the products already in the preference scheme consideration is being given to the inclusion of tea in small packets up to 3 kgs. They have also stated that the equalization tax of 6.5 per cent which was applied to raw coffee has been eliminated since 1 January 1971.

The import duty on bananas has been provisionally suspended since 1 September 1958.

The Group recommends that this provisional suspension of the import duty on bananas be made permanent and de jure.

Remarks:

No action taken.

IV. TARIFF ESCALATION FOR VEGETABLES OILSEEDS: OILS AND CAKE

The pattern is the same as in most other developed countries. Oilseeds, oils unfit for human consumption, and oilcake are free of duty, while oils fit for human consumption are subject to import duties of 12 per cent or 15 per cent ad valorem.

The Group recommends that Austria considers the possibility - as part of a concerted action by developed countries - of eliminating the import duty on oils for human consumption either in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

BENELUX

I. QUANTITATIVE RESTRICTIONS

The Netherlands maintain no quantitative restrictions on products of interest to developing countries.

In the first series of consultations the Group noted that the few quantitative restrictions still maintained by Belgium/Luxembourg on products of interest to developing countries fell in the following categories:

1. A small number of restrictions of certain fruits and vegetables, cut flowers, hop cones and lupulin
2. Ex 28.42 Neutral anhydrous sodium carbonate
3. Ex 79.03 Wrought plates, sheets and strips of zinc

Remarks:

In its preliminary report the Group recommended that Belgium/Luxembourg liberalize imports of cut flowers, hop cones and lupulin.

During the second series of consultations the representatives of the Benelux informed the Group that imports of fresh lilac, narcissi, chrysanthemums and tulips were liberalized on 1 April 1971 and that seasonal restrictions would apply only to roses and carnations during the period 1 April-30 September.

They also stated that hop cones and lupulin and ex 28.42 Neutral anhydrous sodium carbonate were liberalized on 26 July 1971 and 1 July 1971 respectively.

Restrictions on wrought plates, sheets and strips of zinc are applied only to imports from one country and bilateral talks are expected to lead to complete liberalization.

II. TROPICAL PRODUCTS

The Benelux countries maintain no selective taxes on tropical products.

As to the remaining import duties see remarks concerning EEC.

III. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

See remarks concerning EEC.

CANADA

I. QUANTITATIVE RESTRICTIONS

The only quantitative restrictions notified by developing countries are certain dairy products (butter, milk and cream), and ethyl alcohol for industrial purposes.

Canada considers that the problems in the dairy sector will have to be dealt with as part of a comprehensive negotiation comprising agricultural trade in general.

Imports of wheat, wheat flour and barley are under restrictions to ensure an orderly flow of Canadian grains through the Canadian transport system and terminals.

II. OTHER NON-TARIFF BARRIERS

(a) The monopolies operated by Canadian provincial liquor boards on commercial lines have the effect of excluding, in some instances, wines and liquors from developing countries. The provincial boards also exercise control of the importation and use of undenatured ethyl alcohol.

The Group recommends that the Canadian Federal Government make every effort to persuade the Provincial Liquor Boards to facilitate the acceptance of listings of alcoholic products from developing countries on a priority basis.

Remarks:

During the second series of consultations the Canadian representatives stated that the Canadian Government would consider this recommendation sympathetically.

(b) Fair market value

The Group recommends that Canada should pending a possible change in its valuation system try to administer the system in such a way as not to discriminate against developing countries.

Remarks:

The Canadian representative has pointed out that the Canadian valuation provisions are applied in a non-discriminatory manner even when resorting to clauses covering residual cases. Further that the scope of such problems was limited by the fact that over 75 per cent of Canadian imports from developing

countries enter duty free. The Canadian representatives have also informed the Group that a review of the Canadian valuation system is under way as a result, inter alia, of the introduction in 1969 of separate anti-dumping legislation.

(c) Refunded customs and the calculation of dutiable value

In its valuation practices Canada does not generally allow duty drawbacks on components or raw materials. The Group feels that this may present difficulties to developing countries in some cases. It therefore suggests that Canada takes the necessary steps to avoid hardships to developing countries through these practices.

(d) Production or turnover tax

According to the Canadian representatives this is only a general sales tax with no discrimination against imported products.

(e) Countervailing duties

According to the Canadian representatives, although determination of injury is not specifically required under Canadian legislation authorising the use of countervailing duties (which have never been applied), Canada accepts that injury or threat thereof would have to be proved.

(f) Anti-dumping duties

Canada adheres to the anti-dumping code.

III. IMPORT DUTIES AND INTERNAL CHARGES ON TROPICAL PRODUCTS

No selective taxes.

The charges on tropical products are relatively modest for coffee, tea, bananas and pepper, but rather high (15 per cent import duty plus 12 per cent sales tax) on chocolate. At the same time there is tariff escalation for cocoa products.

Under the Generalized System of Preferences some reduction of import duties will take place.

The Group recommends that Canada considers the possibility of reducing further (or eliminating completely) import duties on cocoa products and chocolate in the context of the Generalized System of Preferences.

Remarks:

The Canadian representatives stated in the second series of consultations that their authorities would be prepared to consider the possibility of future tariff reductions in the context of the GSP in the light of experience.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

The pattern is the same as in most other developed countries. Oilseeds and oilcake are free, while oils carry a most-favoured-nation import duty of 10 per cent to 17.5 per cent. Certain vegetable oils will be reduced to the British Preferential rates of free or 12.5 per cent ad valorem as part of the Generalized System of Preferences.

The Group recommends that Canada consider the possibility - as part of a concerted action by developed countries - of eliminating the import duties on oils either in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

DENMARK

I. A temporary 10 per cent surcharge on imports into Denmark on a wide range of products from all sources -- including the developing countries -- was imposed by Denmark on 21 October 1971.

Most foodstuffs and raw materials -- many not produced in Denmark -- have been exempted from the surcharge thereby limiting to a certain extent the damaging impact on the economies of the developing countries, but imports in general from developing countries have not been exempted. One of the reasons given is that it would have been impossible to exempt such imports as long as no effective system of origin rules had been established.

Thus, the step taken by the Danish Government clearly constitutes a major backward step in relation inter alia to the developing countries. Their export possibilities with regard to Denmark have seriously deteriorated.

The fact that the surcharge clearly is temporary and a plan for its dismantling has been established is of little comfort inasmuch as the period envisaged is quite long (nearly eighteen months).

It is, however, the Group's understanding that the surcharge will not interfere with the Danish implementation -- on 1 January 1972 -- of the preference scheme in favour of developing countries which with few exceptions will mean duty-free entry. Furthermore, the law on the temporary import surcharge authorizes the Minister of Finance to exempt products covered by the Danish preference scheme from the surcharge.

The Group urges the Danish Government to use the authority thus given to exempt from the surcharge at least all products covered by the Danish preference scheme in favour of developing countries.

II. QUANTITATIVE RESTRICTIONS

No quantitative restrictions for industrial products notified.

The remaining quantitative restrictions comprise the following groups of products:

1. Certain temperate zone foodstuffs (meat, butter, grains, sugar)

Denmark considered that the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural trade in general.

2. Certain fruits and vegetables, bulbs and cut flowers, fruit juices other than citrus juices

According to the Danish representatives only few of the items are of interest to developing countries. Most imports under global quotas come from developed countries e.g. the Netherlands. Seasonal restrictions for vegetables; in the "open" period imports possible from all sources according to wish of importer.

3. Products covered by special legislation dating back to the time before GATT

11.08 Starches, and 22.08 Ethyl alcohol.

4. Certain other agricultural products

15.02 Edible tallow etc.

It is difficult for the Group to understand the need for restrictions when imports of margarine are free.

In its preliminary report the Group suggested that Denmark consider the possibility of liberalizing edible tallow etc.

Remarks:

No action has so far been taken. Denmark maintains that the restrictions do not affect imports from developing countries as supplies come from developed countries.

04.06 Natural honey

Only 60 per cent of the global quota is being utilized. Under these circumstances it is difficult to understand the need for restrictions.

In its preliminary report the Group recommended that Denmark consider liberalizing 04.06, natural honey.

Remarks:

No action has so far been taken. No convincing arguments given.

16.01 Sausages and the like

16.02 Other prepared or preserved meat

Less than half of the global quotas for these products are being utilized.

In its preliminary report the Group recommended that Denmark consider liberalizing 16.01, sausages and the like and 16.02, other prepared and preserved meat or meat offal.

Remarks:

No action taken. Denmark explains that a liberalization would benefit only developed countries.

General remarks on quantitative restrictions

Denmark has explained that it is now negotiating for entry into the EEC. If the negotiations succeed, as is expected, broad changes will have to be made. Under these circumstances Denmark finds it difficult to act on the Group's recommendations. These will be considered in connexion with the broad changes necessitated by Denmark's accession to the EEC.

The Group appreciates that Denmark hesitates to make adjustments which will have to be changed shortly, perhaps in a more restrictive direction, but feels that changes should be made now in those cases where the EEC system is more liberal than the Danish one.

III. OTHER NON-TARIFF BARRIERS

Standards; sanitary regulations etc. all appear to be problems of a general nature and should be dealt with in a general framework. (See main part of the report)

Notification concerning government procurement seems to be a mistake; no discriminatory regulations concerning government procurement in Denmark.

IV. TROPICAL PRODUCTS

The selective taxes on cocoa paste, cocoa butter, cocoa powder and chocolate seem high and likely to restrict consumption.

Tariff escalation for chocolate in relation to cocoa beans.

The Group recommends that Denmark considers the possibility of including chocolate and other preparations containing cocoa in the Generalized System of Preferences.

Remarks:

Denmark is prepared to consider this question provided other developed countries including the EEC countries, are prepared to do the same.

V. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

The pattern is the same as in most other developed countries: oilseeds and oilcakes are free of duty, while oils are subject to duties of 8 per cent and 12 per cent ad valorem.

The Group recommends that Denmark consider the possibility as part of a concerted action by developed countries of eliminating the import duties on vegetable oils either in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

Remarks:

Denmark is prepared to consider this question, provided other developed countries, including the EEC countries, are prepared to do the same.

EUROPEAN ECONOMIC COMMUNITY

I. QUANTITATIVE RESTRICTIONS

A certain number of products such as wine, fruits, vegetables, and non-manufactured tobacco which developing countries have notified as being under quantitative restrictions in one or more member countries are now covered by a common organizing of markets. The quantitative restrictions have been eliminated as a result of the introduction of these common policies with the exception of few seasonal restrictions on a very limited number of fruits and vegetables in certain member States (salad, beans, melons, tomatoes, artichokes, apricots). Apart from these cases the protection normally consists of ad valorem customs duties (in the case of wine: specific duties). Furthermore, for certain fruits a system of reference prices has been established. The purpose of this, according to Community representatives, is at the same time to avoid disruptions in Community markets and to protect producers in the Community against competing exporters quoting abnormally low prices.

In the view of the Group, whatever the merits of these systems may be to the Community, the total effect is to limit imports as compared to situations where no such "market organizations" exist. The system of reference prices may and undoubtedly also have the effect of preventing other countries -- including developing countries -- from enjoying any comparative advantages they may have over Community producers.

II. OTHER NON-TARIFF BARRIERS

The few non-tariff barriers notified against the Community appear to be problems of a general nature and should presumably be dealt with in a general framework. (See main part of report)

III. TROPICAL PRODUCTS

The common external tariff seems to result in a certain tariff escalation for cocoa paste, cocoa butter, cocoa powder and chocolate in relation to cocoa beans; and for packaged tea and tea extracts in relation to bulk tea.

The Group recommends that the EEC consider the possibility of including a larger number of tropical products in the Generalized System of Preferences and that particular attention in this connexion be given to the problem of tariff escalation.

Remarks:

No action has so far been taken in response to this recommendation.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

The pattern of the Common External Tariff is the same as for most other developed countries; low or zero duties on oilseeds and oilcakes, relatively high duties (5 per cent to 20 per cent) on vegetable oils.

The Group recommends that the Community consider the possibility - as part of a concerted action by developed countries - of eliminating the import duty on vegetable oils either in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

Remarks:

The EEC has expressed its readiness to take part in multilateral consultations on this problem.

FEDERAL REPUBLIC OF GERMANY

I. QUANTITATIVE RESTRICTIONS

Compared to most other developed countries the Federal Republic of Germany maintains a relatively large number of quantitative restrictions.

Furthermore, a certain number of products encounter discriminatory treatment inasmuch as imports from practically all developed and a certain number of developing countries enter freely, while imports from a few developed and a large number of developing countries are subject to restrictions.

The following products are subjected to such discriminatory treatment:

- ex 12.10 Lucerne, dried and ground
- ex 35.01 Casein, not hardened, for the production of human and animal food
- ex 51.04 Woven fabrics of synthetic or artificial textile filaments, except crêpe fabrics
- ex 53.07 Yarns of combed sheep wool, except hard yarns, not put up for retail sale
- ex 53.10 Wool yarns, put up for retail sale
- ex 53.11 Woven fabrics of wool or fine animal hair
- ex 55.09 Other woven fabrics of cotton
- ex 56.07 Fabrics of synthetic or artificial textile fibres, except fabrics for padding and felt cloth
- 57.10 Woven fabrics of jute
- ex 58.04 Velvet and plush of cotton, gauze from the loft
- ex 60.05 Knitted outer garments of wool or synthetic textile materials
- ex 61.01 Outer garments of cotton for men and boys
- ex 61.02 Other outer garments for women, girls and infants
- ex 61.03 Underwear of cotton for men and boys
- ex 61.04 Underwear of cotton for women, girls and infants
- ex 61.05 Handkerchiefs of cotton
- ex 62.02 Household linen of tulle, lace etc. and of cotton
- ex 69.11 Tableware and household articles of porcelain
- ex 69.12 Tableware and household articles of other ceramic materials
- ex 69.13 Statuettes, fancy articles etc. of porcelain and other ceramic materials
- ex 85.25 Insulators of ceramic materials

The GATT contracting parties subject to these restrictions are the following:

| | | | |
|--------------------------|--------------------|-----------|-------------|
| Finland | United States | Peru | Japan |
| Yugoslavia | Dominican Republic | Uruguay | Korea |
| United Arab Republic | Haiti | Burma | Kuwait |
| Ghana | Nicaragua | Ceylon | Malaysia |
| Malawi | Argentina | India | Pakistan |
| Republic of South Africa | Brazil | Indonesia | Australia |
| Canada | Chile | Israel | New Zealand |

According to the explanation given by German representatives, the actual discrimination against developing countries is minimal. Thus, out of twenty one tariff-positions subject to the discriminatory system fifteen positions are textiles, and seven and a half positions out of those fifteen are covered by the Cotton Textiles Arrangement. Of the remaining seven and a half positions, imports from all developing countries except six (Yugoslavia, Egypt, India, Pakistan, South Korea, and Taiwan) are subject to no restrictions. As regards the four ceramics positions, licences where required, are granted freely to developing countries.

Furthermore, imports of casein for industrial purposes are liberalized while imports of casein for the manufacture of human or animal foodstuffs which come mostly from developed countries are subject to quantitative restrictions (Australia and New Zealand).

Despite these assurances the Group, as stated in the general section of this report, finds the maintenance of such a discriminatory system, which is contrary to the whole philosophy of GATT vis-à-vis developing countries, inconceivable at a time when the principle of preferential treatment in favour of developing countries has been generally accepted also by the Federal Republic of Germany which was among the first countries to put into effect the Generalized System of Preferences.

The Group recommends that the Federal Republic of Germany take the necessary steps to eliminate forthwith any discriminatory element against developing countries in the Federal Republic's import régime.

Recent liberalization by the Federal Republic of Germany

During the second series of consultations the Group was informed by the representatives of the Federal Republic that effective from 1 October 1971 the following items would be liberalized:

- Other prepared or preserved meat or meat offal of sheep;
- Carp, fresh (live or dead), chilled;
- Fish, salted in brine dried or smoked;
- Dried shrimps;
- Candied tropical fruits under heading ex 20.01, 04, 05, 06;
- Jams, etc. of tropical fruits;
- Apricots;
- Peaches;
- Plants and parts thereof.

In the case of ex 02.01, Meat and edible offals of sheep, a common agricultural policy within the EEC was in preparation and it was expected that the quantitative restrictions would disappear when such a common agricultural policy was put into effect. As regards ex 06.03, Cut flowers and flower buds, it was confirmed that seasonal restrictions were applied from 1 April to 30 December. Seasonal restrictions are maintained on 07.01 B, Tomatoes, and 07.01 C, Other vegetables.

II. OTHER NON-TARIFF BARRIERS

The restrictions notified seem to be of a general nature and should be dealt with in a general framework. (See main part of the report)

III. TROPICAL PRODUCTS

Among developed countries the Federal Republic of Germany maintains some of the highest selective taxes on coffee and tea.

As to remaining revenue duties see remarks concerning EEC.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

See remarks concerning EEC.

FRANCE

I. QUANTITATIVE RESTRICTIONS

Compared to most other developed countries France maintains a relatively large number of quantitative restrictions.

Furthermore, a certain number of products encounter discriminatory treatment inasmuch as imports from practically all developed and a certain number of developing countries enter freely while imports from a few developed and a large number of developing countries are subject to restrictions.

Thus in addition to many other products of interest to developing countries on which restrictions are applied erga omnes, the following products are subjected to such discriminatory treatment:

- ex 02.01 Meat and edible offals, etc.
 - ex B. Edible offals:
 - ex II. Other:
 - ex d. Not specified:
 - Of sheep
- 04.06 Natural honey
- ex 06.01 Bulbs, tubers, etc.
 - B. In growth or in flower:
 - II. Other:
- 08.11 Fruit, provisionally preserved etc.
 - D. Other:
 - Cherries
- ex 08.12 Fruit, dried etc.
 - C. Prunes:
 - Put up otherwise
- ex 13.03 Vegetable saps and extracts, etc.
 - ex A. Vegetable saps and extracts:
 - VII. Intermixtures of vegetable extracts,
 - for the manufacture of beverages or of prepared foods
- ex 15.10 Fatty acids; acid oils from refining;
fatty alcohols:
 - ex C. Other fatty acids; acid oils from refining:
 - Other fatty acids

- ex 20.02 Vegetables, prepared or preserved otherwise than by vinegar, etc.
 - D. Asparagus

- ex 20.07 Fruit juices (including grape must) and vegetable juices, etc.
 - ex. I. Grape, apple and pear juice; mixtures of apple and pear juice:
 - Grape juice:
 - Put up in bulk:
 - Intended for the manufacture of grape juice
 - Otherwise put up
 - Apple juice
 - ex II. Other:
 - Mixtures

- ex 22.09 Spirits, etc.:
 - ex C. Spirituous beverages:
 - IV. Vodka, with an ethyl alcohol content of 45.2 or less, and plum, pear or cherry brandy
 - ex V. Other:
 - Spirits other than those falling within paragraph IV

- ex 29.23 Single or complex oxygen-function amino compounds:
 - ex D. Amino acids:
 - III. Glutamic acid and its salts

- 32.05 Synthetic organic dyestuffs, etc.

- 53.07 Yarn of combed sheep's or lambs' wool, not put up for retail sale

- 53.11 Woven fabrics of sheep's or lambs' wool or of fine animal hair

- 57.10 Woven fabrics of jute

- 58.02 Other carpets, carpeting etc.
 - A. Carpets, carpeting, rugs, mats and matting:
 - I. Coconut matting and tufted carpets
 - II. Other:
 - Other
 - B. "Kelem", "Schumacks", and "Karamanie" rugs and the like

- 60.05 Outergarments etc.:
 - B. Other
- ex 62.03 Sacks and bags, of a kind used for the packing of goods:
 - Other than presented filled
- ex 69.07 Unglazed setts, flags and paving, etc.:
 - ex A. Tiles and cubes etc.:
 - Of stoneware
 - ex B. Other:
 - ex II. Of ceramic materials:
 - Of stoneware, other than those having a side more than 40 cm. in length
- ex 69.08 Glazed setts, flags and paving etc.:
 - ex A. Tiles and cubes for mosaics, etc.:
 - Other than of common pottery
 - ex B. Other:
 - II. Of other ceramic materials
- ex 69.12 Tableware and other articles of a kind commonly used for domestic or toilet purposes, of other kinds of pottery:
 - C. Of earthenware or of fine pottery
 - D. Of other ceramic materials
- 73.01 Pig iron, cast iron and spiegeleisen, in pigs, blocks, lumps and similar forms
- 73.02 Ferro-alloys:
 - A. Ferro-manganese
 - II. Other
 - C. Ferro-silicon
 - D. Ferro-silico-manganese
 - E. Ferro-chromium and ferro-silico-chromium
 - H. Ferro-molybdenum and ferro-vanadium:
 - Ferro-vanadium
- 82.09 Knives with cutting blades, serrated or not (including pruning knives)
- ex 85.15 Radiotelegraphic and radiotelephonic transmission and reception apparatus, etc.
 - ex A. Radiotelegraphic and radiotelephonic transmission and reception apparatus, etc.:
 - III. Receivers, whether or not combined with sound recorders or reproducers:
 - Television, combined or not with radio receiver

ex C. Parts:

III. Parts cut from the bar, of base metal,
the greatest diameter of which does not exceed 25 mm

ex IV. Not specified:

Other, except antennae

ex 85.25 Insulators of any material:

B. Of ceramic material

C. Of artificial plastic materials or glass fibre

D. Of other materials

ex 90.28 Electrical measuring, checking, analyzing or
automatically controlling instruments and apparatus:

ex A. Electrical instruments and apparatus:

Other than thermostats, sounders, navigation
detectors and automatic regulators

ex B. Other:

Other than thermostats and automatic regulators

The GATT contracting parties subject to the discrimination mentioned are the following:

| | | |
|-----------|--------------------|----------------|
| Argentina | Dominican Republic | Pakistan |
| Australia | Haiti | Peru |
| Burma | India | South Africa |
| Brazil | Indonesia | Uruguay |
| Ceylon | Israel | Czechoslovakia |
| Chile | Japan | Poland |
| Korea | Nicaragua | |
| Cuba | New Zealand | |

According to the explanations given by the French representatives, the actual discrimination against developing countries is minimal and the French authorities are willing to examine concrete cases brought to their attention.

Despite these assurances the Group, as stated in the general section of this report, finds the maintenance of such a discriminatory system, which is contrary to the whole philosophy of GATT vis-à-vis developing countries, inconceivable at a time when the principle of preferential treatment in favour of developing countries has been generally accepted also by France which was among the first countries to put into effect the Generalized System of Preferences.

The Group recommends that France take the necessary steps to eliminate forthwith any discriminatory element against developing countries in the French import régime.

The Group further recommends that France considers the possibility of reducing the relatively large number of restrictions maintained, erga omnes particularly on products of interest to developing countries.

II. OTHER NON-TARIFF BARRIERS

The restrictions notified seem to be of a general nature and should be dealt with in a general framework. (See main part of the report)

III. TROPICAL PRODUCTS

France maintains a certain number of selective taxes on tropical products. During the second series of consultations the French representative informed the Group that internal taxes on roasted coffee were suspended since 4 July 1971.

As to the remaining revenue duties see remarks concerning EEC.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

See remarks concerning EEC.

ITALY

I. QUANTITATIVE RESTRICTIONS

The quantitative restrictions which Italy still maintains on products of interest to developing countries fall in the following categories:

1. A limited number of fruits and fruit and vegetable juices

The necessity of maintaining the remaining restrictions on most of these products does not seem apparent. This is particularly so in the case of dates, figs, bananas and dried grapes.

The Italian representatives have pointed out that imports of dates, figs and dried grapes are not restricted if they are prepared in packages weighing not more than 500 grammes. Further, in the case of dates they can be imported for fodder subject to customs control under government alcohol distillation policy. Bananas are covered by a global quota. The quota which was established for 1970 has not been fully used up.

2. Products subject to State trading

24.02 Manufactured tobacco
25.01 Common salt
36.06 Matches
ex 36.07 Flints
48.10 Cigarette paper

It is the intention of the Italian Government to study the possibility of adjusting the existing import monopolies on common salt, matches, flints, and cigarette paper by 1976, in line with the adjustments to be applied on the same date to the monopoly on manufactured tobacco in the context of the reconversion which is being studied in the EEC. The monopoly on unmanufactured tobacco is already abolished. The monopoly on lighters and flints will be abolished in one year.

3. Ex 50.04-50.07, Silk yarns

Italy has invoked Article XIX of GATT. According to the Italian representative these products are mainly of interest to non-GATT members such as China and USSR.

Italy has stated that it has offered to consult with GATT Members, but no country has expressed interest in this offer.

4. Ethyl acetate

Italy is prepared to abolish quotas in the context of bilateral discussions which are proceeding with the country affected.

Remarks :

No action in the field of quantitative restrictions has been taken since the Group's preliminary report.

The Group has not been convinced by the arguments put forward for the maintenance of quantitative restrictions on dates, bananas, figs and dried grapes. The case of bananas seems particularly unacceptable as bananas are subject also to an import duty and a very high consumption tax.

The Group recommends that Italy consider the possibility of eliminating remaining restrictions on dates, bananas, figs and dried grapes.

II. OTHER NON-TARIFF BARRIERS

1. An administrative duty and a statistical duty were notified by developing countries.

Remarks :

During the second series of consultations the Italian representatives informed the Group that these duties were abolished on 17 July 1971.

2. Fees for consular endorsement of certificates of origin

Italy has stated that these are generally applied in keeping with Article VIII of the General Agreement. The matter is under study at present.

III. TROPICAL PRODUCTS

Italy maintains some very high selective taxes on coffee beans; extracts, essences, concentrates and coffee preparations; cocoa beans, cocoa paste, cocoa butter, cocoa powder and on bananas.

It is reasonable to expect that at least for cocoa beans, cocoa paste, cocoa butter, cocoa powder and bananas reductions in taxes would lead to an increase in the demand for these products.

The Group recommends that Italy consider the possibility of reducing selective taxes on cocoa beans and cocoa products and selective taxes on bananas.

As to remaining import duties see remarks concerning EEC.

Remarks :

No action reported.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

See remarks concerning EEC.

JAPAN

I. QUANTITATIVE RESTRICTIONS

The Japanese list of residual quantitative restrictions on products originally notified as being of interest to developing countries, was one of the longest considered by the Group. However, during the first series of consultations the Japanese representatives stated that the list would be reduced substantially by the end of September 1971, i.e. twenty of the remaining eighty items would be liberalized by the end of April 1971 and twenty additional items by 30 September 1971. The quantitative restrictions which remain would comprise the following groups of products.

1. A certain number of temperate zone foodstuffs (certain meats, dairy products, grains)

The Japanese representatives considered that the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural products in general.

2. Certain fish and fish products

The restrictions are applied to provide protection against imports from a neighbouring country.

3. Certain fruits and vegetables

The Japanese Government tries to shift production from rice, where there is a considerable surplus, to dairy products and fruit growing.

4. Unmanufactured tobacco and common salt

Unmanufactured tobacco and common salt for human consumption is subject to State trading, while salt to be used as a material for soda industries could be imported by soda makers entrusted to do so by the Government corporation.

5. Leather and footwear

According to Japanese representatives it is difficult to liberalize at present because of certain internal problems.

Remarks:

During the second series of consultations the Japanese representatives confirmed that the forty items referred to above have been liberalized on the dates indicated. The Group, while welcoming these steps, still feels that the maintenance in 1971 of quantitative restrictions on forty items by a country in a heavy surplus position is difficult to defend.

The Group recommends that Japan pursue vigorously the policy of eliminating quantitative restrictions still remaining.

II. OTHER NON-TARIFF BARRIERS

(a) According to the Japanese representatives there are no direct subsidies to shipbuilding. During the first series of consultations the Group noted that assistance was given to shipping companies, which benefit from lower interest rates than the normal market rates when they buy ships built in Japan. The Group was informed during the second series of consultations that the relevant law had been amended so as to extend the application of lower interest rates to ships built outside of Japan, but registered in Japan.

(b) The import deposit scheme has been abolished.

(c) The Group suggests that the two non-tariff barriers notified by Korea, "Cargo receipt method of payment" and "Charges by Japanese Laver Wholesalers Association" be settled through bilateral talks.

The other non-tariff barriers appear to be problems of a general nature and should presumably be dealt with in a general framework. (See main part of the report.) As far as some of the sanitary regulations are concerned the problems could be taken up in bilateral talks with notifying countries.

III. TROPICAL PRODUCTS

There are import duties but no selective taxes on coffee products, cocoa and cocoa products, tea and tea products, bananas and pepper.

A commodity tax exists for coffee and coffee products, bulk tea and packaged tea.

There is some tariff escalation on coffee products, cocoa products and processed pepper.

The import duty on bananas is very high.

The Group recommends that Japan considers the possibility of eliminating or reducing the duty on bananas.

Remarks:

During the second series of consultations the Japanese representatives explained that since 1 April 1971 a temporary seasonal rate of 40 per cent had been introduced for imports from April to September while the temporary rate of 60 per cent was still applied to imports during the period October to March. (The statutory rate is 30 per cent.) The Japanese representatives referred to the fact that despite the duties Japan is the world's largest consumer of bananas.

The Group urges that Japan takes steps to reduce or eliminate the duties.

The Group recommends that Japan considers the possibility of reducing further (or eliminating completely) import duties on cocoa products and chocolate and other preparations containing cocoa in the context of the Generalized System of Preferences.

Remarks:

During the second series of consultations the Japanese representatives informed the Group that in the context of the GSP duty-free entry would be given to cocoa butter, and duty reductions to cocoa paste, unsweetened cocoa powder, and chocolate and other food preparations containing cocoa.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

The pattern is the same as in most other countries; low and zero duties on oilseed and oilcakes, relatively high duties (10 per cent-25 per cent) on oils.

The Group recommends that Japan consider the possibility - as part of the concerted action by developed countries - of eliminating the import duty on vegetable oils in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

NORWAY

I. QUANTITATIVE RESTRICTIONS.

The remaining quantitative restrictions comprise the following group of products.

1. Certain temperate zone foodstuffs (meat and dairy products)

Norway considers that the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural trade in general.

2. Certain fruits and vegetables, bulbs and cut flowers, fruit juices other than citrus fruit.

The restrictions take the form of seasonal restrictions, global quotas and discretionary licensing, sometimes a combination of global quotas and discretionary licensing.

The Norwegian representatives have explained that the discretionary licensing is handled in a non-discriminatory way.

3. Certain other agricultural products

17.02 Other sugars (grape sugar and starch sugar)

19.02 Preparations used as instant food or for dietetic or culinary purposes

19.04 Tapioca and sago, and substitutes

10.06 Rice (rice gritz and broken rice)

The argument which has been advanced that most of these products can be related to other temperate zone foodstuffs and thus would be dependent upon general solutions being worked out in multilateral negotiations would not seem to apply at least to rice gritz and broken rice.

The Group recommends that Norway considers liberalizing imports of rice gritz and broken rice.

Remarks:

Liberalization of rice gritz and broken rice is being considered in connexion with negotiations now going on.

4. Certain alcoholic products

Norway has stated that the State monopoly follows a purchase policy based upon commercial considerations.

The Group recommends that the Norwegian State monopoly on wines and liqueurs makes an effort to include to the largest extent possible, wines and other alcoholic products from developing countries in their purchases, thereby creating the possibility of establishing a market for these products.

Remarks:

During the second series of consultations the Norwegian representatives stated that their authorities would endeavour to comply with this recommendation. On the basis of information obtained from the Norwegian representatives the Group suggests that developing countries wishing to export alcohol or wine to Norway appoint agents in that country and request their agents to approach the State monopoly to stock samples of the products concerned and simultaneously promote the purchases of such products through advertising.

II. OTHER NON-TARIFF BARRIERS

Standards and sanitary regulations appear to be problems of a general nature and should presumably be dealt with in a general framework. (See main part of the report.)

III. TROPICAL PRODUCTS

Selective taxes on chocolate seem high and likely to restrict consumption. In addition chocolate and other preparations containing cocoa are not included in the Generalized System of Preferences.

The Group recommends that Norway considers the possibility of including chocolate and other preparations containing cocoa in the Generalized System of Preferences.

Remarks:

During the second series of consultations the Norwegian representatives have stated that Norway would be willing to consider including chocolate and other preparations containing cocoa in its preference scheme if other donor countries are able to offer a similar concession.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

The pattern is the same as in most other developed countries. Oilseeds and oilcakes are free of duty, while oils are subject to duties of 4 per cent to 11 per cent ad valorem.

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The Group recommends that Norway considers the possibility - as part of a concerted action by developed countries - of eliminating the import duty on oils in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

Remarks:

Norway has expressed its readiness within the framework of a multilateral coordinated action to consider including some additional oil products in her preference scheme.

SWEDEN

I. QUANTITATIVE RESTRICTIONS

Only three items of interest to developing countries have been notified.

02.01 Horse meat, pork and edible offals

The Swedish representatives have stated that the licensing system is maintained in order to follow movements of imports and prices and that all licences are granted.

08.06 Apples and pears

These are subject to seasonal restrictions but because of climatic differences are not believed to affect developing countries significantly. The restrictions are applied in a non-discriminatory manner.

II. OTHER NON-TARIFF BARRIERS

Sweden maintains a 14 per cent sales tax on furs and carpets. The sales tax on fur skins and manufactures thereof will be abolished as from 1 January 1972 and the sales tax on knotted carpets as from 1 July 1972.

The other non-tariff barriers notified appear to be problems of a general nature and should presumably be dealt with in a general framework. (See main part of report.)

22.09 Other spirits, liqueurs and other spirituous beverages

These products are subject to State trading by which the State monopoly bases its purchasing policy on purely commercial considerations. This may hamper the introduction of new brands e.g. from the developing countries because of hesitancy on the part of the monopoly in holding stocks of too many brands.

The Group recommends that the Swedish State monopoly on wines and liqueurs makes an effort to include to the largest extent possible, wines and other alcoholic products from developing countries in their purchases, thereby creating the possibility of establishing a market for these products.

Remarks:

During the second series of consultations the Swedish representatives explained that before making any decisions regarding purchases of wine and spirits from different countries, samples are normally required for testing the quality of various brands. Quality and prices were deciding factors and consideration regarding stockholding of various brands were guided by the extent to which outlets were found in the market. In the case of wine, an ITC study

had concluded that the Swedish market was very interesting to exporters since large orders could be secured with relatively small effort. Sweden could therefore be an important outlet for wine exporters from developing countries.

III. TROPICAL PRODUCTS

Sweden maintains a selective tax on chocolate. In addition sweetened cocoa powder and certain other preparations containing cocoa are not included in the Generalized System of Preferences. There is a customs duty on coffee and coffee extracts.

The Group suggests that Sweden considers the possibility of including sweetened cocoa powder and certain other preparations containing cocoa in the Generalized System of Preferences.

Remarks:

During the second series of consultations the Swedish representatives stated that when reviewing the GSP the recommendation relating to sweetened cocoa powder will be considered in connexion with possible extensions of positive lists.

Sweden is prepared to abolish duties on coffee and coffee extracts when other industrialized countries are also prepared to do so.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

There are no duties nor levies on imports of oilseeds for extraction. A levy, however, is taken out on fats irrespective of whether imported or domestically produced. This levy can be compared to a tax covering equally domestic and imported fats and oils. For this reason increases or decreases of the levy would probably not influence the choice between a domestic or an imported product.

SWITZERLAND

I. QUANTITATIVE RESTRICTIONS

The remaining quantitative restrictions notified by developing countries comprise the following groups of products:

1. Live horses

The Swiss representatives explained that Switzerland was obliged to apply restrictions for certain social and internal reasons.

2. Certain temperate zone foodstuffs (meat, butter, grains)

The Swiss representatives considered that a solution to the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural trade in general.

3. Onions, berries and cut flowers

Onions, berries and cut flowers are subject to seasonal restrictions. During the first series of consultations the Group had recommended that the one bilateral quota on cut flowers should be lifted.

Remarks:

During the second series of consultations the Swiss representatives have explained that the quota system is really a global quota in two parts. One part is applicable to a group of traditional suppliers taken together and the rest is open to others, including new suppliers. The quota system is in any case only applicable from 31 March to 1 November.

The Group notes that the Swiss authorities stand ready to consider ways and means of helping developing countries to increase their share of the Swiss market, and suggest that interested developing countries raise their specific problems with the Swiss authorities.

4. Wine and other alcoholic products

There are no restrictions on quality wines in bottles. Imports of red wine in casks are restricted and imports of white wine in casks are prohibited. Only spirits which contain more than 75 per cent alcohol are subject to restrictions.

II. OTHER NON-TARIFF BARRIERS

The Swiss representatives have stated that a statistical fee is applied to imports of rice from all sources. The proceeds are used for rice publicity. The compulsory warehousing charges notified are also applied to Swiss commodities.

Other non-tariff measures appear to be problems of a general nature and should presumably be dealt with in a general framework (See main part of report).

III. TROPICAL PRODUCTS

The import duties are relatively low - except for bananas where the specific duty corresponds to 23.3 per cent ad valorem.

A certain tariff escalation exists for cocoa products in relation to cocoa beans and tea extracts in relation to bulk tea. This escalation will disappear or be diminished when the Generalized System of Preferences is implemented.

There are no internal charges for tropical products.

The Group recommends that Switzerland considers the possibility of eliminating or reducing the high import duty on bananas.

Remarks:

No action reported.

IV. TARIFF ESCALATION ON VEGETABLE OILSEEDS, OILS AND CAKE

The pattern is the same as in most other countries: import duties on oilseeds, oils for industrial purposes, and oilcakes are negligible, while oils for human consumption are subject to import duties ranging from 8 per cent to 12 per cent ad valorem.

The Group recommends that Switzerland considers the possibility - as part of a concerted action by developed countries - of eliminating the import duties on oils for human consumption either in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action.

Remarks:

If there is clear progress in dealing with this problem internationally Switzerland is ready to see what positive steps it could take.

UNITED KINGDOM

I. QUANTITATIVE RESTRICTIONS

The remaining quantitative restrictions comprise the following groups of products of interest to developing countries.

1. Certain temperate zone foodstuffs (meat and dairy products)

The United Kingdom representatives considered that the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural products in general.

2. Certain fruits and vegetables

Only a few products of interest to developing countries are restricted.

3. Certain jute products etc.

57.06 Yarn of jute
ex 57.10 Jute cloth
ex 62.03 New sacks and bags

After exploring the reasons and explanations given for maintaining the restrictions on these products, during the first series of consultations the Group recommended that the United Kingdom consider the possibility of liberalizing these products.

Remarks:

No action has been taken in response to this recommendation. The United Kingdom representatives have stated that the United Kingdom's long term objective remains to liberalize all imports of jute goods. The possibility of further liberalization, however, depends on the employment situation in Dundee including the progress made in attracting alternative employment, and the need to align with the EEC's import policy on jute goods with the entry of the United Kingdom into the EEC.

II. OTHER NON-TARIFF BARRIERS

One of the cases notified (import regulation on poison contents in pencils) has been satisfactorily settled. The other non-tariff barriers appear to be problems of a general nature and should presumably be dealt with in a general framework. (See main part of the report.)

III. TROPICAL PRODUCTS

During the first series of consultations the Group had noted that the United Kingdom seems to maintain a certain tariff escalation:

Coffee extracts in relation to coffee beans;
chocolate in relation to cocoa beans;
tea extracts in relation to bulk tea.

On the other hand no selective taxes exist on tropical products.

The most-favoured-nation duty rate on bananas, 13.7 per cent ad valorem, favours imports from certain developing countries.

Remarks:

During the second series of consultations the United Kingdom representatives informed the Group that as chocolate and other cocoa products (18.06) and tea extracts (21.02(B)) are to be admitted duty free from developing countries under the United Kingdom's preference scheme, there will be no-tariff escalation on cocoa and tea products. Import duties for processed forms of coffee are to be reduced under the GSP arrangements to the Commonwealth preferential rate. Coffee pastes (21.07(D)) will be admitted duty free under the GSP.

IV. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKE

The pattern is somewhat different from most other countries. Thus there is no tariff escalation for products exported from countries benefiting from British preferential treatment; imports of oilseeds, oils and cake normally being free of duty when imported from these countries.

Tariff escalation normally exists for imports from other sources, the oilseeds normally being duty free or subject to a duty somewhat lower than the 15 per cent duty which is the most common one for oils.

While most countries allow duty free import of oilcakes, the United Kingdom maintains a 10 per cent duty on imports from outside the British preferential area.

The Group recommends that the United Kingdom consider the possibility - as part of a concerted action by developed countries - of eliminating the import duty on oils either in the context of the Generalized System of Preferences in favour of developing countries, and consider the possibility of eliminating the most-favoured-nation duty on oilcake, or in some other form of concerted action.

Remarks:

The United Kingdom representatives have stated that the United Kingdom would have been prepared to reduce import duties on vegetable oils and oilcakes in the context of the GSP, but in the absence of comparable action by other developed countries were unable to do so.

UNITED STATES

I. While most other developed countries have either put into effect or made the necessary preparation for implementing their preference schemes in favour of developing countries at the latest by the end of the year, no such preparations have been taken by the United States and it seems quite uncertain if and when the United States preference scheme will be implemented.

Furthermore, the United States has, as part of a general economic programme to safeguard the United States balance-of-payments situation, taken a major retrograde step by the imposition of a temporary 10 per cent import surcharge on a wide range of products.

While a certain number of primary products - many not produced in the United States - have been exempted from the surcharge thereby limiting to a certain extent the damaging impact on the economies of the developing countries, the imposition of the surcharge and the failure of the United States Government to exempt imports from developing countries constitutes a major backward step - hopefully of a very short duration - in the long and slow progress towards improvement in the trade conditions of developing countries.

During the second round of consultations the Group has discussed with representatives of the United States both the question of United States implementation of the preference scheme and the question of exempting developing countries' exports from the surcharge.

The United States representatives have stressed that it would be necessary to await a more propitious moment to present a bill on preferences to Congress.

While appreciating the present economic difficulties of the United States the Group nevertheless feel that not enough is being done or has been done by the Executive to prepare Congress for this kind of legislation.

The Group recommends that the United States Government take all necessary steps to ensure the implementation of the preference scheme at the earliest possible opportunity.

On the import surcharge the Group has concentrated its efforts on the question of exempting imports from developing countries from the surcharge.

The Group has received no convincing arguments against such an exemption. The technical problem of avoiding imports of developed countries' products through the developing countries - which may have been insolvable at the time the surcharge was introduced - can certainly be solved through a proper system of origin rules.

The Group urges that the surcharge be removed erga omnes within a short time, the only really effective solution also from the point of view of the developing countries.

If - despite the strong arguments against such a policy - it should be the intention of the United States Government to maintain the surcharge beyond 1 January 1972, the United States Government should take steps to exempt at the earliest possible date imports from developing countries from the charge.

II. QUANTITATIVE RESTRICTIONS

The United States maintains only few formal quantitative restrictions of interest to developing countries. The notifications submitted to GATT by these countries comprise only the following quantitative restrictions on dairy products:

04.02 milk and cream
04.03 butter
04.04 cheese and curd

To complete the picture the following items also are subject to quantitative restrictions and are also of interest to developing countries, but for some reason have not been notified:

10.01 wheat
11.01 wheat flour
ex 12.01 peanuts
17.01 sugar

55.01)
ex 55.03) Long and short staple cotton;
ex 55.04) cotton waste

The United States representatives considered that the problems affecting these products will have to be dealt with as part of a comprehensive negotiation comprising agricultural products in general.

The United States maintains no formal quantitative restrictions on industrial products, but has "persuaded" a number of countries including developing countries to exert export restraints. While these restraints originally only comprised cotton textiles covered by the Cotton Textiles Arrangement, the field has recently been widened to cover also textiles of wool and man-made fibres. Although from a formal and legal point of view these restraints are different from quantitative import restrictions, the effect on the economies of the exporting countries might be more or less the same.

The problem of trade in textiles is a general one which has been dealt with in various ways by individual developed countries. Some countries, for example, apply quantitative import restrictions, while others obtain export restraints on the part of the exporting countries. As pointed out in the main section of the report the textile problem should in the opinion of the Group be taken up within the context of a general examination. This should cover both types of restrictions taking into account in particular the interests of developing countries.

III. NON-TARIFF BARRIERS

The non-tariff barriers appear to be problems of a general nature and should presumably be dealt with in a general framework. (See main part of the report).

IV. TROPICAL PRODUCTS

There are no selective taxes on tropical products.

Coffee, coffee extracts; cocoa beans, cocoa paste; bulk tea, packaged tea, tea extracts and bananas are all duty free, while low duties exist for cocoa butter, cocoa powder, chocolate and other preparations containing cocoa and pepper. The United States has offered duty-free entry on most of these within the framework of the Generalized System of Preferences.

V. TARIFF ESCALATION FOR VEGETABLE OILSEEDS, OILS AND CAKES

Whilst certain vegetable oilseeds and oils enter the United States free of duty, some others are subject to duty. Three vegetable oils have so far been included in the United States offer on general preferences to the developing countries.

Contrary to most other countries the United States has some cases where the duty on the raw product is much higher than the duty on the refined product.

The Group recommends that the United States consider the possibility - as part of a concerted action by developed countries - of eliminating the import duties on vegetable oils either in the context of the Generalized System of Preferences in favour of developing countries or in some other form of concerted action:

Remarks:

The United States has expressed its readiness to take part in general multilateral consultations on this problem.

ANNEX II

GATT Country Studies

As some fear has been expressed that the Group's original recommendation concerning studies on the trade problems of individual developing GATT countries would be too time consuming and costly, the Group suggests the following outline for a first simple statistical approach:

1. For each individual developing GATT country the secretariat should prepare a statistical table setting out the latest available information for each of the ninety-nine chapters of the Brussels nomenclature on exports to each developed country. (The table would for example have in the vertical margin the chapters of the Brussels nomenclature and in the horizontal margin the developed countries (table 1)).
2. Starting with the most important export products and most important importers of these products (which can easily be seen from table 1) another table of a similar construction should indicate any remaining quantitative restrictions in the importing developed countries (table 2).
3. Again starting with the most important export products and the most important importers of these products (as seen in table 1) a third document should describe in general terms the tariff structure in the most important importing countries of the most important export products of the developing country in question. This may a priori seem a difficult task, but need not be so in view of the Generalized System of Preferences which will in many cases mean that the duty is zero (table 3)
4. On the basis of tables 1 to 3 a paper should list the most important export products of the developing country in question starting with the most important one and continuing in order of decreasing importance.

For each product (or group of products) should be given the percentage share of the total exports of the developing country in question as well as information on any barriers to trade in the form of quantitative restrictions and/or tariffs which these exports meet today.

With all its weaknesses such a documentation for each individual developing country would make it possible to evaluate to a certain extent in broad quantitative terms what is the size of the problem involved. It should also be possible to estimate to what extent an expansion of exports is being hampered by restrictions in developed countries or to what extent an explanation for any lack of expansion must be sought elsewhere.

The material necessary for collecting this documentation is presumably already in the hands of the secretariat and a study as outlined above would not seem to have any budgetary consequences.

On the basis of this first examination it could be decided whether it would be worth while to go into more details.