

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Sub-Committee on the Participation
of the Less-Developed Countries

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PRODUCTS OF SPECIAL INTEREST TO THE EXPORTS OF LESS-DEVELOPED COUNTRIES

The following communication has been received from the Government of Malaysia.

I have the honour to refer to the work of the Special Committee on Participation of the Less-Developed Countries in the forthcoming Kennedy Round of tariff negotiations and have pleasure in forwarding the following information regarding the products of particular interest to Malaysia's export trade, which she does not wish to see included in the exception list of developed countries, and for which she seeks tariff concessions as well as the removal of non-tariff restriction whenever applicable:

- I. Natural rubber - Item 40.01, 40.05 and 40.06 as defined in the Tariff Nomenclature of the Brussels Customs Co-operation Council. The problem connected with natural rubber, Malaysia's most important export commodity is the marked disparity between the duty applicable to a given raw material or foodstuff at the primary processing stage and to the same product when its quality is improved by special processing. Such a situation is clearly detrimental to the economic development of the developing countries. For instance, under paragraph No. 1697 of the existing United States Tariff Classification, crude natural rubber is duty free and under paragraph No. 1558, all raw or manufactured articles not enumerated or provided for, are subject to an import duty of 10 per cent ad valorem. This distinction would appear to exclude superior processing (SP and PA rubbers) from paragraph No. 1697 and therefore from duty free import treatment in the United States.

The distinction in the existing classification has now been more precisely defined in the proposed new classification under Item No. 446.05, natural rubber not containing fillers, extenders, pigments or rubber processing chemicals - free of duty, and Item No. 446.10 - natural rubber containing fillers, extenders, pigments or rubber processing chemicals - 10 per cent ad valorem import duty.

Under Item No. 446.10 of the proposed new classification, rubber which contains fillers, chemicals or other additives irrespective of the quantities will automatically be subject to an import duty of 10 per cent. It is pointed out that in the preparation of latex, stabilizing agents such as ammonia are used to prevent coagulation and the use of these chemicals is essential if the latex is to arrive at its destination in proper condition. Similarly, with dry rubber grades, acids are used form the coagulum and in some cases e.g., crepes, bleaching agents are added. It would appear therefore that latex, white crepes and standard grades as well as SP and PA rubbers, cyclized rubber masterbath, and other special forms of natural rubber will be subject to an import duty of 10 per cent under the proposed new classification.

In its efforts to improve the quality and presentation of natural rubber to meet consumers' requirements and to maintain the competitiveness of natural rubber, Malaysia has initiated extensive research activities for the production of better quality natural rubber such as SP and PA rubbers, cyclized rubber masterbath and other special forms of natural rubber. In view of the fact that the United States is a vitally important market for natural rubber from Malaysia, any imposition of duty under the proposed new trade classification could seriously impair Malaysia's efforts to maintain the competitive position of her natural rubber in the American market.

Malaysia maintains that as these new kinds of natural rubber are in fact raw natural rubber modified by chemicals added prior to coagulation, they should be regarded as crude natural rubber both under the existing and the proposed new classification of the United States Tariff and should be free from duty. It is likely that, in future years, natural rubber will gradually start to come into the market in forms which differ from present market grades. It is important to ensure that no changes in description in the tariff classification are made that might preclude any of the new improved forms from being classified as raw natural rubber.

Reference is also made to the relevant provisions of the United States Trade Expansion Act 1962 (Public Law 87-794) the legislation which empowers the United States to offer tariff reductions under the Kennedy Round. Under Section 213 of the Act, the provisions that the duty should not be decreased to a rate below 50 per cent of the rate existing on 1 July 1962 shall not apply to any article which is

- (a) a tropical agricultural or forestry commodity;
- (b) not produced in significant quantities in the United States.

Natural rubber in Malaysia's view meets the definition of "a tropical agricultural and forestry commodity". It is not produced in the United States and although it is in competition with synthetic rubber, the two commodities are not similar products. Malaysia is also concerned with the import duty imposed on natural rubber in the following countries: West Germany, Spain.

II. Canned Pineapples

In recent years canned pineapples have taken an increasingly important place amongst Malaysia's exports. An important market for Malaysia's canned pineapples, next only to the United Kingdom, is Canada. In fact in 1963 Malaysia emerged as the biggest supplier of canned pineapples to Canada. A serious obstacle to an increase in the export of canned pineapples to Canada is the 1 cent (Canadian) duty imposed on import of canned pineapples from Malaysia.

This 1 cent (Canadian) import duty imposed on canned pineapples from Malaysia, which is a developing country, as against the free import duty on canned pineapples from Australia and the Union of South Africa, which are developed countries, is considered contrary to the trends of thinking in international trade. In view of the importance of the pineapple industry to her economy Malaysia is seriously concerned over the treatment accorded to her export of canned pineapples to Canada. It is hoped that Canada would find it possible during the forthcoming tariff negotiations to remove the 1 cent (Canadian) import duty so that Malaysia's canned pineapples can enter the Canadian market on the same basis as Australia and Union of South Africa.

Malaysia would also like to see canned pineapples not included in the exception list of the developed countries, in particular that of the United States and Japan.

As a result of the efforts of the Malaysian Pineapple Industry Board and the canners themselves in promoting export of canned pineapples to the United States, exports to that country have increased from 159,380 cartons valued at \$1 million in 1960 to 548,872 cartons valued at \$10 million in 1963. Now about 25 per cent of Malaysia's exports of canned pineapples go to the United States.

As her pineapple industry is expanding, Malaysia is anxious that exports of this product are not confronted with restrictive import policies, including tariff, in the consuming countries. On the other hand any liberalization of such policies would be most beneficial to her.

When Malaysia (former Federation of Malaya) succeeded in obtaining Japan's agreement to allow the importation of Malaysian canned pineapples into Japan, it was thought that this would lead to a steady increase in the volume of canned pineapples shipped to Japan. On the contrary while Malaysia did ship small quantities to Japan during the years following the inauguration of the Trade Agreement with that country in 1960, the result fell considerably short of her expectation.

The main difficulty facing her export of canned pineapple to Japan is the import restrictions imposed by the Japanese Government on canned pineapples. Under the present system Japan allows an annual import quota of US\$2,500,000 in respect of imports of canned pineapples from other countries

(with the exception of Okinawa, on which no restrictions are placed). The present import duty on canned pineapples from all sources other than Okinawa is 55 per cent ad valorem. The Malaysian Pineapple Industry is very keen to enter the Japanese market in a big way and in so doing would like to ensure entry of the greatest possible quantity of its products at the most advantageous rate of duty. Malaysia would therefore request liberalization of the Japanese import restriction and reduction in the present import duty on canned pineapples.

III. Timber

Lately, following the report of the Australian Tariff Board, there has been an increase of 10 shillings (Australian) in tariff chargeable on timber of sizes less than 7 ins. x 2 ins. (or its equivalent) as compared to 12 shillings previously per hundred super feet. This means a tariff increase of roughly a quarter million pounds on the approximate imports of timber from Malaysia, which amounts to 50 million super feet per year. Although there is the provision that exemption from tariff duties may be granted to importers of our meranti it must however, be proved beyond doubt that they cannot find any other timber as substitutes for its specific uses. The new tariff increase will no doubt adversely affect the considerable timber trade between Malaysia and Australia. Australia takes more than 20 per cent of Malaysia's total timber exports and the product ranks second only to natural rubber in the composition of our exports to that country.

IV. Other Products

Other products of particular importance to her export trade which Malaysia accordingly would not wish to see included in the exception lists of countries participating in the Kennedy Round negotiations include tin, palm oil, copra and coconut oil. Malaysia would also like to seek concessions on manufactured and semi-manufactured goods such as cotton textiles which she hopes to export in increasing quantities as her industrial development progresses. A list of her export of manufactured goods appears below.

EXPORTS OF MANUFACTURED GOODS

<u>DESCRIPTION OF ARTICLES</u>	<u>COUNTRIES OF DESTINATION</u>
Insulplast and Related Chemicals	Thailand
Grey Cotton Cloth	United Kingdom
Staple Fibre Yarn	East and South Africa
Metal Cans	Hong Kong
Canned Tuna	West Germany
	Netherlands
	Italy
	Norway
	Denmark
	United States
	Canada
	United Kingdom
	Syria
Sweetened Condensed Milk	Cambodia
	Burma
Battery Plates	Hong Kong
Detergents	Hong Kong
	Singapore
	Thailand
Surgical Dressings and Allied Products	Hong Kong
	Bangkok
	Australia
Pharmaceuticals	Thailand
	Ceylon
	Hong Kong
Paints and Allied Products	Thailand
	Brunei
	Hong Kong
Hair Cream	Iraq
Antibiotics	Thailand
	Ceylon
	Hong Kong
Metal Louvres	Hong Kong
	Burma
	Cambodia
	Brunei
	Madagascar

DESCRIPTION OF ARTICLES

COUNTRIES OF DESTINATION

Particle board - plain 3/8 ins. - 5/8 ins. thick	Hong Kong
Particle board - 5/8 ins. thick and above	Hong Kong
Cotton Wool	Thailand
	Hong Kong
Gauze	Thailand
	Hong Kong
Bandages	Thailand
Sanitary Towels	Thailand
	Hong Kong
Printed Cloth	Ceylon
Cable Wires	Australia
	Burma