

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF COMMITTEE III ON ITS FUTURE PROGRAMME OF WORK

1. In accordance with the Decision taken by the CONTRACTING PARTIES on 7 December 1961 for the implementation of the Conclusions of Ministers (L/1699), the Committee met from 19 to 22 February 1962 to arrange its programme of work in preparation for a further meeting in April/May 1962.
2. Apart from the Decision referred to above the Committee took as a basis of its work the Declaration of the CONTRACTING PARTIES of 7 December 1961 on the Promotion of the Trade of Less-Developed Countries (L/1698) as well as the Conclusions adopted at the close of the ministerial meeting on 30 November 1961 (L/1657). It also referred to past reports of the Committee, in particular the special report which it submitted on 27 September 1961 (L/1557). The Committee also took account of certain proposals submitted by the Federation of Rhodesia and Nyasaland concerning unmanufactured tobacco (COM.III/W.17) and concerning tariff discrimination against processed products (COM.III/W.16).
3. At the outset of the meetings, the Committee recalled that in the three years of its existence the Committee had made an extensive study of various types of barriers to the trade of less-developed countries. The material which it had gathered had been found adequate to enable the Ministers and the CONTRACTING PARTIES, at the nineteenth session, to draw up firm conclusions which were now on record and to formulate a general policy Declaration. These documents marked the termination of the exploratory and fact-finding stage of the Committee's work and provided a basis for positive action. The CONTRACTING PARTIES had directed the Committee:
 - (a) that immediate steps should be taken to establish specific programmes for action, and where feasible, target terminal dates, for progressive reduction and elimination of barriers to the exports of less-developed countries; in this connexion it will be necessary to bear in mind the view of most Ministers that the question of duty-free entry for tropical products should be given careful consideration;
 - (b) that procedures be drawn up for notifying and reviewing action taken by contracting parties in accordance with the programmes so established, or otherwise taken by contracting parties to improve market opportunities for the exports of less-developed countries.

It was against this background and in this spirit that the Committee embarked upon the task of arranging its future programme of activities.

4. Among the types of barriers identified by the Committee and dealt with in the ministerial conclusions and the CONTRACTING PARTIES' Declaration, the Committee devoted its attention in the first instance to the following five: namely, (i) customs tariffs, (ii) quantitative import restrictions, (iii) other non-tariff barriers, (iv) revenue duties and internal taxes, and (v) trade barriers affecting the export of tropical products. The arrangements made by the Committee in regard to each of them are described in Sections I to V below.

I. Customs Tariffs

5. As noted in its special report of September 1961, the Committee had identified high tariffs and tariffs which differentiated disproportionately in favour of imports of raw materials, as compared to processed goods as constituting serious barriers to exports of less-developed countries, particularly with respect to vegetable oils, coffee, tea, cocoa products, manufactures of jute, of cotton and of coir, and certain other manufactured consumer goods. The Committee was convinced that a reduction of these barriers would be of considerable assistance to less-developed countries.

6. The Declaration of 7 December 1961 states that:

- (i) governments should give special attention to tariff reductions which would be of direct and primary benefit to less-developed countries;
- (ii) in this connexion they should consider the elimination of tariffs on primary products important in the trade of less-developed countries;
- (iii) they should also consider reducing those tariffs which differentiate disproportionately between processed products and raw materials.

7. The Declaration further states that in making arrangements to bring about a general reduction of tariffs, account should be taken of the special needs of less-developed countries. The Conclusions of the ministerial meeting also recognized the need for flexibility in regard to reciprocity in any future exercise for tariff reductions.

8. The Committee was convinced that the sense of urgency which pervaded the Declaration and the Conclusions of the ministerial meeting fully demonstrated an earnest general desire to bring about an early reduction of tariffs restricting the expansion of export earnings or the development of less-developed countries. Consequently, the Committee would be failing in its duties if it were to limit its recommendations to the context of the general tariff reduction exercise and not formulate any specific programmes to that end.

9. The Committee agreed that at its next meeting in April/May 1962, it should devote its attention to the following tasks:

- (i) to consider ways and means of bringing about an earlier and more substantial reduction of the type of tariffs mentioned above than can be expected to result from the general plan for tariff reductions, with a view to formulating a precise programme of action;
- (ii) to formulate principles and considerations, both in general terms and in regard to particular products, which would be made available to the Working Party on Procedures for Tariff Reductions and which the Committee considers should be taken into account in the new procedures and techniques to be recommended by it.

10. The Committee envisaged that action taken under any programme formulated in accordance with (i) above would largely have the effect of expediting tariff reductions to meet the export needs and possibilities of less-developed countries; reductions pursuant to such a programme might be taken into account when the time came for implementing the general plan for tariff reductions which might emerge from the procedures of the Working Party referred to above.

11. The Committee considered that for both of these tasks, contracting parties should be invited to submit specific proposals for consideration by the Committee at its next meeting. In this connexion all contracting parties maintaining the type of tariff barriers identified by the Committee should be requested to indicate the consideration given by them to action to reduce such barriers. The secretariat should be asked to supply, in a convenient form, the data which it had collected on the present state of tariffs relevant to the Committee's work, and to provide suggestions relating to points (i) and (ii) above which would facilitate discussion at the April/May meeting. It should be noted, however, that the tropical products will be dealt with in Section V of the present report.

II. Quantitative Restrictions

12. The Declaration of 7 December 1961 states that governments should give immediate and special attention to the speedy removal of those quantitative import restrictions which affect the export trade of less-developed countries. This conclusion was reached by the Ministers and the CONTRACTING PARTIES on the basis of the special report of the Committee, which identified quantitative restrictions as one of the most serious barriers confronting the exports of less-developed countries. The report noted that exports from less-developed countries of such important products as vegetable seeds and oils, coffee, raw cotton, tobacco, tropical timber, manufactures of jute, of cotton and of coir, and sewing machines, were often adversely affected by quantitative import restrictions which were sometimes applied in a discriminatory manner.

13. The Committee considered that at its next meeting in April/May 1962 first attention should be devoted to the drawing up of a specific programme for the removal of the import restrictions which it had identified. To this end the Committee agreed that: (a) contracting parties which applied restrictions affecting the products included in the three lists considered by the Committee should indicate, prior to the April/May meeting, their intention regarding the removal of such restrictions; and (b) the Committee should at the meeting, discuss with the contracting parties applying the restrictions and in the light of the discussion would make concrete recommendations on a specific programme.

14. The CONTRACTING PARTIES already had noted at the nineteenth session that most of the restrictions in question were being applied inconsistently with the provisions of the General Agreement. In most cases the restrictions were a relic of the past, resulting from an incomplete implementation of their policies of elimination of restrictions previously applied for balance-of-payments reasons.

15. The Committee considered that in the light of this the CONTRACTING PARTIES would be justified in asking for the prompt removal of restrictions identified as constituting barriers to the trade of less-developed countries. In exceptional cases where the immediate removal of a restriction should be found difficult, for instance, for balance-of-payments reasons, the contracting party should undertake at least to establish global quotas which should be progressively enlarged, looking forward to the removal of the restrictions within a year or shortly thereafter. The Committee invites contracting parties, especially the industrialized countries, to give consideration to this type of proposal so that they will be fully prepared for discussing it at the April/May meeting. The secretariat should provide, in suitable form, up-to-date data on quantitative restrictions currently applied to the trade of less-developed countries.

III. Other Non-Tariff Barriers

State trading

16. The Declaration of the CONTRACTING PARTIES had called attention to unnecessary impediments placed on the trade of less-developed countries through the operations of State import monopolies or purchasing agencies. Countries operating such agencies were urged to endeavour to improve access to their markets for products of less-developed countries by decisions to import larger quantities of the products in question and, if necessary, by reductions in the difference between imports and sales prices. The Committee noted that inasmuch as a limitation of the quantity of imports below the level of prevailing demand, whether by discretionary decisions of State monopoly agencies or otherwise, amounted to a quantitative restriction in the GATT sense, the considerations and proposals set out in Section II above would be valid; the removal of such restrictions would be sought through the exercise envisaged in that Section. As regards the difference between import and sales prices, this, as had been noted in the Declaration, amounted to an implicit taxation of imports. Action

in this field should, therefore, be considered in the context of the reduction of customs tariffs discussed in Section I above or, as appropriate, in the context of the reductions of fiscal charges, discussed in Section IV below.

17. In discussing the proposals submitted by the Federation of Rhodesia and Nyasaland in COM.III/W.17 the Working Party noted that the notifications which contracting parties were required to make for the purpose of examining the operation of Article XVII had been found by the Panel of Subsidies and State Trading to be inadequate; they were particularly inadequate for the purpose of evaluating the effect of such practices on the exports of less-developed countries. The Committee agreed that at its next meeting in April/May it should consider the adoption of a supplementary questionnaire specially designed to elicit information on the actual operation of State monopolies and their effects on the expansion of the trade of less-developed countries and on the implementation of their development plans. The Committee requested that contracting parties submit proposals on, and questions for inclusion in, the questionnaire, which the secretariat should correlate and consolidate and have ready at that meeting.

Subsidies

18. The Committee noted the statement made by the CONTRACTING PARTIES in the Declaration concerning the effect of subsidies on the market opportunities of less-developed countries. In the proposals submitted by the Federation of Rhodesia and Nyasaland attention was drawn to the danger that producers faced with surpluses of raw tobacco might be tempted in future to consider the subsidization of exports. The Committee agreed that, if such a situation should develop it might be brought to the Council for consideration in the light of the Decision of 7 December 1962. The Committee noted, however, that the CONTRACTING PARTIES would carry out a review of the operation of Article XVI in 1962 and suggested that the Federation should submit any specific proposals to the CONTRACTING PARTIES for consideration in that connexion.

IV. Revenue Duties and Internal Taxes

19. As noted in the Committee's special report (L/1557) it had been stressed that high fiscal charges, either in the form of revenue duties or of internal taxes constituted major barriers to certain important traditional exports of less-developed countries such as coffee, tea, cocoa and tobacco, and for some of the new exports of manufactured consumer goods. It noted that in the case of coffee, tea and cocoa, these taxes applied only to imports from less-developed countries since there was no domestic production in the importing countries. The CONTRACTING PARTIES noted in the Declaration that the removal or considerable reduction of such levies in industrialized countries would be a useful contribution to the foreign exchange earning capacity of less-developed exporting countries. In the proposal submitted by the Federation of Rhodesia and Nyasaland (COM.III/W.17) attention was called to the maintenance by some tobacco producing countries of substantially lower internal taxes than import

duties and to the resultant protection thus afforded to uneconomic domestic production. The Committee considered that this matter should be considered in the context of the reduction of customs tariffs discussed in Section I above. It was suggested by a member of the Committee that it should consider proposals in this field, such as the proposal which his Government at present had in mind, that is, for the reduction of all such revenue duties and internal taxes affecting cocoa, tea and coffee by 50 per cent in 1963 and by another 50 per cent in 1965. The first reduction would provide an opportunity for studying the effect of the lowering of prices on the level of consumption, and for assessing the value of the reduction to the exporting countries. The Committee considered that it would be opportune for it to examine at its April/May meeting any such precise plans as might be proposed.

V. Trade Barriers Affecting Exports of
Tropical Products

20. The attention of the Committee was called to the proposal made by Nigeria at the ministerial meeting for duty-free entry for tropical products. The Committee recalled the directive of the CONTRACTING PARTIES that it should bear in mind the view of most Ministers that, in establishing specific programmes of action, the question of duty-free entry for tropical products should be given careful attention. In discussing arrangements which should be made for giving effect to this directive, the Committee noted various factors relevant to the trade in tropical products and heard the views of many members. The United States delegation pointed out that at present solutions to various aspects of the problem were being sought in a number of different forums, the overall situation being in a state of flux, and therefore proposed that a special group should be established to conduct a fundamental review of the general problem of trade in tropical products throughout the world, including impediments to such trade, methods for improving trade patterns and practices, the relation of such trade to economic development and to efforts to assist such development; that the group should, as appropriate, then prepare proposals on how such trade should be conducted; and that the group should consist of government representatives at a senior level.

21. Many members of the Committee welcomed this initiative and considered it to be a constructive and valuable approach. Some members of the Committee noted that, whilst it was entirely up to the governments concerned to decide at what level they should be represented on any international meeting, it would be appropriate for the Committee to stress the desirability of a high level of representation being provided for this Group, having regard to the nature of the matter under discussion. These members indicated that they would be prepared to recommend to their governments accordingly.

22. In the light of this discussion, the Committee agreed to submit for the approval of Council the establishment of a Special Group on Trade in Tropical Products with the following terms of reference and membership:

Terms of reference

Taking into account all factors bearing on present and future problems in international trade in tropical products (cocoa, coffee, tea, vegetable seeds and oils and tropical timber), to consider ways of overcoming difficulties confronting less-developed countries exporting these products and to make appropriate proposals bearing in mind, among other things, the Conclusions of the ministerial meeting and the Decision of 7 December 1961.

Membership

Brazil	India	Sweden
Ceylon	Indonesia	United Kingdom
EEC	Nigeria	United States
Ghana		

In addition to these members, the associated States of the EEC should be invited to participate in the work of the Group and to nominate a spokesman for this purpose.

23. The Committee suggested that the Group should be convened to meet prior to the next meeting of the Council in May 1962.

VI. Other Work of the Committee

24. In the original programme of work of the Committee set out in COM.III/1, there were envisaged certain other activities aimed at exploring ways and means of expanding exports of less-developed countries. The Committee at its April/May meeting should, insofar as time was available, continue with any such work which had not been accomplished. In particular, the Committee considered that, in the light of the study which it had carried out of the Indian Third Five-Year Plan, it should take up any other such plans which might have been made available by contracting parties for this purpose and the examination of which had by that time become practicable.

VII. General Comments

25. The Committee was aware that the effects of reductions of the various types of trade barriers were inter-related. Only for practical convenience had they been dealt with separately by the Committee. It was to be hoped that the work of the Committee, when it got under way in April/May, would result in advances on all fronts. As a matter of general safeguard, the Committee wished to stress that the removal of any particular type of barriers should not be accompanied by the introduction or intensification of any other type or types of barriers so that the effect of the advance would be impaired or nullified.

26. By the Decision of 7 December 1961, the Committee was also asked to draw up procedures for notifying and reviewing action taken by contracting parties in accordance with the programmes established by the Committee. This work evidently could not substantively be started until the programmes of action took shape. The Committee, therefore, agreed that the matter should be taken up also at the April/May meetings. The secretariat should, in the meantime, prepare itself so as to be in a position to meet the demand of the Committee for advice and suggestions.

