

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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

THE POSSIBILITY OF RESTRUCTURING THE TARIFFS OF
THE DEVELOPED COUNTRIES WITH A VIEW TO ENABLING
THEM TO MAKE CONCESSIONS MEANINGFUL TO THE TRADE
OF THE LESS-DEVELOPED COUNTRIES

Note by the Secretariat

1. At the last meeting of the Sub-Committee the representative of India recalled that his delegation had earlier pointed out that the structure of existing tariff classifications was such that much of the benefit of tariff reductions would go to the developed countries. It was agreed that the secretariat should prepare a working paper in consultation with India and other less-developed countries, taking into account the offer by the Customs Co-operation Council in the Manufactures Committee of United Nations Conference on Trade and Development to produce a study on this subject.
2. It is understood, however, that the work of the Customs Co-operation Council which is technical in nature, is still in an early stage and that no results are yet available.
3. After consulting with India and certain other interested less-developed countries, the secretariat understands that the sense of the proposal is as follows.
4. The customs tariffs of most developed countries are so structured that they indicate specifically and separately only the main lines of primary products exported by the developing countries (on which, in their own interest, the developed countries usually apply no or only low rates of duty) and not the other sectors in which the developing countries have distinct possibilities for development of trade. When concessions to the trade of developing countries are requested from the developed countries, they often argue that such concessions would benefit the developed countries more than the developing countries. This arises from the nature of their tariff structures in which no attempt has so far been made to classify separately the items of interest primarily to the developing countries.

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There is, therefore, urgent need for the developed countries to restructure their tariffs with a view to specifying separately, and in detail, the items for export interest to the developing countries. This action should be completed well before the end of the Kennedy Round, so that concessions meaningful to the trade of the developing countries could be made by the developed countries before the Kennedy Round is over. Some of the features of the tariff structures of the developed countries in relation to the items of export interest to developing countries are given below.

5. Tea in bulk is generally admitted duty free but tea in consumer packets is subjected to duty though the added value in the latter is no more than the cost of packing. Again, tea essences (or soluble tea or coffee) are classified with food essences and not as a product of tea on which the duty should be proportionate to the duty on bulk tea. In the case of coir also, while fibre and yarn are generally admitted duty free, simple coir mattings and other coir manufactures are classified along with highly priced woollen and other floor covering and attract high rates of duty.

6. While for purposes of tariff classification a distinction is easily made in the case of certain hand-made products (such as hand-made paper and hand-knotted carpets), in many cases no attempt has been made to specify separately hand-made products (such as handloom fabrics and garments, hand-made footwear and leather goods). Similarly, simpler manufactures and labour-intensive intermediates (such as textiles, transistors and diodes and iron castings) are often classified along with sophisticated manufactures on which high protective duties are levied.

7. The tariffs of the highly-developed countries should therefore be restructured with a view

(a) to separating those products which are of export interest to less-developed countries from those exported by industrialized countries, and

(b) to securing, during the course of multilateral negotiations, the elimination or very substantial reduction of duties levied by the highly-developed countries on products of export interest to less-developed countries, and the elimination or reduction of differential duties on these products in their semi-processed and processed forms.

8. Among the interested less-developed countries, India has already supplied the secretariat with some specific proposals for the restructuring of tariffs along the lines mentioned above. It is suggested that other less-developed countries which have specific suggestions to make should transmit these to the secretariat which would make arrangements for their distribution in a suitable form.