1. The Working Party's terms of reference were:

"To identify and describe, on the basis of the material available, the main obstacles to the expansion of exports of less-developed countries, in order to assist the Committee in carrying out its mandate and, in particular, the task set out in Section 2(i) of the First Report of Committee III (document COM.III/1)."

2. The Working Party examined the documentation provided on the first list of eleven commodities on a product-by-product basis and noted for each product the principal obstacles that appeared to exist and the countries where they appeared to exist. The Working Party agreed that detailed analysis and assessment of these obstacles and the practical measures which might be taken to reduce those obstacles were matters which would fall within the purview of the Committee itself.

3. The following paragraphs summarize those points to which the Working Party gave attention and on which the Working Party agreed that full examination by the Committee was required.

**COTTON MANUFACTURES**

**Tariffs**

4. The Working Party noted the tariff levels operating in Australia, Austria (many items between 26 and 30 per cent ad valorem), Brazil (most items at 120 per cent ad valorem), Canada (some items between 25 and 30 per cent), France (20-22½ per cent ad valorem on fabrics), Norway (many items between 25 and 30 per cent ad valorem) and United States (maximum duty on grey cloth, generally 27½ per cent, with, for example, a duty of approximately 20 per cent ad valorem on rough certain types of cloth exported by some of the less-developed countries).

5. The attention of the Working Party was also drawn to the preferential tariff systems operated by some countries and to the fact that the high tariff in some countries represented the only form of protection while more moderate tariffs in others were associated with other forms of restrictions.
Quantitative Restrictions

6. The attention of the Working Party was drawn to the quantitative restrictions in force in a large number of countries. Attention was also drawn to the additional damage caused to trade by the discriminatory application of import licensing restrictions imposed by some countries. In some cases, in particular France, imports from areas outside the OEEC were severely restricted and regulated through bilateral agreements.

Revenue and Internal Fiscal Charges

7. The attention of the Working Party was drawn to the levels of internal taxes operating in, for example, France and Germany; even though these internal taxes were applied equally to home produced and imported goods, nevertheless the total incidence on imported goods of the tariff and the internal tax in the view of some members constituted an additional obstacle to exports from less-developed countries.

Other Measures

8. The attention of the Working Party was drawn to "one country content" rules such as those operating in the Belgian Congo, where the requirement of a 50 per cent content adversely affected the exports of cotton manufactures from those countries which did not grow their own cotton.

LEAD

Tariffs and Quantitative Restrictions

9. The attention of the Working Party was drawn to the obstacles to the development of further processing of raw materials in less-developed countries by the use of differential tariff rates on imports of processed material practised by industrialized countries and by the operation of quantitative restrictions which were far more severe and widespread in respect of processed products than for the raw material. Attention was also drawn to the discrimination against some areas in the application of quantitative restrictions.

10. The Working Party which drew attention to the matter, did not at this time wish to pursue discussion on the question of the import quotas operated by the United States, in view of the fact that a multilateral solution to the problem was being sought.

11. Attention was also drawn to the fact that lead was one of the items on List G annexed to the Common Market Treaty and that the common tariff on this item had not yet been established.

TIMBER

Tariffs

12. The attention of the Working Party was drawn to the preferential tariff systems operated by some countries.
Quantitative Restrictions

13. Attention was drawn to discrimination against certain areas in the application of quantitative restrictions. Such discrimination was particularly evident in the application of restrictions by France who had liberalized imports of some processed timbers from the United States, Canada and the OEEC countries while imports of other types of processed timber were liberalized only from OEEC sources.

OIL SEEDS AND VEGETABLE OILS

Tariffs

14. The attention of the Working Party was drawn to the preferential tariff systems operated by some countries which resulted in, for example, a preference of 12½ per cent being granted to the exports of castor oil from some areas to the United Kingdom and a preference of 15 per cent on many other types of oil.

15. Attention was also drawn to the obstacles to the development of processing of oilseeds in the producing countries through the differential import duties imposed by many of the industrialized countries on processed products. For example, the duty on raw coconut in France was 5.4 per cent, while the duty on coconut oil was 13.5 per cent; duties on imports of cotton seed, soya beans, groundnuts, rapeseed, sesame seed, were suspended in that country while imports of oils produced from these oilseeds carried duties of 16.2 per cent. The specific duty on imports of castor beans into the United States had an ad valorem incidence of 3.8 per cent while the duty on castor oil was 9 per cent ad valorem.

Quantitative Restrictions

16. Attention was drawn to the severe and widespread quantitative restrictions imposed by many countries on imports of processed products, which restrictions, combined with the higher tariff levels on processed products mentioned in the preceding paragraph, prevented the development of processing industries and a consequent diversification of the exports of less-developed countries.

17. Attention was also drawn to the discriminatory application of the import restrictions imposed by, for example, Benelux on imports of crude castor oil.

Revenue and Internal Fiscal Charges

18. The attention of the Working Party was drawn to the levels of internal taxes applied by a number of countries; even though these were applied equally to home produced and imported goods, the total incidence on imported goods of the tariff and the internal tax constituted in the opinion of some members an additional obstacle to exports.

State Trading and Monopolies

19. Attention was drawn to the activities of the French Central Purchasing Organization (SIOFA) which created a barrier against the trade in groundnuts.
Other Measures

20. Attention was drawn to the German regulations on proportions of rapeseed to be used by crushers. In addition, subsidies on production of soya beans in many European countries represented a barrier to trade in other oil seeds.

JUTE MANUFACTURES

Tariffs

21. The attention of the Working Party was drawn to the tariff levels imposed on jute manufactures, particularly sacks and bags, in many countries. Duties of 28 to 40 per cent ad valorem were commonly imposed and, in some cases, even higher tariff levels were in operation; these in the opinion of some members presented obstacles to the development of processing industries in the less-developed countries which were producers of raw jute.

Quantitative Restrictions

22. Attention was drawn to the widespread and, in some cases, severe quantitative restrictions imposed by some countries, for example, Australia, Denmark, France, Finland, the Federation of Rhodesia and Nyasaland, Sweden and New Zealand, and to the discriminatory application of these restrictions against some areas by certain countries such as France and Sweden.

Revenue and Internal Fiscal Charges

23. Attention was drawn to the levels of internal taxes applied by a number of countries against manufactures such as carpets, sacks, bags, etc., which, together with the levels of import duties and the severe quantitative restrictions, constituted a grave impediment to the development of the export trade of the less-developed countries in these products.

State Trading

24. Attention was drawn to the activities of the Jute Control in the United Kingdom in relation to the trade of India and Pakistan. It was noted that this question was under constant review by the countries concerned.

COPPER

Tariffs and Quantitative Restrictions

25. The attention of the Working Party was drawn to certain protective duties and to other obstacles to the development of processing raw copper in less-developed countries by the differential tariff rates practised by some industrialized countries, through the operation of certain preferential systems, from the effects that would result from the creation of the Common Market and by the operation of quantitative restrictions which were more severe in respect of processed products than for the raw material. Attention was also drawn to the discrimination against some areas in the application of quantitative restrictions.
Other Measures

26. Attention was drawn to the adverse effects on the trade of less-developed countries which could result from the release of copper from stockpiles in industrialized countries, and to the desirability of consultations before such release. Attention was also drawn to the United States' embargo on exports to certain areas of the raw material of less-developed countries which had been processed in the United States. Finally, attention was drawn to the support which was given to less economic producers in certain parts of the world, which contributed to the difficulties of disposal of world supplies of copper.

COCOA

Tariffs

27. The attention of the Working Party was drawn to the preferential tariff systems operated by some countries which resulted in, for example, margins of preference at current prices of 1 per cent for exports of cocoa beans and various cocoa products from certain areas to the United Kingdom. In addition, new preferences would arise as a result of the creation of the EEC.

28. Attention was also drawn to the obstacle caused to the development of processing of cocoa in the producing countries by the differential tariff rates against imports of cocoa products as against cocoa beans in industrial countries. For example, cocoa beans were admitted free of duty into the United States and all the Benelux countries, whereas cocoa powder, paste and butter were dutiable upon importation into the United States at rates equivalent to 4.2, 2 and 6½ per cent respectively, and imports of cocoa butter and paste into Benelux countries were subject to duties at 6 and 10 per cent respectively.

Quantitative Restrictions

29. The attention of the Working Party was also drawn to the similar effects arising from the discriminatory operation of the quantitative restrictions applied by some industrial countries. For example, imports into France and Italy of cocoa beans were not subject to restriction, whereas the import of cocoa products into France was subject to quota restriction and that into Italy was liberalized for O.E.C countries only.

Revenue and Internal Fiscal Charges

30. The Working Party noted that, according to the information supplied by one of its members, there was in Italy a revenue duty on cocoa equivalent to 69 per cent ad valorem.

COTTON

Quantitative Restrictions

31. The attention of the Working Party was called to the import restriction operating in the United States on various types of cotton, which seemed to impair the advantages that might be derived by exporting countries from the
duty-free treatment in the tariff field. Some members of the Working Party mentioned that in their opinion price support schemes tended to maintain the production of a commodity in which some less-developed countries had a competitive advantage and which offered therefore a suitable field for expansion of their export earnings. They further noted that through special financing facilities an artificial stimulus was being given to exports.

32. Attention was also drawn to the fact that imports of cotton into Italy were liberalized for the OEEC countries and dollar area only.

**TEA**

**Tariffs**

33. The attention of the Working Party was drawn to the rather high rate of duty in some countries already and to the duty of 35 per cent ad valorem proposed for the EEC common tariff. This proposed rate would seem to relate more closely to the present tariffs of Germany and France where tea was not commonly consumed, than to the present tariff of the Netherlands where tea was a popular beverage.

**Revenue and Internal Fiscal Charges**

34. The attention of the Working Party was drawn to the charges which were applied in a number of countries under a variety of names, such as turnover tax, turnover equalization tax, internal consumption tax, transmission tax, revenue duty, commodity tax, and "taxe unique". Whatever they may be called, the total incidence of tariffs and of such charges, in the view of some members of the Working Party, they would always have the effect of limiting or reducing the consumption of tea.

**COFFEE**

**Tariffs and Revenue and Internal Fiscal Charges**

35. The attention of the Working Party was drawn to the level of internal taxes operating in France, Germany and Italy which, together with the tariff rates imposed and, by relating the specific duties and taxes to the average import prices prevailing in the first half of 1959, resulted in an overall level of taxation on imports of coffee into these countries, expressed in ad valorem equivalents of 77.5 per cent, 107.8 per cent and 114.6 per cent respectively. This, in the opinion of some members, discouraged consumption in these countries and adversely affected the development of exports of less-developed countries.

36. Attention was also drawn to the preferential tariff systems operated by some countries which resulted in, for example, a margin of preference of 3 per cent for exports of coffee from certain areas to the United Kingdom. In addition, new and substantial preferences would arise from the creation of the European Economic Community. It was pointed out that, while heretofore only France applied preferences, they might now be applied by all the members of the European Economic Community.
Quantitative Restrictions and State Trading

37. Attention was drawn to the effects of the discriminatory import restrictions applied by France, which imposed quantitative restrictions on imports from areas outside the European Economic Community, and to the high level of taxation implied in the prices charged by some State monopolies.

TOBACCO

38. The attention of the Working Party was drawn to the effects of the tariff increases and preferences created by the European Economic Community, to the possibility that the area to which these tariff preferences applied might be extended and to the inclusion of this commodity in annex 2 of the Treaty of Rome.

39. Attention was also drawn to the extent of the use of State-trading monopolies, price-support systems, mixing regulations, internal taxes, non-commercial transactions and preferential tariff systems, all of which complicated the international trade in tobacco, and many of which represented important obstacles to the development of exports of less-developed countries. The Working Party did not indicate at this stage which of these many measures might be considered by the Committee.