Committee III - Expansion of Trade

DRAFT FIFTH REPORT OF COMMITTEE III

Part I

1. Since presenting its Fourth Report to the CONTRACTING PARTIES (BISD, 9th Supplement, pages 144 seq.), the Committee has met on four occasions, namely (1) during the seventeenth session, to consider its future work programme; (2) from 21 to 28 March 1961, to consider the best ways of implementing the Committee's work programme and to draw up arrangements for the study of development plans (see L/1435); (3) from 5 to 9 June, to carry out an examination of the trade and payments aspects of the Third Five-Year Plan of India (see L/1510); and (4) from 11 to 16 September, to undertake an examination of obstacles confronting less-developed countries in expanding exports with respect to a third list of products and to review recent progress made by contracting parties in eliminating obstacles to an early expansion of export earnings of less-developed countries. At its September meeting the Committee also proceeded with an assessment of its work since it first met in March 1959. In its assessment the Committee noted that in comparison to the magnitude of the problems which had been identified as confronting the export trade of less-developed countries, little progress had been made in their reduction or removal. The Committee therefore considered that further possibilities for the removal or reduction of obstacles to the trade of less-developed countries should be considered at the policy level. Having this in mind, the Committee drew up a separate report which summarizes the major findings of the Committee and indicates further lines of action which the CONTRACTING PARTIES might wish to consider (see L/1554).

Part II

Review of progress made by individual contracting parties

2. As decided during the meeting of 21 to 28 March 1961, the Committee conducted a review of the progress made by individual contracting parties in reducing or removing obstacles to the expansion of trade of less-developed countries with respect to all of the products which had been selected by the Committee for detailed study. This review covers the period since the Committee drew up its Fourth Report which was submitted to the seventeenth session of the CONTRACTING PARTIES in November 1960.

Coffee

3. In its examination of the progress made in reducing obstacles to the export of coffee, the Committee noted that in June 1961 the Government of Finland had reduced by approximately one-half the customs duties on coffee. Shortly prior to the reduction of these duties, Finland had liberalized imports of coffee
and coffee preparations. The Government of Uruguay reported that imports of coffee were now permitted without deposit or surcharge. As from 1 July 1961 the Government of Japan included instant coffee, coffee extract and coffee essence and other similar preparations in the Automatic Fund Allocation System. It was noted by the Committee, however, that the Bill proposing the reduction of the internal tax on coffee, which had been under consideration by the parliament of the Federal Republic of Germany and had been referred to in previous reports of the Committee, had been rejected.

Cocoa

4. The Committee noted that in October 1960 Japan liberalized the import of cocoa beans. Italy liberalized imports of cocoa and its derivatives from all less-developed GATT countries. Norway liberalized imports of cocoa powder as from 1 May 1961.

Tea

5. The Committee noted that no progress had been made on the removal of barriers confronting exports of tea during the period under review. Also the Bill proposing the reduction of the internal tax on tea, which had been under consideration by the parliament of the Federal Republic of Germany, had been rejected.

Cotton and cotton manufactures

6. The Federal Republic of Germany liberalized the importation of a number of cotton manufactures with effect from 1 January 1961. In April 1961, Japan added raw cotton and a number of cotton manufactures to the Automatic Approval System. The importation into Italy of cotton manufactures is now free from restrictions from all less-developed GATT countries. Effective 1 May 1961, Norway liberalized a number of cotton manufactures. Effective 1 July 1961, Denmark liberalized certain cotton manufactures.

7. The Committee noted that following a request by the United States Government, a meeting of countries substantially interested in trade in cotton textile products took place in July 1961 under the auspices of GATT. Following those discussions, some increased access to markets where imports are at present subject to restrictions can be expected.

Jute manufactures

8. The importation of jute manufactures into Italy has been freed from import restrictions from all less-developed GATT countries and the importation of jute yarns has been liberalized in Finland. Annual global quotas in the Federal Republic of Germany for woven fabrics of jute and jute bags have been increased from DM.4.75 million in 1960 to DM.6.75 million in 1961.

Timber

9. In Switzerland, the system of import permits for timber was abolished in December 1960. The importation into Italy of wood in the rough and building board of wood pulp has been freed of restrictions from all less-developed GATT countries.
Tobacco

10. The combined incidence of basic and additional tax on tobacco in Finland was reduced to 65 per cent of the retail price of tobacco in January 1961. Effective 1 July 1961 the last remaining monopoly controls on the importation and sale of tobacco were removed in Sweden.

Lead

11. With effect from 1 January 1961 the Federal Republic of Germany put into operation a tariff quota for "unwrought lead" (50,000 tons - free) under the Rome Treaty.

Vegetable oils

12. A global quota for vegetable oils amounting to 5,000 tons was opened for 1961 by the Federal Republic of Germany. The United States in April 1961 abolished the import fees on imports of flaxseed, linseed oil and vegetable oils.

Light engineering goods

13. Turkey announced in October 1960 a new liberalization list which included sewing machines. In April 1961, Japan added household sewing machines and heads thereof and electric fans to the Automatic Approval System. At the same time, Japan added certain types of bicycles and certain types of diesel engines and electric motors to the Automatic Fund Allocation System. Effective 1 May 1961, Norway liberalized certain internal combustion piston engines.

Aluminium, alumina, etc.

14. In October 1960, Japan liberalized the import of aluminium ore and concentrates and alumina. In June 1961, Japan added aluminium ingots and slabs, including aluminium alloys to the Automatic Approval System. In October 1960, Turkey liberalized raw aluminium and in January 1961, liberalized the import of aluminium powder and washers for the manufacture of tubes. With effect from 1 January 1961, the Federal Republic of Germany put into operation a tariff quota for "110,000 tons of unwrought aluminium" (5 per cent) under the Rome Treaty.

Finished leather and leather goods

15. France removed the remaining restrictions on leather gloves in October 1960. Also in October 1960, Japan liberalized the import of certain leather footwear. The annual global quota for neat leather was increased by the Federal Republic of Germany for 1961 by 20 per cent. Effective 1 April 1961, Norway liberalized travel goods and other similar articles of leather, leather gloves and articles of glove leather. Effective 1 July 1961, Denmark liberalized certain leather footwear.
Sports goods

16. In October 1960, sport and games requisites were placed on open general licence in Burma and in October 1960, Japan liberalized the import of certain toys and games. In December 1960, Denmark liberalized the import of certain sporting goods.

17. While expressing appreciation for the measures which had been taken by individual contracting parties to reduce or remove obstacles to the expansion of exports of less-developed countries, members of the Committee, particularly members representing the less-developed countries, expressed disappointment that greater progress had not been made. With few exceptions, the most notable of which was the substantial reduction of Finnish import duties on coffee, progress had been mainly confined to the removal of quantitative restrictions, undertaken largely as a result of the emergence from balance-of-payments difficulties of a number of contracting parties. As welcome as those measures were, the Committee expressed regret that on the whole little progress had been made in the reduction or removal of other barriers which had been identified by the Committee as constituting serious obstacles to an expansion of exports of less-developed countries. For example, no progress had been made in the reduction of the high internal charges imposed on tropical beverages by certain Western European countries although these internal charges were widely recognized as constituting a major obstacle to trade in those products.

Part III

Examination of obstacles with respect to a third list of products

18. In undertaking an examination of obstacles facing less-developed countries in expanding exports of the commodities included in the third list of products (coir manufactures, canned and preserved fish, copper rollings, ferro-manganese, ferro-chrome and steel furniture), the Committee had in mind the urgent necessity for less-developed countries to increase their export earnings from exports of manufactures and semi-manufactures which less-developed countries were in a position to produce on an economic basis as well as those of traditional products. The establishment or expansion on a sound economic basis of the processing of locally produced raw materials constituted not only one of the most effective means for less-developed countries to increase their foreign exchange earnings but contributed also to an enlargement of employment opportunities and led to a desirable diversification of the economies of less-developed countries.

Coir manufactures

19. The Committee had in mind that the export earnings from coir manufactures were of considerable importance to a number of less-developed countries and that coir fibre was a raw material which was produced exclusively by less-developed countries. Since the coir industry did not require any large capital investment and any specialized technological skills, the industry provided an important, and in certain areas, the principal, means of employment. The Committee noted that, on the basis of available raw materials

1 The Committee postponed the examination of cement and phosphates, which had been included in the third list, until a later meeting of the Committee.
end labour supply, less-developed countries would in many instances be able to expand production with but little extra effort, given opportunities for increased access to foreign markets. The Committee recognized that the stagnation or even decline in exports of coir manufactures which had been experienced by some less-developed coir-producing countries was in part due to increasing competition from similar products of other materials. On the other hand, new uses for coir were constantly being found and it was felt that even further uses could be expected to arise given more favourable import treatment in importing countries.

20. Having those considerations in mind, the Committee noted that more than one half of the forty-one countries examined, including most of the industrialized countries, had tariffs on all or most items of coir manufactures of 20 per cent ad valorem or more. Quantitative restrictions on some or most coir manufactures were imposed by more than one third of all countries examined by the Committee including several countries in Western Europe. The Committee considered that the widespread use of high tariffs and quantitative restrictions imposed on coir manufactures, sometimes supplemented by internal fiscal charges falling on the imported product, had the effect of limiting the market for imported coir manufactures. Members of the Committee appealed to contracting parties to review at an early date the treatment granted to imports of coir manufactures, bearing in mind the important contribution which an expansion of exports of coir manufactures from less-developed countries would make to the foreign exchange earnings and the development of those countries, and the opportunities afforded by the present favourable economic conditions in most industrialized countries for an early relaxation of restrictive import policies.

Steel furniture

21. The Committee noted that with the expansion of their steel production, some less-developed countries had undertaken the production of steel furniture. Since the production of steel furniture did not call for any highly specialized technological skills and since raw materials and the supply of labour were readily available domestically, the production of steel furniture in these less-developed countries was meeting with considerable success and consequently provided an important means of employment. The Committee recognized that although domestic markets in the less-developed producing countries themselves could to a large extent absorb their domestic production, nevertheless it was desirable for these less-developed countries to find outlets in world markets, in view of their growing need to increase foreign exchange earnings.

22. The Committee also recognized that one of the major obstacles to the export of steel furniture was the high transport cost involved. Being confronted with this major barrier, the added obstacles resulting from various trade measures including high tariffs, quantitative import restrictions and high internal taxes imposed by many countries made exports of steel furniture from less-developed countries extremely difficult. The Committee noted that such barriers were not only maintained by other less-developed countries who found it necessary to protect their inadequate exchange reserves position, but also by a number of industrialized countries. It was noted in particular that the incidence of import duties applied by industrialized countries on steel furniture were often as high as 30 per cent or more.
23. It was pointed out that the world export market for metal furniture in general was not very large and that most of the industrialized countries produced metal furniture. In many instances, the importation of items ready for assembly or of components was more easily accomplished and was more economically feasible than the importation of finished furniture. Styling and design of furniture were increasingly integrated with the interior décor and architecture of the building and often required frequent product adaptation, which might be difficult to accomplish for producers distant from the market. Thus, major barriers to trade expansion appeared to be competitive conditions in the industry and heavy transportation costs. In these circumstances, it appeared that the prospects for the development of external markets for steel furniture produced by less-developed countries would seem to be in nearby markets not involving heavy shipping costs.

24. The Committee considered that a reduction of high import duties and other barriers restricting imports of steel furniture, desirable as such action might be, would in the first instance accrue to the benefit of the industrialized countries. It was felt nevertheless that contracting parties, particularly industrialized countries, in their efforts to assist less-developed countries in expanding their export trade, should consider what measures they could take to aid less-developed countries in expanding exports of such newer lines of exports which these countries were now in a position to supply.

Ferro-chrome and ferro-manganese

25. The Committee had in mind that although a number of less-developed countries had considerable potential for the production of ferro-chrome and ferro-manganese, only a few less-developed countries had started to export these commodities to any significant extent. Only one less-developed country, the Federation of Rhodesia and Nyasaland, participated significantly in the world export trade of ferro-chrome, accounting for approximately 7 per cent of total world exports of this commodity in recent years. The Committee recognized that, given more liberal access to foreign markets, particularly markets of major industrial countries, the Federation of Rhodesia and Nyasaland, and possibly other less-developed countries, would be in a position to increase exports significantly following further investment in the industry. The Federation of Rhodesia and Nyasaland possessed probably the largest proven reserves of chrome ores of any country in the world and there was also available domestically a plentiful supply of high-grade iron ores and cheap electricity, following the recent completion of the Kariba dam hydro-electric power project.

26. The Committee noted that of the forty-one countries examined by the Committee approximately one fifth had import duties of 20 per cent ad valorem or more on some or most types of ferro-chrome and approximately one half of the countries examined, including a number of major industrial countries, had duties of 7 per cent ad valorem or more. Quantitative import restrictions on ferro-chrome were applied by eleven countries.
27. With respect to ferro-manganese, the Committee noted that only three less-developed countries (India, Chile, and Brazil) had in recent years participated to any significant extent in the world export trade of this commodity. Together, these countries accounted for approximately four per cent of total world exports. The Committee recognized that on the basis of resource availabilities in these and other less-developed countries, for example the Federation of Rhodesia and Nyasaland, these countries could be expected to become increasingly important as suppliers of ferro-manganese given possibilities for more liberal access to markets particularly in the industrialized countries. It was noted that an expansion of exports of ferro-manganese from less-developed countries was being favoured by the increasing availability in these countries of the necessary transport and handling facilities and of electric power for the processing of manganese-ores before shipment from the mining sites. While it was recognized that an expansion of production and exports would require further investment in the industry, prospects for such investment to come forth appeared to be good provided increasing market possibilities could be found. It was pointed out in this connexion that markets in the less-developed countries producing ferro-chrome and ferro-manganese were by necessity small or non-existent since these materials found their main use in specialized industrial applications.

28. Having these considerations in mind, the Committee noted that more than one third of all countries examined by the Committee, including a number of industrialized countries, imposed duties of 7 per cent ad valorem or more on some or most imports of ferro-manganese. Almost one third of all countries examined maintained quantitative restrictions on imports of ferro-manganese. The Committee expressed the hope therefore that contracting parties would find it possible to examine at an early date possibilities for a reduction or removal of high tariff barriers and quantitative restrictions, whose these were in force, with a view to assisting less-developed countries in expanding exports of such products as ferro-chrome and ferro-manganese which these countries, on the basis of locally available raw materials, were well fitted to supply.

Copper Rollings

29. The Committee had in mind that copper was of great importance to many less-developed countries as a source of foreign exchange earnings and accounted for a large or major share of total exchange earnings for at least three less-developed countries (Chile, the Republic of the Congo, Leopoldville, and the Federation of Rhodesia and Nyasaland); for example, exports of copper from the Federation of Rhodesia and Nyasaland had, in 1960, accounted for nearly 60 per cent of total export earnings.

30. The Committee recognized that it was of great importance to less-developed copper-producing countries to undertake as much processing of the raw material within their own borders as was possible and economically feasible. The Committee welcomed the progress which had been made in recent years by certain less-developed copper-producing countries in increasing the proportion of refined copper in total copper exports. The Committee noted plans by less-developed countries to undertake the manufacture, for local use and for export, of such items as copper rod, plate, sheet, and strip, as well as copper wire and copper tubing.
31. The Committee noted that of the forty-one countries examined, only one quarter had duties of less than 5 per cent ad valorem on, for example, copper plate, sheet, and strip; about one half, including a number of industrialized countries, had duties of 10 or more per cent, and at least seven countries had rates of duty on these products in excess of 20 per cent ad valorem. With respect to copper wire and copper tubing, the incidence of customs duties was, on the whole, still higher. The Committee also noted that although imports of copper rollings into the major industrialized countries were, on the whole, free of import restrictions, import restrictions on some or all types of copper rollings continued to be applied by a large number of countries; more than one third of all countries examined by the Committee.

32. The Committee recalled in this connexion its findings with respect to copper, included in Annex C to the Committee’s Third Report (BISD, 9th Supplement, pages 133 and 134), and reaffirmed its view that copper-importing countries should give full attention to the effect which differential duties, according to the stage of processing, could have on the expansion or establishment of refining and processing industries in the copper-producing countries. Recognizing the important contribution which measures by importing countries could make to encourage the establishment of processing industries in less-developed countries by reducing or eliminating tariff and non-tariff barriers on the import of such items as copper rollings, the Committee asked contracting parties, particularly industrialized countries, to review their respective import policies with regard to these products and to give sympathetic consideration to the urgent needs of the less-developed countries and take appropriate action for assisting these countries to expand their foreign exchange earnings.

Fish (including prawns and shrimps) canned and in other airtight containers

33. In examining obstacles to an expansion of exports of fish preserves from less-developed countries, the Committee had in mind the contribution which the expansion of fishery industries and fish processing industries could make to the economic development and the foreign exchange earning capacity of less-developed countries. The Committee noted that, with a few exceptions, less-developed countries had not participated to any significant extent in the world export trade of fish preserves; all less-developed countries taken together had accounted for only approximately 10 per cent of world exports of fish preserves in recent years. Given further investment in the industry in less-developed countries, there appeared to be considerable scope for an expansion of production of fish preserves in these countries. The Committee recognized, however, that because of the limitations of the domestic market for such processed products by reason of inadequate per capita purchasing power, any significant increase in production would have to be exported.

1 "World exports" refers to exports from all countries except Eastern European countries, Mainland China and a few other Asian countries.
34. Bearing in mind the examination carried out by Committee II on fish, Committee III, in its examination, concentrated its discussion on prospects for expansion of shrimp exports from less-developed countries. The Committee noted, in this respect, that as a result of a growing market for this product in many developed countries, total world shrimp production had more than doubled since World War II. The immediate outlook in the industry was for continued growth. The Committee also noted that Asian countries accounted for about one half of the world total catch of shrimps but little of which was exported. The Committee welcomed that a number of less-developed countries had been able, in recent years, to increase production for export markets through the introduction of improved fishing and processing facilities and that provision had been made in the current development plans of, for example, India and Pakistan, for further increases in production and exports of fish products.

35. Having these considerations in mind, the Committee noted that about one half of all countries examined by the Committee had rates of duty on shrimps of 20 per cent ad valorem or more. Also quantitative import restrictions on shrimps were imposed by many countries, mainly less-developed countries.

36. The Committee, noting the large expansion of consumption and imports which had taken place in the postwar period, for example in the United States where imports of shrimps were free of restrictions and importable free of duty, invited contracting parties to review their import policies and systems with respect to shrimps and other fish products which less-developed countries were in a position to supply with a view to assisting these countries in expanding their exports of these commodities.