
2. At the meeting in Tokyo, the Committee agreed that there were four sections of work that should be dealt with at its meeting planned for March 1960. These four sections were (i) further examination of the matters discussed in the Second Report of the Committee (document L/1063); (ii) an examination of obstacles to trade in products other than those for which some examination had already been made; (iii) Section II(2) of the Committee's work programme (study of the possibility of channelling expansion of existing industries or starting of new industries by less-developed countries) set out in the First Report of the Committee (document COM.III/1); and (iv) Section II(3) of the Committee's work programme (study of measures which might be taken by less-developed countries to improve production and marketing techniques, etc.) set out in the First Report of the Committee (document COM.III/1).

3. The Committee agreed that the following points required study under the four sections of the work programme. On item (i) (examination of the matters discussed in the Second Report of the Committee), the Committee agreed that the further study should take the form of an examination of the trade effects of the particular measures which had already been identified by the Committee and an investigation of the possibilities of expanding trade through their rapid reduction or elimination. The Committee had indicated that it would be helpful if, where possible, less-developed countries were able to give an indication of the increase in exports of various items which they would hope to achieve as a result of the elimination of barriers to trade. On item (ii) (examination of obstacles to trade in products other than those for which some examination had already been made), the Committee agreed to determine the second list of products for examination. As regards items (i) and (ii), the Committee intended that the studies should be conducted objectively in the spirit of the common interest of all contracting parties in moving rapidly towards the basic objectives of Committee III.

4. Item (iii) (Section II(2) of the Committee's work programme set out in document COM.III/1) required the Committee to make 'a study of the possibility of channelling of expansion of existing industries or starting of new industries by
loss-developed countries into directions where such countries will be economically efficient producers." Paragraph 13 of the Second Report of the Committee noted that some less-developed countries had the investment and the technological resources for the processing of raw materials and were able to produce efficiently some manufactured goods. The Committee recalled that this same paragraph of the Second Report had recommended that "contracting parties, particularly industrialized countries, should urgently consider lowering barriers to the development of the export of such goods and should in their economic policies take into account the urgent need of less-developed countries to increase their export earnings and should so far as possible avoid hindrances to the import of such goods from such countries." The Committee at its Tokyo meeting therefore agreed to address itself to the question of the scope for industrialized countries to open their markets to exports of industrialized goods from less-developed countries, and the possibility which might exist for the reduction or removal of barriers in the industrialized countries. They also agreed to give due weight to the possibilities of the expansion of trade between the less-developed countries themselves. Item (iv) (Section II(3) of the Committee's work programme set out in the First Report of the Committee) required the Committee to "study measures which might be taken by less-developed countries ... to improve their own production and marketing techniques and to examine trade controls or other internal measures which might disrupt export or import trade between less-developed countries." The Committee had agreed at its Tokyo meeting that some time should be allowed for a preliminary examination of information and analytical comments on their experience in these matters which members of the Committee had been invited to submit.

5. At its meeting starting 14 March, the Committee had before it documentation submitted by the secretariat and by a number of countries, including both industrialized and less-developed, in which information was given on tariffs, quantitative restrictions, revenue duties and internal fiscal charges, State trading and other measures affecting the trade in the eleven products (listed in paragraph 2 of the Second Report of the Committee - document L/1063) on which the Committee had already had some examination. It also had before it background papers prepared by the secretariat on cotton manufactures (document COM.III/8) and on jute manufactures (document COM.III/18) and notes by the secretariat on the problems of marketing for less-developed countries (document COM.III/22) and the channelling of industrial expansion by less-developed countries into directions of efficient production (document COM.III/24).

6. The Committee took as the basis for the first section of its agreed work programme the recommendation contained in paragraph 14 of the Second Report of the Committee that "contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures applied by them with a view to facilitating an early expansion of the export earnings of less-developed countries." The Committee carried out a detailed examination of the measures applied in importing countries and already identified by the Committee at its September meeting and the findings of the Committee in regard to the eleven commodities concerned are recorded in the notes attached as Annexes A - K to this report.
In reaching the findings in these notes, the Committee examined possible detrimental effects on the export trade of less-developed countries of the following measures: the high levels of revenue duties and internal fiscal charges (e.g. coffee, tea and cocoa), differential tariffs against imports of processed goods in favour of raw materials (e.g. cocoa, vegetable oils, cotton textiles), tariff preferences, discrimination against less-developed countries in the administration of quantitative restrictions (e.g. timber) and severe quantitative restrictions which were in some cases discriminatory (e.g. cotton and cotton textiles, jute manufactures and vegetable oils), State monopolies (e.g. tobacco) and price-support policies (e.g. cotton). The Committee also found that for some of the products concerned, more than one of these main obstacles to expansion of trade existed. As a consequence the possible detrimental effects were cumulative. The Committee also noted the possible barrier to the expansion of the export earnings of the less-developed countries represented by the existing quantitative restrictions applied by the United States on lead but discussion was postponed since the difficulties affecting the producers, importers and exporters of lead were at present being studied by the United Nations Lead and Zinc Study Group.

7. The Committee carried out a detailed investigation of the progress towards modification or elimination of the obstacles since the adoption by the CONTRACTING PARTIES at their fifteenth session of the recommendation contained in paragraph 14 of the second report of the Committee (document L/1063). In this connexion, the Committee noted that (i) a Bill, initiated by a political party, proposing the reduction of internal consumption taxes on coffee and tea was at present under consideration by the Parliament of the Federal Republic of Germany; (ii) the Government of the Federal Republic of Germany had earlier increased its quotas for the importation of jute manufactures and had undertaken to abolish all quantitative restrictions on jute manufactures not later than 30 June 1964; (iii) import of jute yarns into the Federation of Rhodesia and Nyasaland had been decontrolled, the remaining import restrictions on jute manufactures would be removed in the near future and duties on jute manufactures had been suspended; (iv) the mark-up on the bulk of jute goods imported into the United Kingdom by the Jute Control had been reduced from 30 per cent to 20 per cent; (v) the further liberalization of imports into the United Kingdom from the dollar area (e.g. tobacco and most tobacco products and cotton goods) had taken place; (vi) the liberalization of imports of tropical timber into France from all sources was announced on 1 January 1960; (vii) imports of raw cotton into Italy was liberalized from all sources; and (viii) imports of coffee beans into Japan would be liberalized from all sources as from 1 April 1960.

8. The Committee considered that the generally favourable economic conditions now prevailing, and the rising demand in world markets for all types of goods, would permit a more rapid progress in the removal of restrictions on trade generally, and particularly those adversely affecting the exports of less-developed countries. It was pointed out that barriers maintained
by a number of industrialized countries tended to concentrate imports in those markets into which these goods could enter more freely. In this connexion, the Committee recognised that early progress in the removal of these obstacles would contribute to expansion of opportunities in other markets for the exports of less-developed countries. The more rational use of world resources and productive capacity resulting from the freer flow of products of less-developed countries would be to the economic advantage of all countries.

9. The Committee, noting again the request of less-developed countries that because of the nature and urgency of their problems, there should be a more dynamic approach to the attainment of the objectives of Committee III, recommended that contracting parties, particularly industrialized countries, in their consideration of the recommendation adopted by the CONTRACTING PARTIES at their fifteenth session (paragraph 14 of document L/1063), take into account the specific points recorded in Annexes A - K in relation to individual commodities. The Committee also recommended that individual contracting parties should, either at the sixteenth session or at the latest at the meeting of the Committee in September, report progress towards modification or elimination of obstacles, in order that the Committee may make a full report to the CONTRACTING PARTIES at the seventeenth session.

10. In regard to the second item of its work programme, the Committee agreed that the second list of products for examination should consist of the following:

(i) light engineering goods
   (a) bicycles
   (b) sewing machines
   (c) electrical fans (table and ceiling fans only)
   (d) diesel engines (up to and including 50 HP)
   (e) electrical motors (up to and including 50 HP)

(ii) vegetable or chrome tanned hides and skins, finished leather and leather goods

(iii) iron ores

(iv) aluminium, alumina and bauxite

(v) sporting goods

The Committee requested the secretariat to prepare draft summary schedules showing details on tariffs, quantitative restrictions, revenue duties and internal fiscal charges, State trading and other measures in force in relation to imports of these commodities. The Committee agreed that these draft summary schedules should be submitted to individual contracting parties for comment/amendment in sufficient time for the final versions to be available for the meeting of the Committee in September.
11. In discussion on the third item on the work programme (the channelling of expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers), the Committee recognized the necessity, which had been stressed in the experts' report "Trends in International Trade", for less-developed countries to increase their export earnings through trade in other than traditional products and the importance of diversification of the economies of less-developed countries. The Committee agreed that, if a thorough study of this section of the work programme was to be carried out, it was necessary for the Committee to be furnished with supporting information about plans which might exist in individual less-developed countries for development of individual products for the increase of their export earning capacity. It would also be necessary for the Committee to study whether there were any trade barriers which might stand in the way of export of these products. In the first instance, the Committee has included in the second list of products to be examined at its September meeting a number of industrial items (see paragraph 9 above) of which less-developed countries were exporters or potential exporters.

12. In discussion on the fourth item of the Committee's work programme (a study of measures which might be taken by less-developed countries to improve their own production and marketing techniques and an examination of trade controls or other internal measures which might disrupt export or import trade between less-developed countries), the Committee noted the measures that had been and were being taken by individual less-developed countries to improve their own production and marketing techniques. The Committee agreed that, with respect to the specific products under examination, the industrialized countries should be invited to state what in their view constituted the main difficulties to the marketing of these commodities by less-developed countries. On the basis of such information in relation to particular products, the supplying less-developed countries might explain any difficulties in making adjustments or adopting new techniques. The Committee agreed that if, in relation to any specific commodity, it appeared to be useful the Committee should discuss what less-developed countries, either by themselves or with outside assistance, could do in the following matters:

(a) the preparation of market surveys to inform local producers and exporters of the nature and scope of the market in foreign countries, or of the type, design or style of products in demand;

(b) advertising and publicity aimed at acquainting foreign consumers and purchasers with available goods for export; participation in trade fairs;

(c) the establishment of trade representatives or agencies abroad which would facilitate the exchange of information and the negotiation and conclusion of transactions;

(d) standardization and grading of products;
(e) measures to ensure consistency of quality of goods exported so that shipments are in accordance with samples and that successive shipments are of the same quality, and that quality meets international standards and is in accordance with standard grading;

(f) measures to ensure that exports meet the sanitary, health and similar requirements in importing countries;

(g) general improvements in the credit, transport and commercial facilities that might facilitate the exportation of goods.

With a view to assisting the efforts of the industrialized countries to find ways and means of promoting the export earnings of less-developed countries from the commodities taken up for examination, the Committee agreed that it would be helpful if the less-developed countries could furnish information on export regulations, export taxes, export promotion plans, both in respect of such commodities and in respect of the raw materials from which they were processed.

In relation to the second list of products selected for examination by the Committee and the procedure for the compilation of information on these products and in relation to the third and fourth items of the agreed work programme, the Committee recalled the recommendation contained in paragraph 13 of the Second Report of the Committee that "contracting parties, particularly industrialized countries, should urgently consider lowering barriers to the development of the export trade of manufactured goods and should in their economic policies take into account the urgent need of less-developed countries to increase their export earnings and should as far as possible avoid hindrances to the import of such goods from such countries." The less-developed countries stressed the urgency of the problems facing them and emphasized their conviction that action by the industrialized importing countries in removing or modifying the barriers to trade, not only for the products already examined by the Committee, but for the new products selected for examination by the Committee should not be delayed because compilation of documentation had not been completed. Furthermore, they stressed that further efforts to improve production and marketing techniques would be frustrated by the barriers to trade which existed in the importing countries.

The Committee decided to convene a short meeting during the sixteenth session to consider future work and procedure.
COCOA

1. The Committee, in conducting its further examination of the points raised in its Second Report in relation to this commodity, had in mind that more than 60 per cent of the revenue of one less-developed country was derived from exports of cocoa and that, despite efforts to diversify its economy, this country would continue for many years to be dependent on exports of this commodity as a major source of revenue. They noted also the importance to a number of other less-developed countries of cocoa exports. The Committee had in mind also that world production of cocoa was increasing and that there had been heavy reductions in world market prices for cocoa in the last two years and this seriously affected the development of the countries concerned. There was therefore an urgent need for expanded markets for the substantial world supplies of cocoa which were now available and which were expected to show a considerable increase.

2. In the discussion on factors affecting consumption levels and the effects of these on the exports of less-developed countries, the Committee again noted the level of internal taxes operating in some Western European countries, particularly in one industrialized country where a revenue duty equivalent to 50 per cent ad valorem was applied to cocoa beans and where there were additional charges for cocoa products. (A table on consumption prices and taxation on cocoa is attached to this Annex.)

3. The Committee noted that since their previous examination no changes, such as would facilitate an early expansion of the export earnings of the cocoa producing countries, had been made in the measures applied by importing countries.

4. The Committee again noted the differential tariff rates applied in most industrialized countries against imports of cocoa products compared with raw cocoa. Certain countries currently enjoyed preferential treatment for cocoa beans and various cocoa products. In this connexion the Committee noted that the rate in the common external tariff of the European Economic Community would result in a margin of preference of 9 per cent on cocoa beans. The rates of duty on processed cocoa products in the external tariff of the European Economic Community had not yet been communicated to contracting parties. If, however, such rates were significantly higher than the 9 per cent duty on cocoa beans this would represent another example of substantially different treatment for raw and processed products. The Committee agreed that in general differential tariff rates might constitute an element of discouragement to the development of processing industries in those cocoa producing countries whose exports of cocoa products were subject to such duties and particularly in those cocoa exporting countries which did not enjoy existing preferential treatment nor that which would result from the differential tariff arrangements of the European Common Market.

5. The Committee were aware that the substantial protection accorded to domestic processors in some industrialized countries was probably intended to operate mainly against the products of other industrialized countries. The
Committee, however, felt that less-developed countries which were seeking to increase exports of cocoa products were at a disadvantage with those industrialized countries. It was pointed out that at least one less-developed country was at present increasing significantly its sales of cocoa powder in competition with the production of an industrial country where a low level of import charges existed. The importance of cocoa products in the diversification of the economies of the less-developed countries thus made it all the more urgent to consider a reduction of duties for cocoa products which might result in a direct benefit to producers of raw cocoa. In this connexion, they also noted that some industrialized countries applied more stringent quantitative restrictions against imports of cocoa products than those applied in respect of cocoa beans.
### Consumption, Prices and Taxation
#### Cocoa Beans, 1958

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>United Kingdom</th>
<th>Netherlands</th>
<th>Denmark</th>
<th>Finland</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Import price</strong></td>
<td>US cents per kg</td>
<td>85.9</td>
<td>87.2</td>
<td>87.9</td>
<td>102.7</td>
<td>96.9</td>
</tr>
<tr>
<td><strong>Import duty</strong></td>
<td>US cents per kg</td>
<td>-</td>
<td>$3.2 - 3.7</td>
<td>-</td>
<td>-</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Revenue and turnover taxes and other fiscal charges</strong></td>
<td>US cents per kg</td>
<td>-</td>
<td>4.4</td>
<td>82.0</td>
<td>-</td>
<td>3.2 - 3.7</td>
</tr>
<tr>
<td><strong>Total charges</strong></td>
<td>US cents per kg</td>
<td>-</td>
<td>3.2 - 3.7</td>
<td>4.4</td>
<td>82.0</td>
<td>28.9</td>
</tr>
<tr>
<td><strong>Total charges as percent of the import price</strong></td>
<td>percent</td>
<td>0</td>
<td>3.7 - 4.2</td>
<td>5.0</td>
<td>79.8</td>
<td>28.9</td>
</tr>
<tr>
<td><strong>Per caput consumption</strong></td>
<td>kg</td>
<td>1.2</td>
<td>1.9</td>
<td>5.7</td>
<td>1.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Revenue raised on cocoa</strong></td>
<td>million $</td>
<td>69,083</td>
<td>15,691</td>
<td>2,070</td>
<td>859.8</td>
<td>847.2</td>
</tr>
<tr>
<td><strong>Total central government receipts</strong></td>
<td>million $</td>
<td>0</td>
<td>0.02</td>
<td>0.1</td>
<td>0.5</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Cocoa revenue as percent of total government receipts</strong></td>
<td>percent</td>
<td>0</td>
<td>0.02</td>
<td>0.1</td>
<td>0.5</td>
<td>0.01</td>
</tr>
</tbody>
</table>

**Note:** Since cocoa beans are not consumed directly, but only in the form of chocolate, cocoa powder, etc., no retail price can be given. Moreover, apparent consumption of cocoa beans in countries such as the Netherlands and the United Kingdom which export cocoa products in substantial quantities does not represent genuine domestic take off. Except for the United Kingdom the revenue raised on coffee is a theoretical value based on consumption and fiscal charges (import duty and internal taxes).

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**Sources:** The import prices have been calculated from data shown in national trade returns and converted into US $ at official exchange rates; the import duties and other fiscal charges are taken from Doc. COM.11/1/Add.1/Rev.1; the population statistics have been taken from United Nations Monthly Bulletin of Statistics, February 1960 and those on Central government receipts are taken from United Nations Statistical Yearbook, 1958, Table 171.
1. The Committee, in conducting its further examination of the points raised in the Second Report of the Committee in relation to this commodity, had in mind the following considerations. Coffee was the second largest product in international trade, was produced in, and exported by, fourteen countries in Latin America, two countries in Asia and a number of African countries and territories, accounted for more than 70 per cent of the foreign exchange earnings of at least four countries and for more than 40 per cent of the exports of two other countries and was produced exclusively in less-developed areas. The Committee had in mind also that world coffee prices had been steadily declining over recent years and were now at roughly 40 per cent of the level prevailing in 1954, i.e., about the same as the 1929 level and that there was now a substantial world surplus of coffee production.

2. The Committee hoped that the solution to world coffee problems would be sought in increasing consumption throughout the world. In discussion on factors affecting consumption levels and the effects of these on the exports of less-developed countries, the Committee again noted in particular the level of internal taxes operating in some European countries. In three specific examples these taxes, 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 57.5 per cent, 107.8 per cent and 114.6 per cent. The coffee producing countries estimated that there would be an increase of 10-15 per cent in consumption in Western Europe if internal taxes were substantially decreased. The Committee noted that such studies in measuring the price elasticity of demand as were available revealed divergent views on the degree of elasticity, but that nevertheless all these studies were agreed that the price at which coffee could be marketed in most industrialized countries was high and that there was price elasticity in the sense that if there were reductions in overheads, internal taxes, retail margins, etc., there was scope for increased consumption of coffee. (A table on consumption prices and taxation on coffee and a note by the secretariat on revenue duties and internal fiscal charges are attached to this Annex as Document 1 and 2 respectively.)

3. Some members of the Committee stressed the need for a long-term stabilization agreement to follow the one-year international agreement at present in force. The Committee noted that the present agreement provided for studies to be made on the long-term problems of coffee and that the Coffee Study Group had recently awarded contracts to private agencies to carry out those studies. As to immediate prospects for expansion of trade in coffee, however, the Committee noted that since their previous examination no changes, such as would facilitate an early expansion of the export earnings of the coffee producing countries, had been made in the measures applied by importing countries.
4. In this connexion, the Committee welcomed a statement from the representative of the Federal Republic of Germany that a bill initiated by a political party proposing the reduction of internal consumption taxes on coffee was at present under consideration by the Parliament of the Federal Republic.

5. The Committee noted that, in seeking a solution to the problem, due account should be taken both of the exchange and trade position of less-developed countries and of the budgetary implications for consumer countries.

6. Attention was again 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 within one preferential system. The rate for coffee in the common external tariff of the European Economic Community was 16 per cent. Attention was also again drawn to the effects of the discriminatory import restrictions applied by two members of the European Economic Community which imposed quantitative restrictions on imports from areas not associated with the Community.

7. The Committee also noted the obstacles which in some State trading countries arose from the fact, for example, that the consumption price of coffee was very much higher than the import unit value of green coffee would in itself warrant; in such cases a substantial reduction in the retail price would improve the consumption of coffee.

8. The Committee again stressed the need for urgent examination by contracting parties, especially industrialized countries, of the possibility of taking action, where feasible, to afford rapid relief to coffee producing exporters.
### Countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Import price (green coffee) dollars per kg</th>
<th>Import duty dollars per kg</th>
<th>Other fiscal charges dollars per kg</th>
<th>Total charges dollars per kg</th>
<th>Total charges as $ of Import price percent</th>
<th>Estimated revenue raised on coffee million dollars</th>
<th>Coffee revenue as % of total government receipts percent</th>
<th>Retail price (roasted coffee) dollars per kg</th>
<th>GNP per caput</th>
<th>Consumption per caput (green coffee) kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>1.155</td>
<td>0.068</td>
<td>0.065</td>
<td>1.289</td>
<td>22.7</td>
<td>0.071</td>
<td>3.59</td>
<td>2.46</td>
<td>2.63</td>
<td>7.1</td>
</tr>
<tr>
<td>Austria</td>
<td>1.247</td>
<td>0.038</td>
<td>0.039</td>
<td>1.323</td>
<td>26.9</td>
<td>0.094</td>
<td>3.98</td>
<td>2.43</td>
<td>2.37</td>
<td>6.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1.072</td>
<td>0.126</td>
<td>0.126</td>
<td>1.324</td>
<td>22.7</td>
<td>0.071</td>
<td>3.59</td>
<td>2.46</td>
<td>2.63</td>
<td>7.1</td>
</tr>
<tr>
<td>France</td>
<td>0.947</td>
<td>0.019</td>
<td>0.040</td>
<td>1.003</td>
<td>20.3</td>
<td>0.063</td>
<td>2.62</td>
<td>2.42</td>
<td>2.37</td>
<td>6.7</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>n.a.</td>
<td>0.333</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>29.20</td>
<td>n.a.</td>
<td>0.4</td>
</tr>
<tr>
<td>Japan</td>
<td>1.069</td>
<td>0.361</td>
<td>0.147</td>
<td>1.577</td>
<td>30.1 - 54.0</td>
<td>0.73</td>
<td>39.4</td>
<td>30.3</td>
<td>30.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Countries are shown in decreasing order of per caput consumption.

Sources:
The ad valorem rates of duties as well as other fiscal charges (revenue, turnover taxes etc.) were converted into dollars per kilogramme on the basis of import unit values shown in the first column.

The two figures given for France and for the United Kingdom indicate the preferential and the MFN rates respectively. Except for the United Kingdom the revenue on coffee is a theoretical value based on consumption (or net imports) and fiscal charges (import duties and internal taxes). Data on Gross National Product (at market prices) were converted from national currencies into US dollars at official exchange rates; for this reason the figures shown do not reflect differences in purchasing power and should be considered as rough indications only.

The Import prices have been calculated from data shown in national trade returns and converted into US dollars at official exchange rates; the import duties and other fiscal charges are taken from Doc. COM.III/7/Add.1/Rev.1 and COM.III/10; the retail prices have been taken from the Supplement to the International Labor Review or from national publications; per caput consumption is based on data supplied in replies to the Committee III questionnaire except for countries already mentioned; the population statistics have been taken from United Nations Monthly Bulletin of Statistics, February 1960 and those on Central government receipts are taken from United Nations Statistical Yearbook, 1958, Table 171. Data on GNP per caput are based on figures shown in OECD Statistical Bulletins, General Statistics, January 1960 and, Yearbook of National Accounts Statistics, United Nations, 1969.
REVENUE DUTIES AND INTERNAL FISCAL CHARGES
Comments by the secretariat

1. Notes have been received by the secretariat from the German, French and Italian Delegations to Committee III, all of which emphasize the large discrepancy between the loss to the Exchequer, on the one hand, and the gain in export earnings of the supplying countries, on the other, in the event of total or partial abolition of internal charges on such tropical products as coffee, tea, and cocoa.

2. Except in the paper prepared by the German Delegation, the reduction or abolition envisaged concerns only the internal charges, not the Customs duties - probably for the reason that, in the absence of duties, it would be impossible to implement (or maintain) the preferences provided for in the Treaty of Rome.

3. In estimating the relationship between the reduction in public revenue in the importing countries and the gain in export earnings of the supplying countries, the price elasticity of consumers' demand for the products concerned plays a central rôle. In appraising the results of calculations based on elasticity coefficients, two factors must be kept in mind:

(i) The calculation of coefficients of price elasticity can only be undertaken on the basis of data reflecting consumer responses in the past. When applied to estimating possible future behaviour of consumers in responses to prices which lie outside the range of historical experience, such predictions can necessarily only be tentative. In particular, when large price reductions are contemplated, a new pattern of consumption may emerge, with consequent unpredictable changes in the price elasticity itself.

(ii) Since internal charges, as well as duties, are levied either at import or at any rate at the wholesaler's level, the reduction of the retail price that corresponds to the total or partial abolition of such charges will depend on practices followed by retailers in calculating their margins. The calculations presented both in the Haberler Report, in the three Delegation papers and in the table below are based on the assumption that the absolute margin per kilogramme of coffee would remain the same, even though the price paid by the retailer would be lower. If retailers, on the other hand, calculate their margins as a given proportion of the price they themselves pay for coffee, then the reduction in the retail price would exceed the amount by which charges are reduced per kilogramme of coffee.

Those notes have been issued as documents COM.III/15, COM.III/27 and COM.III/28, respectively.
4. The German and Italian Delegations use the approximate elasticity coefficients given for coffee in Table 24 (paragraph 304) of the Haberler Report. In respect of tea, also dealt with in the German paper, no specific elasticity coefficient is given, but the calculation is based on the assumption that the abolition of duties and internal charges would result in the same percentage increase in consumption as for coffee. In the French paper, three different price elasticities are applied, while in respect of cocoa purely hypothetical coefficients are used. However, the French paper applies the elasticities in fact only to half the total consumption - which is the same as halving the value of the coefficients quoted - and finally, after allowing for duty collected on coffee imported from non-preferential suppliers, calculates the gain in export earnings (or, more exactly, the increase in the corresponding French import outlays) on supplies from non-associated suppliers only:

5. In view of the diversity of sources used for the elasticity coefficients, and of the differences in the modalities of their application, the secretariat has thought it useful to proceed, if only for coffee, to new calculations of price elasticity which have been carried out by a comparable, though admittedly rough, method which is described in Document 3 attached.

6. The following table presents calculations, based on 1959 per capita consumption, quantity and value of imports, retail price, and internal taxes for the year 1959, and works out the effect of

(A) the complete abolition

and

(B) the reduction to one-half

of the internal taxes upon consumption, import outlay, and the corresponding loss in tax revenue, calculated on both the price elasticities obtained by the secretariat and those adopted in the three Delegation papers. The last column also shows the loss in public revenue in each case as a multiple of the increase in import outlay which can roughly be equated to the gain in export earnings of the supplying countries.

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Since the communication of the comments by the German Delegation which have appeared as document COM.III/15, 14 October 1959, the FAO has published a study on The World Coffee Economy (document FAO/59/12/9699) which gives a price elasticity of demand for coffee in Germany of approximately 0.5. This latter elasticity has been used in the second set of figures for Germany shown in the table below.
Table 1
Possible effects of the total or partial abolition of internal charges on the import demand for coffee

<table>
<thead>
<tr>
<th>Per caput</th>
<th>Quantity</th>
<th>Value</th>
<th>Retail price</th>
<th>Internal taxes</th>
<th>Percent redn.</th>
<th>Elasticity</th>
<th>Incr. consn.</th>
<th>Incr. tax</th>
<th>Loss</th>
<th>Ratio of last year's outlay</th>
<th>Columns</th>
</tr>
</thead>
<tbody>
<tr>
<td>consn.</td>
<td>imported</td>
<td>of</td>
<td>retail</td>
<td>in retail</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kg.</td>
<td>000 tons</td>
<td>(green)</td>
<td>18.04</td>
<td>3.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany F.R.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.72</td>
<td>180</td>
<td>769.7</td>
<td>18.04</td>
<td>3.60</td>
<td>A 20.0%</td>
<td>-0.82</td>
<td>(16.4)</td>
<td>51.5</td>
<td>647.0</td>
<td>5.0</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B 10.0%</td>
<td>(8.2)</td>
<td>64.8</td>
<td>297.1</td>
<td>4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A 20.0%</td>
<td>-0.50</td>
<td>(10.0)</td>
<td>79.0</td>
<td>647.0</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B 10.0%</td>
<td>(5.0)</td>
<td>39.5</td>
<td>307.4</td>
<td>7.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.50</td>
<td>196</td>
<td>703.3</td>
<td>10.16</td>
<td>1.42</td>
<td>A 14.0%</td>
<td>-0.43</td>
<td>(6.0)</td>
<td>42.2</td>
<td>278.7</td>
<td>5.6</td>
<td>6.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B 7.0%</td>
<td>(3.0)</td>
<td>21.1</td>
<td>135.1</td>
<td>6.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>A 14.0%</td>
<td>-0.20</td>
<td>(2.8)</td>
<td>19.7</td>
<td>278.7</td>
<td>14.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B 7.0%</td>
<td>(1.4)</td>
<td>9.9</td>
<td>137.4</td>
<td>13.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.34</td>
<td>82</td>
<td>47.3</td>
<td>2,122</td>
<td>500</td>
<td>A 23.6%</td>
<td>-1.20</td>
<td>(28.3)</td>
<td>13.4</td>
<td>41.0</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>B 11.8%</td>
<td>(14.2)</td>
<td>6.7</td>
<td>17.6</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A 23.6%</td>
<td>-0.90</td>
<td>(21.2)</td>
<td>10.0</td>
<td>41.0</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B 11.8%</td>
<td>(10.6)</td>
<td>5.0</td>
<td>18.3</td>
<td>3.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Import quantity and value are for 11 months at annual rate.

2 Half the value of the elasticity coefficient calculated by L. Brousse. Moreover, the French Delegation points out that only one-quarter of total imports and therefore of revenue from internal charges is levied on supplies from countries other than the coffee producing countries of the Community.
Explanatory Notes on the Measurement of Price Elasticities

The rough method used in calculating the coefficients of price elasticity of demand for coffee shown in the first set of figures for each country included in Table 1 above, calls for data for a series of years on per caput consumption, the retail price of coffee and income (or, by approximation, GNP) per caput.

Such (annual) data, as well as the ratio between the retail price and income, are shown for Germany (1950-58), France (1949-58), and Italy (1948-58) in Table 2 below.

The measurement of price elasticity calls for

(i) plotting coffee consumption per caput against the ratio of the retail price to income;

(ii) interpolating a curve to represent the average relationship between these two variables;

(iii) estimating the slope of the curve at some point which may be taken to represent the relation that prevailed in recent years; and

(iv) obtaining the price elasticity by the formula

\[
\frac{\Delta q}{\Delta p} \times \frac{p}{q} = \text{elasticity coefficient}
\]

where \( \Delta q \) is the slope referred to in (iii), and \( p \) and \( q \) are the price/income ratio and the consumption per caput, respectively, at the point on the curve where the slope was taken.

The following three graphs, relating to each of the three countries, show the scatter of the observed points and the estimated average relationship. In Germany, the points in the graph are strung out in what appears to be a curve which, especially in recent years, became slightly concave upwards. It was therefore been thought that the slope taken as of 1956, might adequately represent present consumers' responses.

\[\text{In interpolating this curve, the point for 1953 has been disregarded - it will be remembered that the sharp reduction in internal charges occurred in August 1952, so that 1953 may well have reflected a temporary situation.}\]
In France and Italy, the relationship resembles, since 1950\textsuperscript{1}, a straight line. As the figures for coffee consumption in those two countries are derived from imports, without adjustment for stocks, it has not been thought disturbing that the points relating to certain individual years (1950 and 1955 in France, 1950, 1951 and 1954 in Italy) clearly lie wide of the straight line.

The coefficients given in Table 1 are computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>Slope of average relationship (Δq/Δp)</th>
<th>Co-ordinates of point at which slope was taken</th>
<th>Elasticity Coefficient (1)X(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>3.15</td>
<td>2.03 0.53</td>
<td>0.26 0.82</td>
</tr>
<tr>
<td>France</td>
<td>6.40</td>
<td>0.26 3.9</td>
<td>0.67 0.43</td>
</tr>
<tr>
<td>Italy</td>
<td>2.67</td>
<td>0.70 1.55</td>
<td>0.45 1.20</td>
</tr>
</tbody>
</table>

The method used above assumes that coffee has no close substitutes and therefore that price and income elasticity of demand are equal to each other.

\textsuperscript{1}The points for 1949 in France and for 1948 and 1949 in Italy seem to indicate that, conditions in the domestic market for coffee being still unsettled, consumers' responses had not yet become systematic.
<table>
<thead>
<tr>
<th>Year</th>
<th>Coffee consumption per caput (kg p.a.)</th>
<th>Retail price, roasted (fr/kg)</th>
<th>GNP per caput (DM)</th>
<th>Ratio (per cent) 11/111</th>
<th>Coffee consumption per caput (kg p.a.)</th>
<th>Retail price, roasted (fr/kg)</th>
<th>GNP per caput (NF)</th>
<th>Ratio (per cent) 11/111</th>
<th>Coffee consumption per caput (kg p.a.)</th>
<th>Retail price, roasted (lire/kg)</th>
<th>GNP per caput (1000 lire)</th>
<th>Ratio (per cent) 11/111</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>0.60</td>
<td>28.30</td>
<td>2.111</td>
<td>1.36</td>
<td>2.12</td>
<td>415</td>
<td>2.068</td>
<td>0.201</td>
<td>0.88</td>
<td>1.188</td>
<td>160.7</td>
<td>0.74</td>
</tr>
<tr>
<td>1949</td>
<td>0.71</td>
<td>31.30</td>
<td>2.584</td>
<td>1.21</td>
<td>3.58</td>
<td>669</td>
<td>2.353</td>
<td>0.284</td>
<td>1.04</td>
<td>1.756</td>
<td>168.5</td>
<td>0.69</td>
</tr>
<tr>
<td>1950</td>
<td>0.91</td>
<td>32.60</td>
<td>2.793</td>
<td>0.97</td>
<td>3.77</td>
<td>933</td>
<td>3.368</td>
<td>0.277</td>
<td>1.29</td>
<td>1.817</td>
<td>215.6</td>
<td>0.74</td>
</tr>
<tr>
<td>1951</td>
<td>1.37</td>
<td>22.60</td>
<td>3.174</td>
<td>0.71</td>
<td>3.90</td>
<td>1.012</td>
<td>3.653</td>
<td>0.277</td>
<td>1.45</td>
<td>2.164</td>
<td>260.9</td>
<td>0.83</td>
</tr>
<tr>
<td>1952</td>
<td>1.59</td>
<td>21.40</td>
<td>3.585</td>
<td>0.60</td>
<td>4.24</td>
<td>988</td>
<td>3.914</td>
<td>0.252</td>
<td>1.51</td>
<td>2.056</td>
<td>283.6</td>
<td>0.73</td>
</tr>
<tr>
<td>1953</td>
<td>2.03</td>
<td>20.70</td>
<td>3.906</td>
<td>0.53</td>
<td>4.18</td>
<td>941</td>
<td>4.248</td>
<td>0.222</td>
<td>1.57</td>
<td>2.187</td>
<td>302.9</td>
<td>0.72</td>
</tr>
<tr>
<td>1954</td>
<td>2.33</td>
<td>20.60</td>
<td>4.163</td>
<td>0.49</td>
<td>4.11</td>
<td>978</td>
<td>4.687</td>
<td>0.209</td>
<td>1.61</td>
<td>2.186</td>
<td>323.5</td>
<td>0.68</td>
</tr>
<tr>
<td>1955</td>
<td>2.39</td>
<td>19.40</td>
<td>4.348</td>
<td>0.45</td>
<td>4.25</td>
<td>1.035</td>
<td>5.273</td>
<td>0.196</td>
<td>1.67</td>
<td>2.182</td>
<td>342.1</td>
<td>0.64</td>
</tr>
</tbody>
</table>
Coffee consumption per caput per annum (kg)
Consommation de café par habitant par an (kg)
Coffee consumption per caput per annum (kg)
Consommation de café par habitant par an (kg)

Ratio

prize
revenu

Income

Graph III - Graphique III
ITALY - ITALIE
1. The Committee, in conducting its further examination of the points raised in the second report of the Committee in relation to this commodity, recognized that the establishment or expansion on a sound economic basis of the processing and export of locally produced copper would contribute to the diversification of the economies of less-developed producing countries and increase their ability to earn foreign exchange. It was brought out that efforts of these countries to establish an efficient and competitive copper refining industry could be frustrated by barriers to trade in industrialized countries which made access to their markets difficult and did not give the copper processing industries of less-developed countries an opportunity of entering into competition with refined copper from domestic sources. In this respect, the Committee noted that in some cases countries operated much higher duties on processed copper than on raw copper. Without carrying out a detailed study on the extent to which such high duties affected the expansion or establishment of refining industries in less-developed countries, the Committee was aware that in general such differential duties might result in impeding or at least retarding the development of copper processing industries in the copper producing countries and proposed that copper importing countries should give full attention to that problem. Attention was also drawn to the fact that copper production in some countries was subsidized, and this fact might present an obstacle to less-developed countries in increasing their export earnings.

2. In the view of most members of the Committee, commercial policy measures — apart from the above-mentioned specific points — were not unduly hampering the trade in copper. Many difficulties for copper producing countries arose from facts which were not directly connected with commercial policy, such as general economic conditions, price fluctuations, changing patterns of consumption and increased use of substitutes for copper.

3. The representative of one major copper exporting country, however, could not share the point of view of the majority of the Committee. In particular, he disagreed with the findings of most members of the Committee that the tariffs on copper and copper products were moderate. In his view, the import duties of certain countries were high enough to represent serious obstacles to trade on the one hand and to protect marginal producers on the other hand. Furthermore, the operation of preferential tariff systems by certain countries had an adverse effect on the copper exports of his country. The customs duties on copper represented a barrier to trade in such products all the more since they encouraged the consumption of substitutes for copper and thus resulted in a loss of markets for copper products.

4. With regard to the adverse effects on the trade of less-developed countries which could result from the release of copper from stockpiles in industrialized countries, the Committee noted that this problem was not at present acute. It nevertheless recognized that the desirability of consultations before such release, as recommended in the Resolution of 4 March 1955 by the CONTRACTING PARTIES (BISD, Third Supplement, page 51) was still valid and should be stressed. These consultations should, wherever practicable, take place before the announcement of the release was made.
1. The Committee further examined the factors referred to in the Second Report of the Committee as contributing to the difficulties particularly of less-developed countries in seeking to expand their earnings of foreign exchange from the export of raw cotton. In considering these difficulties the Committee had in mind that raw cotton in terms of value was one of the three main primary products in international trade. It was produced by a considerable number of less-developed countries and accounted for a very substantial share of export earnings for some of them.

2. The single most important producer and exporter of raw cotton was, however, the United States which produced more than half of the total output of raw cotton of all GATT Member countries. In view of the great importance of the United States as a consumer, producer and exporter of this commodity the Committee concentrated its discussion on the effects on trade of the price support programme operated on behalf of US cotton growers and also on the import restrictions imposed in support of this programme as well as on the possibly harmful effects on the export markets of less-developed countries which could follow from the special financing facilities granted to US exports of raw cotton. An explanation of the policies followed by the United States Government with respect to raw cotton was given. The text of this explanation is circulated in document COM.III/26. The statement explaining the policies concluded that it was far from certain that abandonment of US cotton price supports with their accompanying acreage and import restrictions, would benefit other cotton exporting countries.

3. The Committee also noted the unfavourable effects of high tariffs and quantitative restrictions imposed by some countries on the import of raw cotton. It was noted, however, that with these exceptions the export trade in raw cotton, unlike the export trade in a number of other commodities for consideration before the Committee, was not unduly restricted by tariff barriers and other measures. Nevertheless the existing restrictions often led to considerable hardships for cotton producers in less-developed countries, especially because of the relatively low capacity of these countries to absorb unemployment with sufficient rapidity through an expansion of other industries.


1. Cotton manufactures was the first important sector of manufactured exports from less-developed countries to be considered by the Committee. The Committee recognized that if the less-developed countries were to be able to diversify their economies so as to increase their export earnings they must also be given the opportunity to find markets for manufactured products which they could produce efficiently.

2. The Committee carried out a detailed examination with a number of countries regarding the nature of their textile industries and the tariff and non-tariff measures being applied to the cotton textile trade; for this purpose they divided the wide field of cotton manufactures into two sub-groups, i.e. cloth and made-up articles. The Committee felt that such a detailed study on concrete problems arising from the production and trade in cotton manufactures might facilitate its efforts to suggest practical measures which could enable less-developed countries to attain an expansion of their export earnings through an increasing trade in cotton textiles.

3. The Committee noted that in many important markets for cotton textiles there were severe quantitative restrictions. There were also high levels of tariffs on cotton manufactures in operation in many countries. There were, in addition, somewhat high levels of internal taxes operating in certain countries and in the view of the less-developed countries, even though these taxes were applied equally to home produced and imported goods, nevertheless the total incidence on imported goods of the tariff and the internal tax constituted an additional obstacle to exports from less-developed countries.

4. The Committee recognized that relaxation or removal of barriers to the exports of cotton manufactures of less-developed countries would allow for the further rationalization of trade in this commodity and would also allow less-developed as well as developed countries to compete on more equal terms for the newly-available markets. The Committee also recognized that the present large world production of cotton textiles was due among other reasons to the fact that through the development of cotton industries in their territories, many less-developed countries which had been importers had become exporters of cotton textiles. There was a trend in many countries to achieve some degree of self-sufficiency in such goods which had in some cases resulted in the erection of obstacles to international trade in these products.

5. The United Kingdom delegate referred to voluntary arrangements between the United Kingdom textile industry on the one hand and the textile industries of India, Pakistan and Hong Kong on the other whereby ceilings of exports to the United Kingdom had been agreed upon which were higher than the current exports and which were intended to help the United Kingdom industry to plan the volume of its own production. The United Kingdom Government had initiated a scheme of re-organization of the United Kingdom industry by making available £30 million and attracting to the areas of the textile industry other industries which
could absorb labour. It was also noted by the Committee that in other industrialized countries such as Canada and the United States, where quantitative restrictions on cotton manufactures were not to be found, the pattern and level of production had been affected and a process of readjustment had been taking place.

6. Even in some countries where there were no quantitative restrictions tariff levels were somewhat high. These were, in the view of the less-developed countries, often designed to protect marginal units which, through age or location, were not as efficient as they might be. The less-developed countries asked that industrialized countries should therefore examine speedily and sympathetically the feasibility of reducing these tariffs, if necessary by unilateral action, and the feasibility of bringing about rearrangements in the structure of the industry.

7. The Committee noted that barriers against the exports of cotton textiles of less-developed countries appeared to be particularly severe in the case of France and Germany and that there still remained a large element of discrimination in the administration of quantitative restrictions. There were, however, negotiations in which Germany was engaged. The French representative also envisaged consultations.

8. The exports of less-developed countries were inevitably concentrated on those markets where there were no restrictions. In order that the export markets of the less-developed countries could be diversified it was necessary that the pressure of competition should be shared by the industrialized countries, and that progress should be made in opening markets which were at present restricted, particularly by quantitative restrictions. The less-developed countries pointed out that the present time, when industrial prosperity and full employment in the industrialized countries were general, would be the most appropriate moment for bringing about rearrangements in industrial structure without causing undue social and other disturbances. Some of the less-developed countries pointed out that their cotton textile industries were not in fact low cost industries.

9. The Committee's study of per capita consumption of cotton textiles appeared to indicate that there were considerable possibilities for less-developed countries to trade with one another, but noted that many less-developed countries had high tariffs and non-tariff measures which impeded the expansion of such trade.
JUTE MANUFACTURES

1. The Committee, in conducting its further examination of jute manufactures and the points raised in the Second Report of the Committee in relation to these products, had in mind that the expansion of exports of jute manufactures was of vital interest particularly for two less-developed countries, India and Pakistan, which together accounted for about two-thirds of total world output of jute manufactures. Both countries depended for a large part of their foreign exchange earnings on the export of this group of products; in the case of India, jute manufactures had, for example, in 1959 been the most important single source of export income, accounting for about one-fifth of total export receipts, and both countries urgently needed to expand their export earnings to sustain their present development efforts.

2. In the discussion of the export prospects for jute manufactures, it was pointed out that although a jute industry had only recently been established in Pakistan while the Indian jute industry had been an important exporter of these products for some considerable time both countries, at their present stage of economic development were for a number of reasons especially well fitted to the production of jute manufactures. Nevertheless, established manufacturing concerns in continental Western Europe had over the last two decades approximately maintained their relative share in a fairly stable total world production, partly by specializing and developing those kinds of jute goods, such as special qualities of hessian cloth, burlap for the manufacture of linoleum and canvas, etc., in which it was still possible for industrialized countries to be competitive.

3. The problem of jute manufactures was, however, complicated by the competition that jute was receiving from other packaging materials and by technological advances in pre-packaging and bulk handling which reduced overall handling charges despite the fact that the cost of the materials used might be higher than if jute products were used.

4. The efforts of the less-developed countries to modernize their industries and to expand their exports of manufactured goods in this field were restricted by governmental action in many important markets. In this connexion, it was pointed out that duties of 30 per cent and more on jute manufactures, particularly sacks and bags, were not uncommon and were often operated in conjunction with quantitative restrictions on imports. Quantitative restrictions were not only widespread and in many instances severe, but were in some cases also discriminatory. Members of the Committee welcomed in this context the announcement by the Government of the Federation of Rhodesia and Nyasaland that the import of jute yarns had been decontrolled and that the remaining import restrictions on jute manufactures would be removed in the near future. The Federation of Rhodesia and Nyasaland had also suspended the duties on hessian and sacking cloth, and on hessian bags. The Committee noted that the Federal Republic of Germany had earlier increased its quotas for the importation of jute manufactures and had undertaken to abolish all quantitative restrictions on jute manufactures not later than 1964.
5. In the further discussion on obstacles to the expansion of exports of jute manufactures, reference was made to the cumulative effect of levies on a product, such as the combination of duties, internal taxes, etc., which tended to discourage the use of jute manufactures especially in cases where the incidence of the latter was less on substitutes for jute products. It was pointed out that the import of jute manufactures free of import restrictions permitted by some countries for the packing of certain export products also appeared to be an indication that these countries recognized that the protection given to the domestic jute industry was an extra cost which added to the price ultimately paid by the consumer.

6. The Committee welcomed the reduction, since the Committee's last meeting, from 30 per cent to 20 per cent in the mark-up on the bulk of jute goods imported into the United Kingdom from India and Pakistan by the Jute Control and the further measures which the United Kingdom Government was taking to diversify the economy in Dundee so as to make the area less dependent on jute manufacturing.
LEAD

1. The Committee noted the possible barrier to the export earnings of the less-developed countries represented by the existing quantitative restrictions applied by the United States on lead, but discussions were postponed since the difficulties affecting the producers, importers and exporters of lead were at present being studied by the United Nations Lead and Zinc Study Group. The Committee expressed its hope that the efforts of the United Nations Lead and Zinc Study Group would lead to a satisfactory solution to this problem at an early date.
The Committee examined the factors affecting the international market for oilseeds and vegetable oils and in particular the measures which had been identified in the Second Report of the Committee restricting the export earning capacity of less-developed countries in respect of these commodities. It was realized that many of these countries because of favourable climatic and general economic conditions depended and would continue to depend for part of their export earnings on the production of oleaginous crops in view of such factors as the need for rotation, diversification of agriculture, earnings from cash crops and yield per unit of land. The Committee recognized that the solution to the problem of expanding the export trade in these commodities was complicated by the surplus conditions characterizing the world market for other products, such as dairy fats and other animal fats which were competitive with and substitutes for vegetable oils.

Having in mind the above considerations the Committee noted that the export trade in oilseeds, and especially the trade in the processed product, was in many instances limited by a high degree of protection which operated both through tariffs and to a marked extent also through quantitative restrictions, State-trading practices, mixing regulations and other measures. It appeared that protection was afforded not only to agricultural producers of these commodities and to the vegetable oil producing industry in importing countries, but often was imposed also on behalf of producers of substitute commodities. The Committee agreed that the widespread differentiation in import treatment, according to the stage of processing, in favour of imports of the raw material was on the whole a factor unfavourable to the development of oilseed processing industries in less-developed countries to the extent that their oil products were subject to such differentiation. The Committee noted in this connexion that, on the one hand, vegetable oil exports from less-developed countries were in most instances only a small proportion of oleaginous raw material exports from these same countries and that, on the other hand, some industrial countries which did not have a domestic raw material base for the production of certain vegetable oils were nevertheless important exporters of these oils. It was pointed out that the differential treatment in the import of raw materials and processed goods often led to unsatisfactory levels of utilization of installed capacity for countries such as Brazil which had had an oil crushing industry for some considerable time and which lacked neither the know-how nor the technical resources for efficient production. On the subject of world levels of production of oilseeds and vegetable oils reference was made to the operation in some countries of support measures for these commodities and to the effect of such policies on export markets. This subject had been discussed in Committee II, for example in connexion with the consultation on agricultural policies with the United States (I/1163), and these discussions it was stated, indicated that such price support measures might lead to export surpluses, thus unfavourably affecting the export markets of less-developed countries.
3. With respect to vegetable oils, the hope was expressed that the proposed rates of the common external tariff of the European Economic Community would not be high; if they were they would be an illustration of the differential treatment of raw materials and processed products which limited the export earning capacity of less-developed countries. The Committee noted the assurance of a representative of the EEC that in fixing tariffs on vegetable oils the Community had taken into account and was sympathetic to the need particularly of less-developed countries, to increase their export earnings.

4. In the discussion of mixing regulations in force in several countries, the representative of the Federal Republic of Germany stated that his Government had suspended for the months of June, July and August the mixing regulation, which required that in the production of margarine, 5 per cent of the fat content be derived from domestically produced rapeseed. He added that this regulation affected only a very small part of imports of vegetable oil products. The Committee hoped that the regulation could eventually be altogether abandoned.
1. The Committee, in conducting its further examination of the points raised in its Second Report, had in mind that tea was the most important source of export earnings for one of the less-developed countries and the second largest export commodity for another and was very significant in the export trade of still other less-developed countries. The Committee had in mind also that world tea prices had been declining over recent years. For example, the annual average of tea prices in the London tea market in 1958 was 4s. 7d. per lb. as compared with 5s. 3d. in 1954 (a decrease of about 12 per cent). The Committee noted that production of tea in less-developed countries would permit substantial increases in exports and emphasized the importance of the importing countries facilitating the efforts made by the less-developed countries to expand their overseas market for tea through an increase in consumption.

2. In the course of the discussion on factors affecting consumption levels and the effects of these on the exports of less-developed countries, the Committee again noted the high levels of import duties and revenue duties and internal fiscal charges applied in a number of countries, particularly in some Western European countries. (A table on consumption prices and taxation on tea is attached to this Annex.) Because of the long-term downward trend of tea prices the incidence of these taxes, since they were in most cases specific, had increased over recent years; furthermore, these taxes impinged exclusively on imports from less-developed countries as there was no domestic production in the countries imposing the taxes. The Committee agreed that, while it was difficult to establish a precise correlation between consumption and price levels on account of several factors affecting consumer taste, there was nevertheless a long-term relationship between the two. They agreed that in general the high level of revenue duties and internal charges on tea in some Western European countries discouraged promotional campaigns directed towards increasing consumption of tea and securing a share for tea in the rising demand for all beverages in Western Europe.

3. In this connexion, the Committee noted the duty of 35 per cent ad valorem proposed for the EEC common external tariff. This rate related 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.

4. The Committee noted that in no case did import duties and internal taxes on tea represent more than a very small fraction of overall budgetary receipts in industrialized countries. The Committee also noted, however, that in a few importing countries the present relationship between the levels of taxation on tea and coffee was taken into account.
5. As to immediate prospects for expansion of trade in tea, the Committee noted that since their previous examination no changes, such as would facilitate an early expansion of the export earnings of the tea producing countries, had been made in the measures applied by importing countries. In this connexion, the Committee welcomed a statement from the representative of the Federal Republic of Germany that a Bill initiated by a political party proposing the reduction of internal consumption taxes on tea was at present under consideration by the Parliament of the Federal Republic. They again stressed the urgent need for industrial countries to take action, wherever possible, to afford rapid relief to tea producing exporters.
### Consumption Prices and Taxation of Tea in 1958

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>United Kingdom</th>
<th>Australia</th>
<th>New Zealand</th>
<th>Finland</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Austria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Import price</strong></td>
<td>US cents per kg</td>
<td>166.3</td>
<td>133.7</td>
<td>119.3</td>
<td>96.5</td>
<td>196.7</td>
<td>173.2</td>
<td>143.2</td>
<td>140.8</td>
</tr>
<tr>
<td><strong>Import duty</strong></td>
<td>US cents per kg</td>
<td>-</td>
<td>0-5.1</td>
<td>6.2</td>
<td>0-2.6</td>
<td>108</td>
<td>46.8-52.0</td>
<td>56.0</td>
<td>72.0</td>
</tr>
<tr>
<td>Revenue and turnover taxes and other fiscal charges</td>
<td>US cents per kg</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(66d)</td>
<td>(43.6)</td>
<td>104.5</td>
<td>160.5</td>
<td>90.3</td>
</tr>
<tr>
<td><strong>Total charges</strong></td>
<td>US cents per kg</td>
<td>0</td>
<td>0-5.1</td>
<td>6.2</td>
<td>0-2.6</td>
<td>174</td>
<td>90.4-95.6</td>
<td>160.5</td>
<td>90.3</td>
</tr>
<tr>
<td><strong>Total charges as percent of the import price</strong></td>
<td>percent</td>
<td>0</td>
<td>0-3.8</td>
<td>5.2</td>
<td>0-2.6</td>
<td>(88)</td>
<td>52.2-55.2</td>
<td>112.1</td>
<td>64.1</td>
</tr>
<tr>
<td><strong>Retail price</strong></td>
<td>US cents per kg</td>
<td>386</td>
<td>208</td>
<td>166</td>
<td>216</td>
<td>-</td>
<td>579</td>
<td>738</td>
<td>491</td>
</tr>
<tr>
<td><strong>Per caput consumption</strong></td>
<td>kg</td>
<td>0.3</td>
<td>4.5</td>
<td>2.9</td>
<td>3.6</td>
<td>0.08</td>
<td>0.04</td>
<td>0.12</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>Revenue raised on tea</strong></td>
<td>million $</td>
<td>0</td>
<td>1.1</td>
<td>1.8</td>
<td>0-0.2</td>
<td>(0.6)</td>
<td>1.4-1.5</td>
<td>10.1</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total government receipts</strong></td>
<td>million $</td>
<td>69 083b</td>
<td>15 691</td>
<td>2 706b</td>
<td>746c</td>
<td>847.2</td>
<td>9 848</td>
<td>7 532c</td>
<td>4 608b</td>
</tr>
<tr>
<td><strong>Revenue on tea as percent of total government receipts</strong></td>
<td>percent</td>
<td>0</td>
<td>0.01</td>
<td>0.06</td>
<td>0.02</td>
<td>(0.07)</td>
<td>0.01</td>
<td>0.13</td>
<td>0.03</td>
</tr>
</tbody>
</table>

**Note:** For Australia, New Zealand, Finland, France, Italy and Austria imports were used in the absence of genuine consumption data. Except for United Kingdom the revenue raised on tea is a theoretical value based on consumption and fiscal charges (import duty and internal taxes).

**Sources:** The import prices have been calculated from data shown in national trade returns and converted into US $ at official exchange rates; the import duties and other fiscal charges are taken from Doc. COM.111/7/Add.1/Rev.1; the retail prices have been taken from the Supplement to the International Labor Review; per caput consumption is based on data supplied in replies to the Committee III questionnaire except for countries already mentioned; the population statistics have been taken from United Nations Monthly Bulletin of Statistics, February 1960 and those on Central government receipts are taken from United Nations Statistical Yearbook, 1958, Table 171.

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*a* 1957  
*b* Fiscal year 1957/58 ending 30 June.  
*c* Fiscal year 1958/59 ending 31 March.  
*d* Rough estimate based on tax revenue and quantities of tea imported.
1. The Committee, in conducting its further examination of the points raised in the Second Report of the Committee in relation to this commodity, had in mind the importance of timber exports for a number of less-developed countries and dependent territories.

2. While noting that the difficulties encountered by timber exporters were not so acute as those encountered by exporters of some of the other products under consideration by the Committee, the Committee nevertheless noted that since their previous examination no changes, such as would facilitate the further early expansion of the export earnings of the less-developed timber producing countries, had been made in the restrictive measures applied by importing countries with the exception of the liberalization by France of tropical timber for all sources. The Committee noted in particular the discrimination still existing against certain areas and in favour of OECD countries in the application of quantitative restrictions and stressed the importance of the rapid abolition of the remaining discrimination and the complete removal of quantitative restrictions as a vital step towards the expansion of international trade and not least the export earnings of less-developed countries.

3. The Committee noted also the concern expressed by less-developed countries at certain increases resulting from the common external tariff of the European Economic Community and the differential treatment which was following from implementation of the Rome Treaty. The Committee furthermore recognized that the establishment of timber processing industries in the timber producing less-developed countries represented an important and natural step towards industrialization of such countries.
1. The Committee, in conducting its further examination of the points raised in the Second Report of the Committee in relation to this commodity had in mind the heavy dependence of a certain number of less-developed countries on exports of tobacco and the importance of tobacco exports for a number of other less-developed countries.

2. The Committee recognized, in discussion on the high levels of duties and internal fiscal and protective charges and the effects of these on tobacco exports from less-developed countries, that the heavy taxation of tobacco formed an important source of revenue to governments. In this connexion it was suggested by some delegations that there might be a distinction between this commodity and others under consideration by the Committee. The Committee nevertheless further noted that consumption of tobacco in many countries had continued to increase steadily, though it was pointed out that this did not mean that further increases would not follow from reduced taxation.

3. The Committee would welcome efforts to move away from heavy charges and felt that these should in no case afford undue protection to uneconomic producers, should afford foreign producers reasonable access to markets and should be operated so as not to favour particular sources of supply. The Committee invited the secretariat to compile information on per capita consumption of tobacco and tax incidence on tobacco, together with an indication of the amount of revenue collected from tobacco as compared to total revenue.

4. The Committee recognized that the objectives of the State monopoly operations in force differed from country to country but noted that in some cases the activities of State monopolies resulted in absolute protection to domestic producers and in severe quantitative restrictions on imports of tobacco. Some members of the Committee pointed out that there was considerable uncertainty about the price and purchase policies of some State-trading monopolies and whether the policies followed by such monopolies afforded adequate opportunities for all sources of supply to sell tobacco on the basis of quality and price. While noting that the new questionnaire which contracting parties were required to complete in notifying State-trading activities under the provisions of Article XVII of the GATT requested information on the reasons for maintenance of State-trading monopolies and the functions of such monopolies, nevertheless a number of contracting parties had not yet submitted notifications in response to the new questionnaire. The Committee invited the secretariat to approach the countries which had not yet replied to the questionnaire for information on State-trading monopolies.
5. Some members of the Committee expressed concern about the effects on exports of less-developed countries of United States sales of tobacco under Public Law 480. The Committee noted the statement of the representative of the United States that the bulk of tobacco sales under P.L.480 had gone to less-developed countries or those countries which had been or were in balance-of-payments difficulties and these sales were not directly in competition with tobacco produced elsewhere and that the displacement effect if any of these transactions was not, therefore, very large. Furthermore, the United States Government had committed itself to consultations with other countries before such sales took place.

6. In discussion on preferential tariff systems, the Committee noted that some less-developed countries benefited neither from differential tariff systems which had come into being when there was no worldwide multilateral trading system nor from the differential treatment being established in the common external tariff of the European Economic Community favouring imports from the associated overseas territories. The Committee noted the differential tariff rates applied in most industrialized countries against imports of tobacco products as against tobacco and agreed that in general differential tariff rates might constitute an element of discouragement to the development of processing industries in those tobacco producing countries whose exports of tobacco products were subject to such duties and particularly in those tobacco exporting countries which did not enjoy preferential treatment.