Amendments proposed by the United Kingdom Delegation

The following are the principal amendments proposed by the United Kingdom delegation involving matters of substance. In addition, there are a number of drafting changes which would improve the report and these will be put forward verbally in the drafting group.

Page 1

Add following paragraph after present paragraph 2:

"2(a). There are appreciable duties on products manufactured from these fibres, but full details were not available. Similarly, it is assumed that the common market tariff will be substantial on these items, but details were not available. The Working Party only gave brief consideration to these items, therefore, primarily with a view to ascertaining the indirect effects on the trade in the raw fibres and it recommends that further consideration to the whole question of products manufactured from these fibres be given at an early date."

Add following paragraph after paragraph 4:

"4(a). The duty on coir yarn will be the arithmetic average of existing duties, except that for France the national duty of 18 per cent will be used in the calculation (the item being in List A). The duty will, therefore, be ...

Page 2

Paragraph 5. Delete and replace by following:

"5. A tariff margin in favour of the A.O.T's could only arise in Italy during the transition period for abaca and jute.
Even during this period, however, the problem will not arise since the external duty rate will be reduced more rapidly than the duty to be charged on A.O.T. production. There will be tariff margins in favour of the A.O.T's in coir yarn and manufactured fibre products."

Page 3

Paragraph 2. The wording of the introduction to this paragraph should be amended to bring it in line with the Cocoa Report.

Page 4

Paragraph 3. Delete and substitute the following:

"3. It follows that the economic well-being and hence the political stability of Pakistan and Tanganyika is particularly dependent upon the maintenance of their export trade in jute and sisal. Other countries with an appreciable interest in the trade in these fibres are Brazil, Philippines, Kenya, Mozambique, Ceylon and India."

Paragraph 6. It is suggested that the information given in this paragraph would read better if it was set out in the form of a table.

Page 5

Paragraph 8. It is suggested that a sentence should be added on the lines of that given in the Cocoa Report to explain the differences between export and import statistics.

Paragraph 9. Delete first sentence and substitute the following:

"True jute cultivation is almost wholly concentrated in East Pakistan and West Bengal. There are, however, a number of other soft fibres which can be used as substitutes for jute. The most widely used substitute is hibiscus cannabinus known in different parts of the world under such names as kenaf, mesta, stokroos, Deccan hemp, bimli jute, etc. It is
grown on a substantial scale in India and to an appreciable extent in Mexico, the Philippines, Mauritius, Israel, New Guinea and Kenya. Other fibre substitutes include roselle grown in Indonesia, urena lobata grown in Belgian Congo, the French A.O.T's and Brazil and phormium tenax or New Zealand hemp produced in New Zealand, St. Helena and elsewhere. Other substitutes include uacima and paca grown in Brazil and puriga grown in Africa."

Paragraph 10. Amend to read as follows:
"10. Apart from the fibre substitutes mentioned above cotton and paper bags are becoming increasingly important as alternatives to jute manufacturers, and in addition alternative methods of transporting goods, principally bulk handling, are affecting demand. Cotton bags are normally more expensive but they have certain technical advantages and a higher re-use value. Paper bags are, on the other hand, less expensive but with limited re-use possibilities. Substitution varies markedly from country to country. Interchange between the hard fibres has been influenced in recent years not only by their relative prices but also by governmental limitations on exports and imports. The newer synthetic fibres are potentially important substitutes for the hard fibres in cordage, especially marine cordage so that manila hemp will be principally affected."

Page 6
Insert a new paragraph after Paragraph 11 as follows:
"Transit and Re-export Trade
There is an appreciable re-export trade in raw fibres, especially from the United Kingdom and the Netherlands. Before the war the United Kingdom was a very substantial re-exporter of raw jute and hemp of all kinds. In recent years this trade has fallen off, but it is still appreciable."

Page 6
Paragraph 2. Delete and insert the following:
"2. Representatives of producing countries other than the Six stressed the fact that the duty situation as regards manufactures was not yet clear. This question in their view had a bearing on
the trade in the raw fibres since a discriminatory tariff on manufactures imported into the Six in favour of the A.O.T's would tend to encourage production of manufactures from locally produced fibre in the A.O.T's, thus leading to an expansion in exports of manufactures to the Six from the A.O.T's to the detriment of present suppliers of both the raw fibres and the manufactures. This would apply to a number of items, particularly jute manufactures and coir yarn. Assurance was sought from the Six that if the arithmetic average of the yarn duties were less than the 10 per cent provided for in List C, this lower level would be used as the common tariff. Members of the Working Party also wished to know how the duty of 18 per cent in List A for coir yarn had been reached and pointed out that its effect would be to increase substantially the margin of duty in favour of A.O.T. producers.

"2(a). The representatives of the Six stated that .......".

---

Paragraph 4. Delete and substitute the following:

"Effects on Production in the A.O.T's

4. The representatives of producing countries other than the Six noted that the A.O.T's are at present small producers of sisal (in Madagascar) and jute substitutes (particularly urena lobata in the Belgian Congo). Sisal production has increased in recent years in Madagascar from an average of 2,000 tons, 1934-38, to 14,000 tons in 1955. There was also some production of sisal and manila hemp in French West and Equatorial Africa. The increases in production had occurred under a system of price guarantees in the French Territories which had given a price advantage in the case of sisal of some 16 per cent over British East African sisal. They believed that this price advantage would be continued at least so far as France was concerned. Under this price stimulus and the knowledge of the availability of a very much larger market for hard fibres production should grow steadily in the French Overseas Territories though, since substantial capital is required for setting up sisal plantations, the growth was not likely to be very rapid."
"So far as jute is concerned the main possibility is the development of jute substitutes, not only urena lobata in the Belgian Congo but also other soft fibres which are known to grow readily in Africa. Production might well be stimulated in the A.O.T's in order to take advantage of the preferential position in relation to jute manufactures in the Common Market which A.O.T. manufacturers would enjoy. The rate of growth was, however, very difficult to foretell."

Page 10.

Add the following paragraph before Paragraph 7:

"Representatives of producing countries other than the Six considered that provided the common tariff remained zero on the raw fibres there would be no tariff discrimination in favour of the A.O.T's and, therefore, no diversion of trade arising from this cause."

Paragraph 7. Add the following sentence at the end:

"Any substitution in favour of the manufactured products of the A.O.T's would have an effect upon the trade of the raw fibres since the A.O.T's would use their own fibres (either identical fibres or substitutes) in preference to the fibres of third countries. This would tend to encourage production in the A.O.T's."

Page 11

Paragraph 9. Delete and substitute the following:

"9. Representatives of producing countries other than the Six said that it was important that the duty-free entry of these fibres should not be offset by the introduction of quantitative restrictions. They noted that such measures were in force in France as regards sisal, and that that country had a "Groupement" of manufacturers which ensured a priority in demand for A.O.T. production. The continuance of such arrangements and still more their extension throughout the Six could give a substantial non-tariff preference for A.O.T. producers of these fibres and their substitutes."

Paragraph 12. To read as follows:

"View of Representatives of Producing Countries other than the Six

Representatives of producing countries other than the Six considered that there would be no diversion of trade in raw jute and hard fibres in the Community in favour of A.O.T. production provided that:

(a) the common tariff duty rate was maintained at 0 per cent;
(b) the Six did not use the power they claimed to have to impose quantitative restrictions in a discriminatory way which could favour the A.O.T's;
(c) these fibres were not added to the list of agricultural products in Annex II to the Treaty;
(d) industrial groups in fibre manufacturing were not used to give priority to the fibres exported by the A.O.T's to the common market.

They considered, however, that if any such discrimination were to be introduced then diversion of trade could arise, though its extent in the short term could not be great since A.O.T. production of these fibres was small. Its extent in the long term might become appreciable as production in the A.O.T's grew.

A more serious threat of diversion of trade lay in the preference which A.O.T. manufactured products would enjoy in the markets of the Six owing to the appreciable common tariff on these items. This whole question required further investigation by the Working Party, but on the information already available it seemed possible that there could be significant diversions of trade in these manufactured products which would not only adversely affect the trade of third countries in the manufactured products, but might also have repercussions on their trade in the raw materials."