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

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

2. The Working Party agreed to study the documentation available on the first list of eleven commodities on a product-by-product basis and to note for each product the main type of obstacle that appeared to exist, with examples of the countries where these obstacles occurred. The Working Party also agreed that its terms of reference required it only to record the obstacles to which its attention was drawn and that detailed analysis and assessment of these obstacles and practical measures which might be taken to reduce those obstacles which were determined to have an adverse effect on the maintenance of earnings of less-developed countries were matters which could only fall within the authority of the Committee itself.

3. During the discussions on the individual measures, members of the Working Party pointed out considerable trade had nevertheless taken place in the commodities concerned and that in some cases this trade had increased in recent years. It was agreed any evaluation of the possible effects of the measures listed on the exports of the less-developed countries, should be made by the full Committee.

4. Accordingly, the following paragraphs summarize those points which were drawn to the attention of the Working Party and on which the Working Party agreed that full examination by the Committee was required.
5. The attention of the Working Party was drawn to the tariff levels operating in Australia, Austria (many items between 26 and 30 per cent ad valorem), Brazil (most items at 120 per cent ad valorem), Canada (some items between 25 and 30 per cent), France (20-22½ per cent ad valorem on fabrics), Norway (many items between 25 and 30 per cent ad valorem), Sweden (many items at 20 per cent ad valorem) and United States (maximum duty on cloths 27.5 cents per pound, with, for example, a duty of approximately 20 per cent ad valorem on rough types of cloth of 20:20 count).

5. The attention of the Working Party was also drawn to the preferential tariff systems operated by some countries.

Quantitative Restrictions

7. The attention of the Working Party was drawn to the quantitative restrictions in force in a large number of countries, in particular, to the severe restrictions imposed by France, where imports were regulated through bilateral agreements and where licences for imports outside the bilateral quotas were seldom issued. Attention was also drawn to the additional damage caused to trade by the discriminatory application of import licensing restrictions imposed by some countries, for example, Germany.

Revenue and Internal Fiscal Charges

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

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

Tariffs and Quantitative Restrictions

10. The attention of the Working Party was drawn to the obstacles to the development of rudimentary processing of raw materials in less developed countries by the discrimination against imports of processed material practised by industrialized countries both in the higher level of tariffs they imposed on processed products and in the operation of quantitative restrictions which were far more severe and widespread in respect of processed products than for the raw material. Attention was also drawn to the discrimination against some areas in the application of quantitative restrictions.

11. At the request of the member of the Working Party who drew attention to the matter, the Working Party agreed to defer discussion on the question of the import quotas operated by the United States.

12. Attention was also drawn to the element of uncertainty, which was affecting the problems of world trade in this commodity created by the fact that the Common Market tariff on this item was still not yet decided.
TARIFFS

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

Quantitative restrictions

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

OIL SEEDS AND VEGETABLE OILS

Tariffs

15. The attention of the Working Party was drawn to the preferential tariff systems operated by some countries which resulted in, for example, a preference of 12% per cent being granted to the exports of castor oil from some areas to the United Kingdom and a preference of 15 per cent on many other types of oil.

16. Attention was also drawn to the obstacles to the development of processing of oilseeds in the countries where these are produced by the discrimination against imports of processed materials by the industrialized countries arising from the higher level of duties imposed by many of these countries on processed products. For example, the duty on raw coconut in France was 5.4 per cent, while the duty on coconut oil was 13.5 per cent; duties on imports of cotton seed, soya beans, ground nuts, rapeseed, sesame seed, were suspended in that country while imports of oils produced from these oilseeds carried duties of 16.2 per cent. The specific duty on imports of castor beans into the United States had an ad valorem incidence of 3.8 per cent while the duty on castor oil was 9 per cent ad valorem.

Quantitative restrictions

17. Attention was drawn to the severe and widespread quantitative restrictions imposed by many countries on imports of processed products, which restrictions, combined with the higher tariff levels on processed products mentioned in the preceding paragraph, prevented the development of processing industries and a consequent diversification of the exports of less developed countries.
18. Attention was also drawn to the discriminatory application of the import restrictions imposed by, for example, Benelux on imports of crude castor oil.

Revenue and Internal Fiscal charges

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

State Trading and Monopolies

20. Attention was drawn to the activities of the French Central Purchasing Organisation (SIOFA) which created a barrier against the trade in ground nuts.

Other measures

21. Attention was drawn to the adverse effects on imports of ground nuts into Germany by the German regulations on proportions of rape seed to be used by crushers. In addition, subsidies on production of soya beans in many European countries represented a barrier to trade in other oil seeds.
JUTE MANUFACTURES

Tariffs

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

Quantitative Restrictions

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

Revenue and Internal Fiscal Charges

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

State Trading

25. Attention was drawn to the adverse effects on the trade of less developed countries of state trading activities in South Africa and, in particular, to the severe controls exercised by the Jute Control in the United Kingdom.

COPPER

Tariffs and Quantitative Restrictions

26. The attention of the Working Party was drawn to the obstacles to the development of processing of raw copper in less developed countries by the
discrimination against imports of processed material practised by industrialized countries both in the higher level of tariffs they imposed on processed products and in the operation of quantitative restrictions which were more severe in respect of processed products than for the raw material. Attention was also drawn to the discrimination against some areas in the application of quantitative restrictions and the increase in this discrimination which would result from the creation of the Common Market.

Other Measures

27. Attention was drawn to the adverse effects on the trade of less developed countries by the release of material from stockpiles of copper in industrialized countries, and to the United States embargo on exports to certain areas of the raw material of less developed countries which had been processed in the United States. Finally, attention was drawn to the support which was given to less economic producers in certain parts of the world, which contributed to the difficulties of disposal of world supplies of copper.
COCOA

Tariffs

28. The attention of the Working Party was drawn to the preferential tariff systems operated by some countries which resulted in, for example, substantial margins of preference for exports of cocoa beans and various cocoa products from certain areas to the United Kingdom. In addition, new preferences had arisen as a result of the creation of the EEC.

29. Attention was also drawn to the obstacle caused to the development of processing of cocoa in the countries where it was produced by the differential tariff rates against imports of cocoa products as against cocoa beans in industrial countries. For example, cocoa beans were admitted free of duty into the United States and all the Benelux countries, whereas cocoa powder, paste and butter were dutiable upon importation into the United States at rates equivalent to 42, 2 and 64 per cent respectively and imports of cocoa butter and paste into Benelux countries were subject to duties at 6 and 10 per cent respectively.

Quantitative Restrictions

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

Revenue and Internal Fiscal Charges

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

COTTON

Quantitative Restrictions

32. The attention of the Working Party was called to the import restriction operating in the United States on various types of cotton, which seemed to
nullify the advantages that might be derived by exporting countries from the duty-free treatment in the tariff field.

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

**Tea**

**Tariffs**

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

**Revenue and Internal Fiscal Charges**

35. The attention of the Working Party was drawn to the charges which were applied in a number of countries under a variety of names, such as turnover tax, turnover equalization tax, internal consumption tax, transmission tax, revenue duty, commodity tax and "taxe unique". Whatever they may be called such charges, in the view of the member of the Working Party who drew attention to the matter, they would always have the effect of limiting or reducing the consumption of this health generating beverage.
COFFEE

Tariffs and Revenue and Internal Fiscal Charges

36. The attention of the Working Party was drawn to the level of internal taxes operating in France, Germany and Italy which, together with the tariff rates imposed, resulted in an overall level of taxation on imports of coffee into these countries of 77.5 per cent, 107 per cent and 104.6 per cent respectively, which discouraged consumption in these countries and adversely affected the development of exports of less developed countries.

37. Attention was also drawn to the preferential tariff systems operated by some countries which resulted in, for example, a substantial margin of preference for exports of coffee from certain areas to the United Kingdom. In addition, new and substantial preferences would arise from the creation of the European Economic Community.

Quantitative restrictions

38. Attention was drawn to the effects of the discriminatory import restrictions applied by France who imposed quantitative restrictions on imports from areas outside the European Economic Community.

TOBACCO

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

40. Attention was also drawn to the widespread use of state trading monopolies, price support systems, mixing regulations, internal taxes, surplus disposal operation, preferential tariff systems and guaranteed purchase arrangements all of which represented important obstacles to the development of exports of less developed countries.