INTRODUCTION

1. Since furnishing its first report to the CONTRACTING PARTIES (document COM.III/1 of 26 March 1959) Committee III has met on three occasions, namely, on 22 May and 28 May 1959 and from 28 September to 6 October 1959.

2. At the meetings in May, the Committee decided to examine in the first instance the obstacles to the expansion of trade in the following eleven commodities:

- Vegetable oils and seeds
- Tobacco
- Cotton manufactures
- Tea
- Coffee
- Cocoa
- Jute manufactures
- Cotton
- Timber
- Copper
- Lead

These commodities were selected for priority treatment as it was felt that the problems in respect of them affected a number of less-developed countries. It was understood that the examination of other products would be undertaken as soon as feasible.

3. At its third meeting, 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, quota imports and other measures affecting the trade in the eleven selected commodities. It had also before it a pilot study prepared by the secretariat on the cotton manufacturing industry (document COM.III/8).

4. The Committee, taking into account the documentation available as indicated in paragraph 3, decided to concentrate its work at this session on the problems connected with trade in the commodities mentioned in paragraph 2. Though reducing obstacles to trade in those commodities appears more urgent, the priority given to this study did not imply that this was necessarily more important than other tasks assigned to the Committee. It was agreed that other aspects of the highly complex problem of raising the earning capacity of the less-developed countries should as soon as possible and with equal attention be examined by the Committee in accordance with its initial work programme. The Committee, acting under Section II.1 of the work programme established in document COM.III/1 of 26 March 1959, appointed a Working Party with the task of identifying and describing, on the basis of the material available, the main obstacles to the expansion of imports of the selected products exported by less-developed countries.

Spec(59)160/Rev.1
5. The Committee had in mind the following considerations:

(i) The imbalance in the development of export earnings of the less-developed countries as compared with that of the industrialized countries indicates an urgent need for rapid and sustained expansion in the export earnings of the less-developed countries if their development is to proceed at a satisfactory pace.

(ii) Although international aid is essential for the development of many countries, aid can be no substitute for trade expansion. In any case, external loans are dependent on the credit worthiness of the borrower for whom therefore the enlargement of export earnings is of vital importance.

(iii) Growth of export earnings of less-developed countries through economic development will promote rather than decrease the trade of industrialized countries, as it will enhance the capacity of the less-developed countries to buy the exports of the industrialized countries.

(iv) In order to achieve a rapid and sustained growth of the export earnings of less-developed countries it is necessary not only to reduce or eliminate trade barriers that are specially restrictive of their export trade but also to take positive action in regard to other possible measures to expand their export earnings.

(v) The objective is to reduce or eliminate trade barriers that are specially restrictive of the export trade of less-developed countries and also to explore other possible measures to expand their export earnings.

(v) The gravity of the problem of expanding the export earnings of less-developed countries should be taken account of in tariff negotiations and should be kept under continuous review in Committee II, as well as in Committee III.

6. EXAMINATION OF OBSTACLES TO TRADE

The Committee examined the report of its Working Party (document which identified and described what appeared to be main obstacles in the export markets of less-developed countries to the expansion of their export of the selected products. The obstacles were classified under the headings of:

- Tariffs
- Revenue Duties and Internal fiscal charges
- Quantitative Restrictions
- State trading
- Other measures
In relation to each category of obstacles, the following points were noted:

A. **TARIFFS**

(i) **The level of tariffs.** For some manufactured products, e.g. cotton and jute manufactures, the rates imposed by a number of industrialized and semi-industrialized countries appear to be sufficiently high to hinder the expansion of exports from less-developed countries. For tea also, high tariffs are imposed and proposed by some countries. The advantage of moderate tariffs is in some cases impaired by other restrictive measures.

(ii) **Differential tariff rates for raw materials and processed products.** The case of lead, oil seeds and vegetable oils, copper and cocoa illustrated the general position that many countries favour the entry of primary products whilst applying protective tariffs vis-à-vis the processed products, which may diminish the possibilities for less-developed countries to export processed products to them.

(iii) **Differential tariffs according to origin.** There are two types of differential tariff rates affecting exports from less-developed countries: (a) those preferences recognized at the inception of the GATT and (b) the new differential tariff rates established within the European Economic Community for cocoa, coffee, wrought copper, tea and tobacco, in favour of the associated overseas territories.

B. **REVENUE DUTIES AND INTERNAL FISCAL CHARGES**

In addition to tariffs, high revenue duties and internal fiscal charges greatly increase the total tax incidence on certain products, often constituting an obstacle to the expansion of exports from the less-developed countries. The internal charges are of two distinct types: (a) in the case of cotton and jute manufactures, oil seeds and vegetable oils, they apply equally to home-produced and imported goods; (b) in regard to coffee, tea and cocoa, the taxes impinge exclusively on imports from the less-developed countries as there is no domestic production in the country imposing the taxes. The incidence of revenue duties on coffee and tea is particularly heavy in Germany, France and Italy.

C. **QUANTITATIVE RESTRICTIONS AND QUOTA IMPORTS**

There is a widespread application of quantitative restrictions, in varying degrees and forms, on practically all the selected products. The Committee did not consider the extent to which certain of these restrictions, imposed to safeguard balance of payments, were of a temporary nature or, of course, did it consider whether particular restrictions were in accord with the General Agreement. Nevertheless, the following aspects of quantitative restrictions were noted.
(i) **Discrimination according to origin**: Imports from some of the less-developed countries are affected by quota limitations imposed on a discriminatory basis, e.g., cotton and jute manufactures, vegetable seeds and oil, cocoa, coffee and copper.

(ii) **Differentiation according to state of processing**: More liberal treatment is accorded to the raw product than to the processed product in the case of vegetable oils, cocoa, lead, and copper.

D. **STATE TRADING**

In the case of coffee, cocoa, tea, and tobacco, the prices charged by some State monopolies, whether in countries with centrally planned economies or in others, involve an implicit heavy taxation on imports. The protective and other elements of the activities of State-controlled agencies in relation to jute manufactures, tobacco and vegetable oils, also inhibit imports.

E. **OTHER MEASURES**

A possible loss of trade opportunities for the less-developed countries arises from the operation of price support schemes and surplus disposal operations in relation to raw cotton and tobacco. Tobacco is affected also by mixing regulations in some importing countries. Support measures in some countries create difficulties in the production and marketing of copper. The rate and timing of release of copper and lead from stockpiles built up by the industrialized countries could adversely affect the trade of less-developed countries.