1. At the meeting on 3 May 1962, representatives of various contracting parties made statements on action taken or proposed in the tariff field, with special reference to products examined by Committee III. As requested by the Committee, this paper sets out the main points of the discussion, for reference by representatives in preparation for a summing-up debate on the question.

2. Owing to the limited time available, it has not been possible to check these notes with delegations, this paper is circulated subject to verification.

3. In the main, the discussion may be summarized under three headings:

(i) Action taken in the immediate past

(ii) Problems of immediate concern

(iii) Plans for future action in this field.

Action taken in the immediate past

4. The view of the representative of the Commission of the EEC was that, although negotiations had not been completed, an indication could be given of some results that could safely be expected to emerge from the 1960/61 Tariff Conference, which was still in progress.

5. A small number of tariff reductions could be anticipated on items contained in the first list of products studied by the Committee - negotiations on the renewal of the Convention of association with overseas countries which were still continuing, had influenced the Community's position on tropical products, while on cotton textiles difficulties were well known and had led to the drawing up of special arrangements. In any case common tariff duties on these items were already relatively low.

6. On lists two and three, however, it is envisaged that tariff reductions would be forthcoming in almost all categories, and would affect nearly two thirds of the positions in the common external tariff, excluding those on which there was already a new duty. In most cases this reduction would be of 20 per cent. Full reciprocity was not being asked of the less-developed countries and negotiations were being carried out in a liberal spirit.
7. The representatives of several economically less-developed countries pointed out that they had been unable to offer a measure of reciprocity during the General Round, as their tariffs were maintained for revenue and development purposes only.

8. Delegations of several industrialized countries announced unilateral tariff reductions made by their governments in the recent past. The United States had reduced, suspended or eliminated rates of duty or taxes on thirty-five tariff import statistical categories since January 1959. The United Kingdom had reduced its import duties on coffee and cocoa, eliminating the fiscal elements which the duties had contained. Austria had made a 10 per cent reduction in many tariff items affecting eighteen of the twenty-one items listed in COM.III/73 which were subject to duty. Finland had reduced its import duty on coffee in the autumn of 1962 and was considering a similar reduction in its import duty on tea in the near future.

Problems of immediate concern

9. The United Kingdom representative recalled that the great majority of primary products studied by the Committee were free or partially free of duty in the United Kingdom. On the dutiable items (coffee, tea and cocoa) a unilateral reduction of the import duties on coffee and cocoa had recently been made and the United Kingdom had proposed, in their negotiations for membership of the EEC, a nil duty on both tea and cocoa. It was pointed out that with reference to the products set out in COM.III/73, while they were the majority of items, were subject to m.f.n. duties of from 10 to 20 per cent, imports from the major part of the less-developed countries represented in GATT were free of both duties and quantitative restrictions. The reduction of the m.f.n. tariff by the United Kingdom would risk limiting rather than increasing the export opportunities of less-developed countries. The ministerial declaration had made it clear that where preferences were involved any changes should be on a basis which met the marketing needs of countries benefitting from the preferences (cf. COM.III/82 for the text of the United Kingdom statement).

10. The representative of India pointed out that the negotiations now taking place for British membership of the EEC created uncertainties on the future of the system of Commonwealth preferences to which the representative of the United Kingdom had referred. The Indian delegation did not oppose moves towards integration, but the entry of the United Kingdom into the EEC should not subject the exports of less-developed countries to discrimination or to higher barriers, and both the United Kingdom and the EEC were urged to recognize the obligations to those countries. The view of the Indian delegation was that it was the importance of free entry for the exports of the less-developed countries, rather than that of preferences, that should be stressed. The delegations of Nigeria, Pakistan and Ceylon associated themselves with the position of the Indian delegation.
11. The view of the delegation of Ghana was that tropical products should be accorded duty-free treatment. It had been reported that in negotiations between the EEC and the United Kingdom a proposal had been made that the common external tariff of an expanded community on tropical timber should be reduced to zero. Ghana would fully support the adoption of such a solution both in this case and in that of cocoa. This statement was supported by the delegation of Nigeria.

12. The representative of the Commission of the EEC assured the delegation of India and those delegations who had associated themselves with the statement of the Indian representative that the Community was conscious of the problems raised by the application of the United Kingdom for membership of the EEC. These problems were among those being taken up in the difficult negotiations which were taking place in Brussels and were receiving particular attention by the governments directly concerned.
Possible courses of future action

(1) General tariff reductions

13. The delegate of the United States outlined the scope of the proposed Trade Expansion Act of 1962. In its present form the Act provides four types of new tariff authority.

(a) General authority to reduce duties by as much as 50% in agreements with other countries.

(b) Special authority to reduce or eliminate certain duties in relation to the EEC.

(c) Special authority to eliminate low duties.

(d) Special authority to reduce or eliminate duties on tropical products in relation to the less-developed countries.

It was expected that the exercise of the authority contemplated in the proposed legislation would be of benefit to less-developed countries as it would increase the volume of international commerce and result in a greater demand for the raw materials of the new countries. All reductions in United States' duties would be extended on a most-favoured-nation basis. The provisions relating to tropical products and to the removal of low duties should be of particular benefit to the less-developed countries (cf. L/1763 for the full text of the statement). The delegations of Sweden and Japan expressed the interest of their governments in participating in a new plan for the negotiation of general tariff reductions such as had been outlined in the statement of the United States delegation.

14. The representative of the Commission of the EEC recalled a recent declaration of the Council of the EEC in which interest was expressed in future tariff negotiations and in which it was hoped that all contracting parties would have equivalent negotiating powers.

15. In the view of the delegation of India the new legislation outlined in the statement of the delegation of the United States showed promise and would provide an opportunity for the less-developed countries. Other industrialized countries should follow the lead of the United States. The general authority to reduce duties by 50 per cent was the normal negotiating authority granted to the President. The special authority to eliminate duties in negotiations with the EEC was likely to be of vital interest to the less-developed countries and it was important not to exclude items in these groups which the less-developed countries might be able to export. The low duty authority and authority on tropical products were in the spirit of the ministerial basis in that they were not based on reciprocity and were of importance to exporters of simple manufactures as well as exporters of primary produce.
16. The representative for France pointed out, with reference to the special authority on tropical products, that when a particular product was not produced in significant amounts in the United States the American duty on the product would often be nil or extremely low. If the EEC was asked to lower its duty on this product, what compensation could it expect from the United States?

17. The representative of the United States pointed out that no interpretation had yet been put upon the draft act, but that in such cases reciprocity might be obtained on another product by the use of another authority.

18. The delegations of Ghana, Brazil, Nigeria and Indonesia expressed interest in the authority contained in the draft act on tropical products. It was recalled that it would perhaps be appropriate to leave detailed discussion of this topic until the meeting of the Special Group on Tropical Products when more clarification could be obtained. It was the view of the delegation of India, referring to the point made by the representative of France, that this problem should be approached in a liberal manner.

19. In the view of the delegation of Rhodesia and Nyasaland tariff reductions on raw materials should be accompanied by similar reductions in tariffs on semi-processed products. This was supported by the delegations of India, Chile, Brazil, Pakistan and Canada.

20. The delegate of Chile also expressed the view that the "substantial interest" formula was unsuited to the needs of the less-developed countries because high tariffs in industrialized countries had often prevented the exports of the former from becoming principal suppliers or achieving a "substantial interest" position on a statistical basis, and that a new plan for tariff reductions should take less account of these criteria. The timing of tariff reductions under such new plans should also take into account the timing of reductions adopted by regional groups.

(ii) Proposals on particular products

21. The delegation of Rhodesia and Nyasaland referred to the Committee's decision at its February meeting to consider ways and means of bringing about earlier reductions in the type of tariffs restrictive to the trade of less-developed countries than could be expected from a general plan for tariff reductions and proposed that such reductions should be considered in the case of copper. Particular reference was made to the United States import tax on unwrought copper. The delegation of Rhodesia and Nyasaland also proposed that those countries maintaining high specific duties on tobacco should be asked to give consideration to the possible conversion of the fiscal non-protective elements of those duties to an ad valorem basis and to report to the Committee at its next meeting.