GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee III - Expansion of Trade

THE REDUCTION OF CUSTOMS TARIFFS

Notes on the Discussion on 3 May 1962

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. This paper sets out the main points of the discussion.

Action taken in the immediate past

2. 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 would very probably emerge from the 1960/61 Tariff Conference.

3. With respect to the items contained in the first list of products studied by the Committee, negotiations in progress with the African countries and the Malagasy Republic on the renewal of the Convention of Association with the EEC had influenced the Community's position: with respect to cotton textiles the difficulties were well-known and had led to the drawing up of special arrangements. Moreover, common tariff duties on those products were already relatively low. A small number of tariff reductions might nevertheless be expected on items contained in the first list.

4. On the second and third lists, however, it was envisaged that tariff reductions would be forthcoming in almost all categories, and would affect nearly two thirds of the items in the common external tariff examined by the Committee excluding those on which there was already a nil duty. In most cases that 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.

5. The representatives of several economically less-developed countries pointed out that they had been unable to offer reciprocity during the General Round, as their tariffs were maintained for revenue and development purposes only.

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1 To be attached to the report of Committee III as Annex II.
6. 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 twenty-seven of the thirty-two items listed in COM.III/73 and Add.1 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

7. 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).

8. 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 new 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 that should be stressed. The delegations of Nigeria, Pakistan and Ceylon associated themselves with the position of the Indian delegation.
9. 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 representative of Nigeria, who also expressed disappointment that the United Kingdom had in the Dillon round only been able to agree to a tariff reduction on tropical timber of 20 per cent in response to the EEC offer of a nil duty. He reaffirmed the willingness of Nigeria to forego preferential treatment on the British market if exports to the United Kingdom and the EEC were afforded duty-free entry. The statements of Ghana and Nigeria were supported by the delegate of Indonesia.

10. 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 for certain developing countries by the application of the United Kingdom for membership of the EEC. Those problems were among those being taken up in the difficult negotiations which were taking place in Brussels and they were receiving particular attention from the participants.

Possible courses of future action

(i) General tariff reductions

11. 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.
12. 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. (See L/1733.)

13. 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.

14. The representative of France pointed out, with reference to the special authority on tropical products, that the possibility of negotiating tariff reductions was apparently becoming limited to those tropical products which were not produced in significant amounts in the United States and for which the import duty applied by that country was often nil or extremely low. Consequently, if the EEC was asked to lower its customs duty on those products, what compensation could it expect on United States territory so far as tropical products were concerned?

15. The representative of the United States pointed out that no interpretation had yet been put upon the draft act, nor would it be possible at this stage to say how the various authorities under the Act would be exercised.

16. The delegations of Ghana, Brazil, Nigeria and Indonesia welcomed the authority on tropical products sought by the President of the United States in the draft act. 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 those delegations and of India, referring to the point made by the representative of France, that this problem should be approached in a liberal manner.

17. In the view of the delegation of Rhodesia and Nyasaland tariff reductions on non-ferrous metal raw materials and particularly those on copper should be accompanied by similar reductions in tariffs on semi-processed products. The representatives of India, Chila, Brazil, Pakistan and Canada said that such action might also be considered on other commodity groups. The representative of Rhodesia and Nyasaland also expressed the view that duties on tobacco, and in particular the fiscal element in such duties, should not be excluded from the scope of any general tariff reduction plan.
18. 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 those criteria. Reductions on those products would be facilitated if they were effected gradually. In that event, as had been suggested at the preceding meeting of the Committee, the timing of tariff reductions might correspond to the timing of reductions adopted by regional groups.

(ii) Proposals on particular products

19. 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 Chile supported that view.

20. 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. The representative for Greece referring to the proposal of the representative for Rhodesia and Nyasaland, said that, because of the great importance of the industry in his country which was based on high quality tobacco, it was not possible for his Government to agree to any change in the present status quo on import duties on unmanufactured tobacco applied by various countries.