1. In accordance with the Decision taken by the CONTRACTING PARTIES on 7 December 1961 on the implementation of the Conclusions of Ministers (L/1699), the Committee met for the second time since the nineteenth session from 1 to 9 May 1962 to carry out the programme of work which it had adopted in February 1962 and which was set forth in document L/1732.

2. That programme of work envisaged that the question of trade barriers affecting exports of tropical products would be taken up in the first instance by a Special Group at meetings to be held in April prior to the present meeting of the Committee. For various practical reasons it had been found desirable to postpone the meeting of this Special Group until the beginning of June. The Committee considered that any substantive discussion of questions relating to the five tropical products should be left to the Special Group. On the other hand, there was no reason why the Committee, at its present meetings, should not refer to those products when they were relevant to the subjects under discussion.

3. In the light of the Ministerial Conclusions and the Declaration of 7 December 1961, the Committee had decided to examine plans for the reduction or removal of the following types of trade barriers:

   I. quantitative import restrictions;
   II. customs tariffs;
   III. revenue duties and internal taxes; and
   IV. other non-tariff barriers (State trading and subsidies).

The Committee discussed these measures in turn. The conclusions which it has reached and the recommendations or arrangements for future work which it wishes to make are set out in the following paragraphs.

I. The Removal of Quantitative Restrictions

4. It was agreed at the meeting in February that the Committee, at its meeting in May, would give first attention to the question of the removal of quantitative restrictions. In preparation for this work contracting parties which applied restrictions affecting the products examined by the Committee were invited to indicate their intention regarding the removal of such restrictions. In response to this request, a number of contracting parties supplied statements concerning the action they had recently taken to remove restrictions, the present state of their import controls, and/or steps they intended to take in the near future; these statements were made available to the Committee in documents COM.III/74 and 76 to 81. The Committee also had before it a secretariat document containing commodity schedules showing the restrictions at present in force in various countries (COM.III/72 and Corr.1).
5. On the basis of this information the Committee discussed the remaining quantitative restrictions with the contracting parties concerned. The representatives of a large number of contracting parties, including those in the less-developed group, outlined for the Committee the position of their governments. In some cases they amplified the written submissions, and in other cases the information set out in the summary schedules (COM.III/72) was corrected, supplemented or brought more up to date.

6. In the course of the discussion a number of points were clarified, and views were expressed by less-developed countries concerning particular restrictions. It was noted that in a gratifying number of cases contracting parties were able to indicate liberalization measures introduced since the ministerial meeting or to announce the adoption of plans or programmes for the removal of the remaining restrictions. With respect to certain products the immediate liberalization of which was considered difficult at present, the contracting parties concerned were able to announce a progressive widening of global quotas or other measures to increase the access to their markets. In a few cases, important industrialized countries stated that they would be prepared to enter into direct consultations with the exporting countries with a view to adjusting their licensing arrangements so as to provide less-developed countries with increasing export opportunities.

7. The information contained in the secretariat document COM.III/72, the written statements submitted by governments and the oral statements made at the meeting, together produced a picture which was both encouraging and gratifying; the Committee was of the impression that, except in one or two isolated cases, the use of quantitative restrictions affecting the exports of less-developed countries, had been greatly reduced in the industrialized countries, especially since the ministerial meeting last October. In the industrialized countries in Western Europe, import restrictions now existed on a much more limited scope than three years ago when the Committee began its work. There were unmistakable signs that the industrialized countries were intent upon demonstrating in practical terms their adherence to the conclusions of the ministerial meeting and their determination to remove import restrictions.

8. On the other hand, the Committee noted that, while these advances and indications for the future were encouraging, there remained certain problems and hindrances to the complete achievement of this objective. Among the products examined by the Committee, a number of them still faced restrictions maintained in industrialized countries. The following features may be cited as particularly disquieting:

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1Annex I to this report contains notes on the interventions made at the Committee meeting.
(a) The restrictions maintained by some countries still involved discrimination for which there could be no reasonable justification. The imports in question were admitted freely from European and certain other countries, but remained restricted when coming from countries in other areas, mostly less-developed countries.

(b) Certain restrictions still involved an absolute ceiling on the quantity that could be imported, thus directly limiting the export possibilities of less-developed countries.

(c) Certain import controls, though involving no effective limitation on the quantity of imports, were being maintained for sundry reasons and, due to their psychological effect on traders and the uncertainty which they created, constituted a factor preventing the expansion of the exports of less-developed countries.

(d) Restrictions were still retained on products which had undergone simple processing while the related raw material had been liberalized.

9. The Committee wished to stress that, whether or not the controls or restrictions exerted a direct effect on imports, they invariably had some effects on the viability of less-developed countries and on the formulation and implementation of their development plans.

10. Whilst the progress which had so far been achieved might be regarded as noteworthy and was indeed welcome, it still fell short of meeting the objective set at the ministerial meeting, and justified no complacency or the slackening of efforts, which should continue to be made by contracting parties as long as restrictions remained on the exports of less-developed countries. Accordingly, the Committee agreed that arrangements should be made for periodical reviews or discussions of the remaining restrictions in the light of the Ministerial Conclusions and the Declaration of 7 December 1961. To this end it recommends:

(a) that all contracting parties (including non-members of Committee III) should be asked to supply up-to-date information on any restrictions which still applied on the products examined by Committee III and to inform the secretariat of any modifications or corrections which should be made to the tables in document COM.III/72 and Corr.1. On the basis of information thus received, the secretariat should produce a succinct table showing the existence of restrictions on each of the products. This table should be revised and made available to members of the Committee and other contracting parties from time to time;

(b) that the question of the removal of quantitative restrictions should be kept on the agenda of the Committee, which presumably will continue to hold at least two to three meetings each year. At each meeting the Committee will examine the progress made in the removal of the restrictions and discuss with the countries applying the restrictions the prospects for their removal; and

(c) that whenever necessary or appropriate the Committee will report to the CONTRACTING PARTIES or to the Council on any specific action or measures which would contribute to a more rapid progress in this field.
II. Customs Tariffs

11. The Committee agreed at its meeting in February 1962 that it would devote its attention to two main tasks in the field of customs tariffs, as described in paragraph 9 of document L/1732. In connexion with the first task, namely:

"to consider ways and means of bringing about an earlier and more substantial reduction of the types of tariffs mentioned above than can be expected to result from the general plan for tariff reductions with a view to formulating a precise programme" (such reductions might subsequently be taken into account when a general tariff reduction plan is implemented).

The Committee noted the statement made by various contracting parties, notably the United States, the United Kingdom, Austria and Finland, on certain action which they had recently taken. The representatives of less-developed countries welcomed these announcements of unilateral tariff reductions which had been made on items of importance in their export trade.

12. The delegation of Rhodesia and Nyasaland, supported by the delegation of Chile, proposed that early consideration should be given to the reduction of import duties and taxes on unwrought copper. The delegation of Rhodesia and Nyasaland also proposed that consideration should be given to the conversion of the non-protective elements of high specific duties on tobacco to an ad valorem basis. The representative of Greece stated, however, that principally owing to the great importance of the tobacco industry in his country which was based on high quality tobacco, the Greek Government would be unable to support any proposals to change the present status quo on import duties on unmanufactured tobacco applied by various countries.

13. The representatives of various less-developed countries re-emphasized the value of unilateral tariff reductions, wherever they could be made by industrially advanced countries, on products of interest to the less-developed world. The Committee had identified, in the course of its past discussions, tariff barriers which were particularly restrictive of these exports. All contracting parties, particularly the industrialized countries, should give careful and continuous consideration to the possibility of making further reductions in their tariffs affecting these products.

14. The United Kingdom representative called attention to the problems relating to the reduction of m.f.n. rates where imports from many less-developed countries were free of duty and where the reduction of the m.f.n. rates might have the effect of limiting rather than increasing the export opportunities of those countries (cf. COM.III/82). In discussing this problem the representative of India referred to the uncertainties which had been created by the current negotiations between the United Kingdom and the EEC. While there was no reason to oppose the United Kingdom's accession to the EEC, it was important that the entry of the United Kingdom into the EEC should not entail increased discrimination or higher barriers against the exports of less-developed countries. This view was supported by the representatives of a number of less-developed countries, who also stressed the importance of free entry for the exports of less-developed countries to the markets in the industrialized areas.

For notes on the discussion on various aspects of the tariff question see Annex II to the present report.
15. The Committee then proceeded to consider the second task which it had undertaken in the tariff field, namely:

"to formulate principles and considerations, both in general terms and in regard to particular products, which would be made available to the Working Party on Procedures for Tariff Reductions and which the Committee considers should be taken into account in the new procedures to be recommended by the Working Party".

In this connexion the Committee noted the fact that there was as yet little guidance available as to the form which the proposed tariff exercise was likely to take. The Committee felt that, if such principles and considerations must be formulated at this stage, they would have to be cast in very general terms in the knowledge that it would have ample opportunities for elaborating or supplementing its present proposals as and when a plan for tariff reductions was formulated and elaborated.

16. The draft Trade Expansion Act of 1962, which was outlined for the Committee by the representative of the United States\(^1\), gave some general indication of possibilities, and this initiative taken by the United States Government was welcomed by all members of the Committee. The low-duty authority and authority on tropical products were regarded by them as particularly encouraging. The Committee expressed the hope that other countries would follow the lead of the United States and participate in the exercise when a plan based on such legislation was put into effect. The Committee considered that the Working Party on Procedures for Tariff Reductions might examine the ways and means of securing maximum reductions on low-tariff raw materials and semi-manufactures exported by less-developed countries and tropical products along the lines contained in the draft legislation.

17. It was noted by the Committee that reductions or eliminations in tariffs or other import restrictions by the United States under the proposed new legislation on tropical products would be dependent on the agreement of the EEC to make comparable reductions or eliminations in duties or other import restrictions with respect to each such product substantially without differential treatment. In this connexion some less-developed countries represented on the Committee stressed their primary interest in securing free entry for their products on the markets of the main industrialized countries. It was recognized, however, that the problem was a complex one, to which the Working Party on Procedures for Tariff Reductions should devote particular attention in the light of the Declaration of 7 December 1961.

\(^1\)See L/1763.
18. The Committee stressed that in any tariff reduction plan, the products of interest to the less-developed countries should be assured of inclusion among the products on which industrialized countries will reduce their duties. This applied to all the products examined by the Committee but particular reference was made in this connexion to tropical products, non-ferrous metal raw materials (especially copper) and tobacco.

19. Tariff cuts on these items should be sufficient to ensure a significant degree of expansion of the exports of the less-developed countries for each product. Attention was drawn to the fact that for some items such as processed or manufactured items, the costs of newly-developed industries may be such as to call for very substantial cuts in order to move such exports into markets previously supplied entirely by well-established industries, especially in view of deterioration in the competitive position of less-developed countries caused by integration movements in industrialized regions. In some cases free entry would be needed in order to achieve any significant trade expansion.

20. The Committee, recalling the Declaration of 7 December 1961, noted that in any tariff reduction plan adequate provision should be made for the reduction of tariffs which disproportionately differentiate in favour of a processed product as compared to the raw material for that product. Tariff reductions on raw materials should be accompanied by reductions on related processed products. Consideration for free entry for products which had undergone simple processing should not be excluded.

21. Since the inability of less-developed countries to offer reciprocal concessions has been recognized, industrialized countries having burdensome tariffs on the products of less-developed countries, should, in addition to, and apart from, participating in the general plan, adopt plans for reduction of such tariffs; such reductions could be phased, if necessary, over a period of years.

22. Turning to the problems that might be forced by less-developed countries in participating in any new plans for tariff reduction, the Committee emphasized that the Conclusions of the meeting of Ministers had specifically recognized the principle that full reciprocity was not to be asked of less-developed countries. The Committee noted, however, that this principle was not an entirely new one, but had been stated or reflected in past arrangements for tariff negotiations, and in Article XVIII:bis of the General Agreement. The fact that these arrangements and provisions had not led to enthusiastic or fruitful participation in recent tariff negotiations by less-developed countries would seem to indicate that the adequacy of these past arrangements in giving effect to the principle should be examined in order to ensure that it be better reflected in future plans for tariff reductions.
The envisaged new approach to tariff reductions, insofar as it was reflected in the United Kingdom proposed legislation, was clearly in the direction of discarding the matching of reciprocal, commensurate concessions adequate account would obviously be taken of the economic and other factors limiting the ability of less-developed countries to grant tariff concessions. The participation of less-developed countries in any such plan would thus not in any substantial way be hampered by their lack of bargaining power such as had been the case in the past.

23. The Committee also noted that in the past less-developed countries had sometimes invoked the need to protect newly established industries or the implementation of development plans as justification for the maintenance of existing tariffs, a factor which was said to limit their capacity to participate in tariff negotiations. Less-developed countries had also argued that they had been unable to enter into negotiations and to grant tariff concessions because they relied on import duties to provide a large percentage of their budgetary revenue, or that a high tariff enabled them to avoid the use of quantitative restrictions for the protection of the balance of payments.

24. The Committee noted that in respect of most of these difficulties invoked by less-developed countries, remedies seemed to be available in the provisions and procedures of GATT. Tariff concessions granted under GATT were always renegotiable and balance-of-payments problems could be met by measures other than the permanent maintenance of a high customs tariff. As regards the revenue duties, these could be separated and amalgamated with internal taxes, the reduction of which would depend upon the country's financial capacity.

25. The Committee noted at the same time, however, that these remedies had always existed but had in fact not enabled full participation of less-developed countries in past tariff reductions. The Working Party on Procedures for Tariff Reductions would no doubt take careful account of all such difficulties invoked by the less-developed countries in the formulation of the plan, in the light of the Ministerial Conclusions concerning the reduction of tariffs and expansion of trade of less-developed countries. On the other hand, the Committee was glad to note that the less-developed countries, at the present meeting of the Committee, had expressed a deep interest in the formulation of the plan and undertaken to participate fully in it within the limits permitted by their economic strength and capabilities.
III. Revenue Duties and Internal Taxes

26. In the light of the Special Report in L/1557 and Section IV of the Report in L/1732, the Committee discussed the question of the elimination of fiscal charges. The attention of the Committee was drawn to the written statement submitted by the United Kingdom (COM.III/74) concerning the recent elimination of the fiscal element in the United Kingdom customs tariffs on coffee and cocoa and to the statement submitted by Italy (COM.III/81) concerning a proposed law, which was currently under consideration in Parliament, providing for a 50 per cent reduction in the present consumption tax on cocoa and cocoa products.

27. The Committee welcomed these steps taken by the United Kingdom and Italy. These steps, in the view of members of the Committee, were welcome not only because of their direct effect on the exports of less-developed countries but, more importantly, because of their significance in marking a fundamental change in the attitude of these industrialized countries on the question of abolishing fiscal charges affecting specific exports. It was recalled that as recently as last year the United Kingdom, as well as certain other Western European countries, had considered it impossible to make adjustments in this field. The action now taken by the United Kingdom provided a conclusive proof that the difficulties were not insurmountable provided there was determination to make progress in that direction. With regard to the proposed legislation of Italy, the Committee requested that serious consideration be given by the Italian Government to the possibility of extending similar treatment to other beverages such as tea and coffee.

28. In the light of the action taken by the United Kingdom and Italy, members of the Committee commented on the lack of progress in the Federal Republic of Germany. The representative of the Federal Republic informed the Committee of an unsuccessful recent effort by his Government to seek legislative authority for the reduction of the taxes on coffee and tea. In the view of the Federal Government, the abolition of these taxes would entail a loss of $200 million in revenue, which would have to be made good through increases in other revenues which could not be obtained without a major reform in the budgetary structure. The revenue from these taxes constituted a principal source of funds used in providing development aid to less-developed countries. In this connexion various representatives recalled the conclusions of the ministerial meeting that aid was no substitute for trade and stressed that increases in trade was of equal importance to aid, both being essential to the development of less-developed countries.

29. As regards the proposal set forth in paragraph 19 of document L/1732, for a two-stage reduction of revenue duties and internal taxes on cocoa, tea and coffee, the Committee agreed that it might be taken up at a later stage in the light of the discussions at the Special Group on Trade in Tropical Products.
IV. Other Non-Tariff Barriers

30. As agreed at the February meeting and as noted in paragraph 17 of document L/1732, the Committee discussed the desirability of adopting a supplementary questionnaire for the purpose of eliciting information on the operation of State monopolies affecting the exports of less-developed countries. On the basis of proposals made by contracting parties, the Committee adopted a questionnaire, the text of which is reproduced in Annex III to the present report. The secretariat is asked to transmit the questionnaire to all contracting parties with the request that information along the lines indicated, together with any other relevant information, be supplied in time for examination by the Committee at its next meeting which would begin before or during the twentieth session of the CONTRACTING PARTIES.

31. As noted in paragraph 18 of document L/1732, the Committee had agreed that if any new questions of subsidization affecting the exports of less-developed countries should arise, it could be brought to the Committee for consideration in the light of the Decision of 7 December 1961. The representatives of certain contracting parties called attention to the new legislation introduced by the United States on 10 March 1962 providing for a 20 per cent increase in the export payments on certain types of tobacco. In the view of one contracting party, this premium might impair its exports of tobacco to its traditional markets. Another contracting party considered that, while this measure was unlikely in itself to cause substantial damage to traditional tobacco exporters, it was significant as a possible precedent for the introduction of similar subsidies in future which might cause serious damage to those countries.

The United States representative explained that the export payments applied only to flue-cured tobacco stocks remaining from the 1956 and earlier crops. In 1957 the payments to producers had been reduced by 50 per cent and production of this type of tobacco had ceased. In view of the very high prices in the United States compared with world prices, it was unlikely that this export payment would have a substantial effect on trade. There was, therefore, no likelihood of the interests of other tobacco producing countries being damaged. The United States Government would give the assurance that due consideration would continue to be given in future to the interests of all tobacco producing countries if any such measures should be contemplated.

V. Other Matters

(To be drafted)

List of Annexes

Annex I Reduction of Quantitative Restrictions (see Spec(61)120/Rev.1)
Annex II Reduction of Customs Tariffs (see Spec(61)122/Rev.1)
Annex III Questionnaire on State Trading Affecting Exports of Less-Developed Countries (see COM.III/75)