1. In accordance with the Decision taken by the CONTRACTING PARTIES on 7 December 1961 for the implementation of the Conclusions of Ministers (L/1699), the Committee met from 19 to 22 February 1962 to arrange its programme of work in preparation for a further meeting in April/May 1962.

2. Apart from the Decision referred to above the Working Party took as a basis of its work the Declaration of the CONTRACTING PARTIES of 7 December 1961 on the Promotion of the Trade of Less-Developed Countries (L/1698) as well as the Conclusions adopted at the close of the ministerial meeting on 30 November 1961 (L/1657). It also referred to past reports of the Committee, in particular the special report which it submitted on 27 September 1961 (L/1557). The Committee also took account of certain proposals submitted by the Federation of Rhodesia and Nyasaland concerning unmanufactured tobacco (COM.III/W.17) and concerning tariff discrimination against processed products (COM.III/W.16).

3. At the outset of the meetings, the Committee recalled that in the three years of its existence the Committee had made an exhaustive study of various types of barriers to the trade of less-developed countries. The material which it had gathered had been found adequate to enable the Ministers and the CONTRACTING PARTIES, at the nineteenth session, to draw up firm conclusions which were now on record and to formulate a general policy Declaration. These documents marked the termination of the exploratory and fact-finding stage of the Committee's work and provided a basis for positive action. The CONTRACTING PARTIES had directed the Committee to take immediate steps to establish specific programmes for action in order to bring about a progressive reduction and elimination of barriers to the exports of less-developed countries. It was against this background and in this spirit that the Working Party embarked upon the task of arranging its future programme of activities.

4. Among the types of barriers identified by the Committee and dealt with in the ministerial conclusions and the CONTRACTING PARTIES' Declaration, the Committee devoted its attention in the first instance to the following five,
namely (i) customs tariffs, (ii) quantitative import restrictions, (iii) other non-tariff barriers, (iv) revenue duties and internal taxes, and (v) trade barriers affecting the export of tropical products. The arrangements made by the Committee in regard to each of them are described in Sections I to V below.

I. Customs Tariffs

5. As noted in its special report of September 1961, the Committee had identified high tariffs and differential tariffs as constituting serious barriers to exports of less-developed countries, particularly with respect to vegetable oils, coffee, tea, cocoa products, manufactures of jute, of cotton and of coir, and certain other manufactured consumer goods. The Committee was of the view that a reduction of these barriers would be of considerable assistance to less-developed countries.

6. The Declaration of 7 December 1961 states that:

   (i) governments should give special attention to tariff reductions which would be of direct and primary benefit to less-developed countries;

   (ii) in this connexion they should consider the elimination of tariffs on primary products important in the trade of less-developed countries;

   (iii) they should also consider reducing those tariffs which differentiate disproportionately between processed products and raw materials.

7. The Declaration further states that in making arrangements to bring about a general reduction of tariffs, account should be taken of the special needs of less-developed countries. The conclusions of the ministerial meeting also recognized the need for flexibility in regard to reciprocity in any future exercise for tariff reductions.

8. In the view of the Committee the sense of urgency which pervaded the Declaration and the Conclusions of the ministerial meeting fully demonstrated an earnest general desire to bring about an early reduction of tariffs affecting exports of less-developed countries. Consequently the Committee would be failing in its duties if it were to limit its recommendations to the context of the general tariff reduction exercise and not formulate any specific programmes to that end.
9. The Committee agreed that at its next meeting in April/May 1962, it should devote its attention to the following tasks:

(i) to consider ways and means of bringing about an earlier and more substantial reduction of the type 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 of action.

(ii) to formulate principles and considerations, both in general terms and in regard to particular products, which are to be taken into account in the new procedures and techniques to be recommended by the Working Party on Procedures for Tariff Reductions.

10. The Committee envisaged that action taken under any programme formulated in accordance with (i) above would largely have the effect of expediting tariff reductions which were considered desirable; reductions pursuant to such a programme might be taken into account when the time came for implementing the general plan referred to in (ii) above.

11. The Committee considered that for both of these tasks, contracting parties should be invited to submit specific proposals for consideration by the Committee at its next meeting. The secretariat should be asked to supply, in a convenient form, the data which it had collected on the present state of tariffs relevant for the Committee's work, and to provide suggestions, particularly relating to point (ii) above. It should be noted, however, that these exercises would not relate to trade in the defined tropical products which are dealt with in Section V of the present report.
II. Quantitative Restrictions

12. The Declaration of 7 December 1961 states that governments should give immediate and special attention to the speedy removal of those quantitative import restrictions which affect the export trade of less-developed countries. This conclusion was reached by the Ministers and the CONTRACTING PARTIES on the basis of the special report of the Committee which identified quantitative restrictions as one of the most serious barriers confronting the exports of less-developed countries. The report noted that exports from less-developed countries of such important products as vegetable seeds and oils, coffee, raw cotton, tobacco, tropical timber, manufactures of jute, of cotton and of coir, and sewing machines, were often adversely affected by quantitative import restrictions which were sometimes applied in a discriminatory manner.

13. The Committee considered that at its next meeting in April/May 1962 first attention should be devoted to the drawing up of a specific programme for the removal of the import restrictions which it had identified. To this end the Committee agreed that: (a) contracting parties which applied restrictions affecting the products included in the three lists considered by the Committee should indicate, prior to the April/May meeting, their intention regarding the removal of such restrictions; (b) the Committee should at the April/May meeting, discuss with the contracting parties applying the restrictions and in the light of the discussion would make concrete recommendations on a specific programme; (c) the secretariat be instructed to present specific proposals regarding arrangements and procedures for notifying and reviewing action by contracting parties in accordance with that programme.

14. The CONTRACTING PARTIES already had noted at the nineteenth session that most of the restrictions in question were being applied inconsistently with the provisions of the General Agreement. The Committee also noted that the experience of many countries had shown that these restrictions could be removed without causing serious difficulties or hardships for them. In most cases the restrictions were a relic of the past, resulting from an incomplete implementation of their policies of elimination of restrictions previously applied for balance-of-payments reasons.
15. The Committee considered that in the light of this the CONTRACTING PARTIES would be justified in asking for the prompt removal of such restrictions. In very exceptional cases where the immediate removal of a restriction should be found difficult the contracting party should undertake at least to establish global quotas which should be progressively enlarged. Such quotas should reach a level adequately to meet the full domestic demand within a year, so as to enable the removal of the restrictions shortly thereafter. The Committee invites contracting parties to give consideration to this type of proposal so that they will be fully prepared for discussing it at the April/May meeting. The secretariat should supply, in suitable form, the data it had collected on the use of restrictions relevant for this work.

III. Other Non-Tariff Barriers

State trading

16. The Declaration of the CONTRACTING PARTIES had called attention to unnecessary impediments placed on the trade of less-developed countries through the operations of State import monopolies or purchasing agencies. Countries operating such agencies were urged to endeavour to improve access to their markets for products of less-developed countries by decisions to import larger quantities of the products in question and, if necessary, by reductions in the difference between imports and sales prices. The Committee noted that inasmuch as a limitation of the quantity of imports below the level of prevailing demand, whether by discretionary decisions of State monopoly agencies or otherwise, amounted to a quantitative restriction in the GATT sense, the considerations and proposals set out in Section II above would be valid; the removal of such restrictions would be sought through the exercise envisaged in that Section. As regards the difference between import and sales prices, this, as had been noted in the Declaration, amounted to an implicit taxation of imports. Action in this field should, therefore, be considered in the context of the reduction of customs tariffs discussed in Section I above or, as appropriate, in the context of the reductions of fiscal charges, discussed in Section IV below.
17. In discussing the proposals submitted by the Federation of Rhodesia and Nyasaland in COM.III/W.17 the Working Party noted that the notifications which contracting parties were required to make for the purpose of examining the operation of Article XVII had been found by the Panel on Subsidies and State Trading to be inadequate; they were particularly inadequate for the purpose of evaluating the effect of such practices on the exports of less-developed countries. The Committee agreed that at its next meeting in April/May it should consider the adoption of a supplementary questionnaire specially designed to elucidate information on the actual operation of State monopolies and their effects on the trade of less-developed countries. The Committee requested that contracting parties submit proposals on, and questions for inclusion in, the questionnaire, which should be ready for issue to all contracting parties after that meeting.

Subsidies

18. The Committee noted the statement made by the CONTRACTING PARTIES in the Declaration concerning the effect of subsidies on the market opportunities of less-developed countries. In the proposals submitted by the Federation of Rhodesia and Nyasaland attention was drawn to the danger that producers faced with surpluses of raw tobacco might be tempted in future to consider the subsidization of exports. The Committee noted, however, that the CONTRACTING PARTIES would carry out a review of the operation of Article XVI in 1962 and suggested that the Federation should submit any specific proposals to the CONTRACTING PARTIES for consideration in that connexion.

IV. Revenue Duties and Internal Taxes

19. As noted in its special report (L/1557) the Committee had emphasized high fiscal charges, either in the form of revenue duties or of internal taxes, as major barriers to certain important traditional exports of less-developed countries such as coffee, tea, cocoa and tobacco, and for some of the new exports of manufactured consumer goods. It noted that in the absence of domestic production an internal tax amounted to a levy on imports.
The CONTRACTING PARTIES noted in the Declaration that the removal or considerable reduction of such levies in industrialized countries would be a useful contribution to the foreign exchange earning capacity of less-developed exporting countries. It was suggested by a member of the Committee that it should consider proposals in this field, such as the proposal which his Government at present had in mind, that is, for the reduction of all such revenue duties and internal taxes affecting the traditional exports of less-developed countries mentioned above, by 50 per cent in 1963 and by another 50 per cent in 1965. The first reduction would provide an opportunity for studying the effect of the lowering of prices on the level of consumption, and for assessing the value of the reduction to the exporting countries. The Committee considered that it would be opportune for it to examine at its April/May meeting any such precise plans as might be proposed.

V. Barriers Specially Affecting Trade in Tropical Products

(To be drafted after discussion)

VI. Other Work of the Committee

(To be drafted)

VII. General Comments

The Committee was aware that the effects of reductions of the various types of trade barriers were inter-related. Only for practical convenience had they been dealt with separately by the Committee. It was to be hoped that the work of the Committee, when it got under way in April/May, would result in advances on all fronts. As a matter of general safeguard, the Committee wished to stress that the removal of any particular type of barriers should not be accompanied by the introduction or intensification of any other type or types of barriers so that the effect of the advance would be impaired or nullified.