Committee III - Expansion of Trade

DRAFT REPORT OF COMMITTEE III OF
THE MEETINGS OF MARCH-APRIL 1963

1. The Committee met from 25 March to 7 April 1963. It examined the progress made in pursuance of the Decision of 7 December 1961 on the implementation of the Conclusions of Ministers and drew up recommendations for consideration at the forthcoming ministerial meeting. These recommendations are based on the Committee’s consideration of a programme of action sponsored by twenty-one GATT countries and discussion on the direction of the Committee’s future work. The recommendations are set out in Part I of the present report. Part II of the report sets out the findings of the Committee on progress made in the removal of trade barriers and contains a record of the discussions at the present meeting of the Committee relating to the programme of action, and of the discussions on other items of the Committee’s agenda aimed at exploring ways and means of expanding the export earnings of less-developed countries as envisaged in its original programme of work.

I. Submissions to Ministers

2. Since the ministerial meeting of November 1961 Committee III, which was assigned the task of implementing the agreed Conclusions of Ministers as they relate to the expansion of trade of less-developed countries, has met on five occasions. Each time the Committee was able to note some progress by contracting parties in the removal of trade barriers, particularly quantitative restrictions affecting exports of less-developed countries. While noting the progress made in the implementation of the Conclusions of Ministers, the Committee decided when it drew up its report on the meeting in October 1962 that it would be failing in its Charter if it did not advise the CONTRACTING PARTIES of the gap still existing between intent and performance. Much remained to be done. The Committee noted that contracting parties had not found it possible to establish, as recommended by the CONTRACTING PARTIES, specific programmes of action and, where feasible, target terminal dates for the progressive reduction and elimination of barriers to exports of less-developed countries such as were desired by the less-developed countries.
3. When the Committee convened during the twentieth session, it had before it the proposal for a programme of action which was sponsored by twenty-one GATT countries. The proposed programme of action addressed itself in seven specific points to the elimination or reduction of remaining tariff and non-tariff barriers and, in an eighth point, to other measures which contracting parties could take to facilitate the efforts of the less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales. The record of the discussions in November is contained in the last report of the Committee (L/1925). The CONTRACTING PARTIES, in adopting this report, recommended that the Council should give it urgent consideration. At the present meeting of the Committee, the representatives of the industrialized countries, without being able in all cases to state the definite position of their governments, gave additional information on the position of their governments with regard to this proposed programme of action.

4. The Committee noted with satisfaction that there was a wide measure of agreement in the Committee on this programme of action as contributing to the implementation of the Ministerial Decision of November 1961. It should be pointed out however, that where acceptance by the Committee is indicated such acceptance would not prevent in certain circumstances, limited exceptions from any of the programme points, either in terms of specific commodities or of action to be taken by certain target dates. The Committee noted the position of less-developed countries represented in the Committee that they felt unable at the present meeting to accept changes in their proposed programme.

5. In drawing up the record of understandings on the individual points, representatives of industrialized countries had further in mind, that, as stated by the sponsoring countries, acceptance of the proposed programme of action would be without prejudice to the rights and obligations of contracting parties under the provisions of the General Agreement, under arrangements negotiated within the framework of GATT, or covered by International Commodity Agreements. It was further understood that, where action under the programme would affect the interests of third countries, as under preferential arrangements, action
by countries granting such preferences would depend, inter alia, on the consent of the trade partners concerned. Finally, it was the understanding of the Committee that the programme of action relates to the products covered by Lists I to III examined by the Committee and those examined by the Special Group on Tropical Products with limited exceptions where for the products concerned action of the type envisaged under the different headings could not be expected to benefit the less-developed countries. The Committee agreed that the programme of action, if adopted, might subsequently be extended to an enlarged list of products agreed to by the Committee.

6. The Committee agreed that the points for action in the proposed programme, together with the record of understandings reached in the Committee should be submitted to the Council for consideration in drawing up the agenda for the meeting of Ministers to ensure the early adoption of measures which would permit rapid progress in the areas of most immediate concern to the less-developed countries. The proposed programme of action, together with the record of understandings on each point therein is set out below.

A. PROGRAMME OF ACTION

7. Standstill provision

Point (i) No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature.

Industrialized countries indicated that they would use their best endeavours to maintain the standstill in full, although situations might arise where there could be a compelling need for limited exceptions.
8. **Elimination of quantitative restrictions**

Point (ii) Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items will be progressively reduced and eliminated by 31 December 1965.

The industrialized countries confirmed that it was their intention to remove quantitative restrictions maintained inconsistently with the GATT as soon as possible. Most industrialized countries maintaining such restrictions agreed that they would achieve the target date of 31 December 1965.

9. **Duty-free entry for tropical products**

Point (iii) Duty-free entry into the industrialized countries shall be granted to tropical products by 31 December 1963.

(To be supplied)

10. **Elimination of tariffs on primary products**

Point (iv) Industrialized countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries.

Industrialized countries indicated that they could agree to work towards the elimination, or where this was not possible, at least toward the substantial reduction of tariffs on these products. While not ruling out earlier action, these countries indicated that they expected these products to be the subject of tariff reductions within the framework of the proposed tariff negotiations.

11. **The reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries**

Point (v) Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries providing for a reduction of at least 50 per cent of the present duties over the next three years.
The industrialized countries noted that this proposal was on the same lines as the working hypothesis of a 50 per cent linear tariff cut which had been adopted in the Working Party on Procedures for Tariff Reduction at its meeting from 18-29 March 1963. The industrialized countries indicated that, while not precluding action in advance of the tariff negotiations, they would be prepared to ensure, as far as possible, that products covered by the proposal would be included in their offer lists in the proposed tariff negotiations and not be excepted from such negotiations.

12. Progressive reduction of internal fiscal charges and revenue duties

Point (vi) Industrialized countries shall progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965.

While most industrialized countries indicated that they would not have difficulty in accepting this proposal and urged appropriate joint action in this field, others indicated that acceptance of the proposal continued to give them major difficulty. In view of the lack of agreement on this question the Committee considers that Ministers should be asked to give this problem special consideration.

13. Reporting procedures

Point (vii) Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries.

The proposal was accepted.

Point (viii) Other action

14. In putting forward the seven specific proposals for action set out above the countries sponsoring the action programme pointed out that the gap between the needs of the less-developed countries and their current earnings from exports was so large that even the adoption of the measures outlined above might not be adequate. The less-developed countries therefore urged:
that contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

The industrialized countries recognized that, in addition to action along the lines envisaged under points (i) to (vii), urgent consideration by the CONTRACTING PARTIES would have to be given to other measures aiming at improving the trading opportunities for less-developed countries if a sound and lasting solution to their trade and development needs was to be found. While the present activities of the CONTRACTING PARTIES could be counted upon to contribute towards the efforts of all contracting parties to achieve higher standards of living, and more rapid development through increasing international exchanges, trends in international trade showed that present efforts and arrangements were not sufficient to enable the less-developed countries to share in the benefits of international specialization and exchanges to the extent necessary to meet the needs of development. Discussion in the GATT itself, for example the discussion on commodity problems during the twentieth session, and discussion in other international bodies, had shown that unless effective joint action were taken there appeared to be no basis for expecting any substantial favourable change in the level of export prices of primary products relative to prices of manufactured products. It was recognized that this was a matter of justified concern to the less-developed countries.

15. It has been noted that the benefit of tariff reductions on the present basis may not in many instances go to the less-developed countries. Certain suggestions designed to improve the conditions of access for the exports of less-developed countries have been placed before the Committee but have not yet been discussed in detail. Thus it was suggested that the Committee should consider:

1. The granting of preferences on selected products by industrialized countries to less-developed countries as a whole.

2. The granting of preferences on selected products by less-developed countries to all other less-developed countries.

B. FUTURE WORK OF THE COMMITTEE

[To be prepared]

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II. REMOVAL OF BARRIERS TO TRADE

Quantitative restrictions

agreed practice

1. In accordance with the Committee reviewed progress made by contracting parties in the removal of quantitative restrictions in implementation of the Conclusions of Ministers. In carrying out this review, the Committee took account of a proposal made at the last meeting of the Committee that a procedure for confrontation and consultation with contracting parties maintaining such restrictions might usefully be initiated at the present meeting. The Committee noted that in a follow up of this proposal, the Executive Secretary had addressed a communication on this subject to all contracting parties enquiring as to the nature of any action taken by them to increase access to their markets and what further steps they contemplated taking in the immediate future, taking account of the target terminal dates contained in the proposed programme of action.

2. The Committee noted that in response to this communication written submissions had been received from twenty-eight GATT countries including all of the major industrialized countries, (see COM.III/101 and Add.1 and also COM.III/109).

3. Below is a summary of the progress in the elimination of quantitative restrictions notified by contracting parties and an outline of the situation as regards quantitative restrictions as it emerged from the documentation before the Committee and from the consultation in the Committee with twenty-four GATT countries. Notes on the consultation with individual contracting parties are set out in the Annex to this report.

4. The Committee noted with satisfaction that since its last meeting in November 1962, further progress in import liberalization on items included in Lists I to III had been made by nine contracting parties: Australia, Austria, Denmark, Finland, France, the Federal Republic of Germany, Greece, Turkey and South Africa. The following are among the items benefiting from these liberalization measures: certain oilseeds and vegetable oils, cocoa derivatives, canned fish, certain tobacco products, processed wood, certain textile items, certain coir products, certain sports goods, bicycles, household sewing machines, electric motors and electric fans. In addition, an enlargement of quotas on items of interest to Committee III was notified by Austria, the Federal Republic of Germany, Italy and France. A number of contracting parties who were not in a position to report the elimination of quantitative restrictions on items examined by Committee III at this time, notably Japan, indicated that further considerable progress in import liberalization was expected to be announced in the near future.

5. Specific target dates for the removal of most remaining restrictions were given by Austria, Denmark and the Federal Republic of Germany and in respect of one of the two categories of products still subject to effective restrictions by the Federation of Rhodesia and Nyasaland.
6. Five contracting parties, Italy, the three Benelux countries and Norway reported that at present only one of the products examined by the Committee remained subject to import control. Australia and the Federation of Rhodesia and Nyasaland indicated that not more than two of the items examined by the Committee remained subject to restrictions. Argentina, Canada, Malaya, Nigeria, Sweden and Switzerland confirmed that they applied no quantitative restrictions to imports from less-developed countries on items examined by the Committee. A similar indication was given by two State-trading countries, Czechoslovakia and Poland, although some members of the Committee felt that State-trading operations could have the same effect as quantitative restrictions.

7. The Committee welcomed the progress which had been made and the indications given of plans for future import liberalization. Indeed the progress in the dismantling of restrictions showed a heartening response by industrialized countries to the Conclusions of Ministers and the Recommendations of the CONTRACTING PARTIES in this regard. Nevertheless, it could be said that the progress achieved so far and the pace at which progress had been made fell short of the expectations of less-developed countries. Also it had to be recognized that there continued to be a considerable number of hard-core restrictions. The Committee urged governments to consider appropriate measures for the removal of these restrictions and, at the same time, to consider an acceleration in their present plans of import liberalization.

Customs tariffs

8. The Committee then turned to an examination of action on tariffs taken since its last meeting on products of interest to the less-developed countries. The representative of the EEC informed the Committee of reductions in the Common External Tariff of the Community which were envisaged in the New Convention of Association of the African States and Madagascar and the Community on certain tropical products, pointing out that, this Convention had at this stage only been initialled. Those prospective reductions would lower the duty on unroasted, undecaffeinated coffee from 16 per cent to 9.6 per cent*, on raw and roasted cocoa beans whole or broken from 9 per cent to 5.4 per cent*, on tea other than imported in immediate packings of a net capacity of not less than 3 kg. from 18 per cent to 10.8 per cent*, fresh pineapple from 12 per cent to 9 per cent, cloves (whole fruit, cloves and stems), neither crushed nor ground from 20 per cent to 15 per cent, coconut (dehydrated pulp) from 5 per cent to 4 per cent, (pepper, neither crushed nor ground) from 20 per cent to 17 per cent, vanilla from 15 per cent to 11.5 per cent and nutmeg, neither crushed nor ground, other than intended for the manufacture of essential oils or of resinoids from 20 to 15 per cent.

9. The Committee recalled that in its report on its meeting in May 1962 it had formulated principles and consideration to be made available to the Working Party on Procedures for Tariff Reductions (L/1768, paragraphs 15 to 21), and examined the possibility of supplementing these in the light of events since that time. Less-developed countries represented on the Committee indicated that the submission of such principles and considerations to the Working Party should not prejudice the possibility of a direct approach to Ministers.

*This amounts to a 40 per cent reduction. Twenty-five per cent of this would be a true reduction and 15 per cent a suspension of the duty.
10. The Committee had before it a pilot study comparing the general incidence of import duties on the major manufactured exports of the developing countries with the incidence of duties on more sophisticated manufactured goods primarily traded between the industrialized countries COM.III/100. While it was recognized that this was a preliminary study, it tended to confirm the view that the less-developed countries had not benefited greatly from past tariff negotiations. Less-developed countries represented on the Committee reiterated their conviction that in any tariff reductions plan benefits should be spread more equitably between contracting parties and suggested that, if a linear approach is adopted, the Working Party should endorse the principle that the main export products of the less-developed countries, including the semi-processed and manufactured goods identified by the Committee, should not be included in exception lists of participating countries. It was suggested that these countries should also endeavour to ensure that the maximum possible tariff reductions were made on these items, and in particular on raw materials, extending wherever possible beyond the percentage provided for in any general rule for linear reductions. If the items under examination in the Special Group on Trade in Tropical Products were to be dealt with only within the framework of the forthcoming negotiations, then these considerations would apply equally to them.

11. The Committee has referred in several of its previous reports to the existence of tariffs which differentiate disproportionately in favour of imports of raw materials, as compared with duties on processed goods and has referred to this problem when drawing up principles and considerations to be made available to the Working Party on Procedures for Tariff Reductions. It was agreed that the attention of the Working Party should be drawn to a pilot study prepared by the secretariat on this subject, which was contained in COM.III/104.

12. There was widespread agreement that the procedures to be proposed by the Working Party on Tariff Reductions should provide a sound basis for the reduction not only of tariffs but also of non-tariff barriers to trade and should cover agricultural as well as industrial products.

Internal fiscal charges and revenue duties

13. The Committee noted that the question of the reduction or removal of fiscal charges and revenue duties identified by the Committee as barriers to exports of tropical beverages was under active consideration in another body of GATT. Disappointment was expressed, however, that no progress in the removal or reduction of high fiscal charges and revenue duties had been reported since the last meeting. Indeed, as far as the duties on tea were concerned, the breaking off of the negotiations on the accession of the United Kingdom to the European Economic Community had frustrated the hopes of certain major tea-producing countries to gain increased access to the Western European market. However, it was noted that the Convention Association between the EEC and the Associated African States and Madagascar referred to in paragraph 8 above, provided for a reduction in the duty on tea by 40 per cent.
State trading

14. Members of the Committee representing less-developed countries stated that they had found the replies received from governments on the supplementary questionnaire on State trading very useful (see COM.III/87 and Addenda).

15. In the discussion under this heading, the representative of Czechoslovakia explained that his country was continuing its efforts to make a purposeful contribution to the solution of the problems facing less-developed countries in expanding their export earnings. He stated that the Czechoslovak system of foreign trade was not restrictive as could be seen for example from the development of imports. Coffee imports in 1962 had been 11 per cent higher than in 1961, while those of tea had increased by 10 per cent. Compared to the pre-war period the consumption of tea had approximately doubled. This statement was welcomed by members of the Committee. Nevertheless, it was felt by some members of the Committee that scope for further action might exist.

III. PROPOSED PROGRAMME OF ACTION

16. At its last meeting a proposal for a programme of action was placed before the Committee and was now sponsored by twenty-one GATT countries. The text of this programme is annexed to the report of the last meeting of the Committee (L/1925), which also contains a summary of the first discussion on the programme which took place in the Committee. In adopting this report the CONTRACTING PARTIES recommended that the Council should give it particular attention when considering the agenda for the meeting of Ministers. At the present meeting of the Committee, the representatives of several industrialized countries were able to give additional information on the position of their governments with regard to the proposed programme of action.

17. Members of the Committee sponsoring the proposal emphasized the urgent need for action along the lines laid down in their programme of action and called for an act of faith on the part of industrialized countries. It was clear from the discussion which took place in the Committee on the proposed programme of action that while it was acknowledged that the proposals were in line with the objectives of the ministerial Declaration, and while prompt action was required to expand the export earnings of the less-developed countries, the wording of certain of the specific points for action did cause some difficulties, many but not all of which were of a legal nature, for the governments of major importing countries.

18. The members of the Committee who were among those sponsoring the proposals, while not considering the specific proposals immutable, indicated, however, that as some of their co-sponsors were not represented on the Committee, they were not in a position to agree amendments to the text of the proposal.
19. Representatives of several of the major importing countries said that while it was not possible for their governments to take a final position on all the specific points raised in the proposal they could accept many of the principles embodied in it on the understanding given by its sponsors at the last meeting of the Committee that no new legal commitments beyond those contained in the General Agreement were entailed. It was the feeling of some delegations that the rights and obligations under arrangements which were negotiated within the framework of the GATT or in connexion with the drawing up of international commodity agreements, ought not to be affected by any undertakings which might be given in response to the action programme. There was also a general feeling that in the first instance at least, the proposals should be taken to refer to the product groups which had already been studied in some detail by the Committee. The suggestion was made that if the programme were to be implemented it would be necessary to draw up a list of these products in terms of a single nomenclature such as the Brussels Nomenclature, and that before governments could give firm undertakings on the tariff proposals on different classes of products these would also have to be defined.

20. It was pointed out that although the proposed programme of action did not make specific reference to State-trading organizations, the action asked for under each of the different headings should be undertaken to apply utatis mutandis also to the operation of State-trading organizations and to policies followed by State-trading countries.

21. It was recognized that the Committee might wish to draw up a comprehensive list of products of interest to the less-developed countries and that the proposals now being considered by the Committee might be applied to this enlarged list. Some delegations suggested, however, that this would only be feasible after additional items had been examined in the same sort of way as products on Lists I to III. It was also the view of one delegation that the final position to be taken by his Government on the proposals depended to a very considerable extent on how far it proved possible to arrange for a concerted view and a concerted advance by the Committee as a whole which would enable an improvement to be made in the trading position and the trading prospects of the less-developed countries over the widest possible front.

(1) Standstill on new tariffs and non-tariff barriers

22. The first point of the programme of action proposal that no new tariff or non-tariff barriers should be erected by the industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. Representatives of countries sponsoring the programme of action drew attention to the particular importance which they attached to obtaining a standstill on non-tariff barriers. Representatives of the major trading countries indicated that it was the present intention of their governments not to impose any new tariff or non-tariff barriers against the products studied by the Committee, and that this would also apply to specific items which might be added to the lists of products already under examination.
23. Attention was drawn to COM.III/99 which indicated the extent to which these commodities are already the subject of tariff bindings in a number of major industrial countries. Representatives of certain major trading countries pointed out that tariff bindings had been undertaken in the great majority of the Brussels Nomenclature headings listed in this document. It was the understanding of some delegations that in so far as the standstill procedure referred to tariffs, it would simply entail an undertaking not to raise unbound rates. It was suggested, however, that the present renegotiation techniques might not meet the needs of the less-developed countries which often accounted for a relatively small percentage of trade in any given product, and that they might be re-examined in the light of this situation.

24. In relation to the standstill procedure on internal charges and revenue duties, it was suggested that this should be interpreted in the light of point (vi) of the proposed programme of action as referring to products wholly or mainly produced in less-developed countries and that tobacco would not fall in this category.

(ii) Elimination of quantitative restrictions

25. In discussing scope for action by contracting parties concerned under this point of the proposed action programmes, members of the Committee sponsoring this programme referred to the indications for future action in this field given by a number of contracting parties during the meeting (see paragraph 5 above and the Annex). While recognizing that import liberalization of certain products within a period of one year might cause difficulties in certain instances, there appeared to be no insuperable problem to meet the time-table for final import liberalization proposed in the programme of action. Most members of the Committee agreed that action in this sector, along the lines suggested in the programme, appeared to be not only feasible but desirable.

26. The Committee agreed that pending the elimination of quantitative restrictions on products examined by Committee III, particularly those maintained inconsistently with the GATT, the procedure for confrontation and consultation established by the Committee should be continued at regular intervals.
(iii) **Duty-free entry for tropical products**

27. *(To be prepared)*

(iv) **Elimination of tariffs on primary products**

28. Point four of the programme of action proposed that industrialized countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries. At the last meeting of the Committee representatives of industrialized countries had stated that they could subscribe in principle to the objective of working towards the elimination or at least substantial reduction of tariffs on these products.

29. It was recognized by representatives of certain industrial countries that the removal of tariffs on these goods would leave their industries free to obtain raw materials at the most competitive prices. The representative of the United Kingdom recalled that in some instances Commonwealth countries had contractual rights to preferences on the products in question and that the m.f.n. duty of the United Kingdom, which existed almost entirely for the benefit of suppliers in the Commonwealth, could not be removed unilaterally. Consultations with Commonwealth countries were being actively undertaken. Preferences are a feature of the tariffs of all three of the major trading units even though in the case of the United States the last preferential arrangement of any importance was currently being phased out. These preferences contributed to the economic development of a very large percentage of the less-developed countries of the world. Other members of the Committee pointed out that preferences were by definition discriminatory and, in fact, discriminate against other less-developed countries. While the governments of some countries benefiting from preferential arrangements had yet to define their position on this matter, representatives of certain of these countries informed the Committee that their governments would be prepared to see their preferences disappear if free entry to the markets of the major importing countries were to be obtained.
30. Representatives of the industrialized countries indicated that, if this proposal were to be acted upon, it would be necessary to draw up a list of the products to which it referred, and that a final view on the question would be difficult to arrive at before this was available. The representative of one of these countries indicated those of the products studied by the Committee which his government felt might be considered to fall under this heading. Where less-developed countries would not be the main beneficiaries of the removal of the duty on a primary product, it was to be supposed that the product would be excluded from the list.

(v) The reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries

31. Point five of the programme of action proposes that duties on these items should be eliminated, and that the present duties should be reduced by at least 50 per cent over the next three years. At the last meeting of the Committee, although it was recognized that legislative requirements might preclude the completion of reductions within the suggested time period in the case of one industrialized country, the adoption of a recommendation urging rapid and progressive action was acceptable.

32. It was recalled that the Working Party on Procedures for Tariff Reductions, to which this proposal had been referred, had taken a 50 per cent linear reduction with an absolute minimum of exceptions as a working hypothesis on which the next round of negotiations might be based, and representatives of the industrialized countries suggested that this proposal might best be dealt with in the context of the anticipated negotiations. Several of these countries indicated that, as far as possible, semi-processed and processed goods of interest to the less-developed countries would be included in their offers of a linear reduction. It was re-emphasized that full reciprocity would not be requested from less-developed countries in these negotiations, and that the participation of these countries in the negotiations would be the best guarantee that widespread reductions on products of interest to them would be obtained.
33. It was pointed out, however, that although certain semi-processed and processed products had been recognized as of export interest to the less-developed countries, these countries in many cases accounted for only a small percentage of exports from all GATT countries of these items. The operation of the most-favoured-nation clause might mean that industrialized countries would benefit much more than the less-developed countries from tariff reductions on these items.

(vi) Progressive reduction of internal charges and revenue duties

34. The sixth point in the programme of action proposes that industrialized countries would progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1963.

[Remainder to be inserted]

(vii) Reporting procedures

35. The seventh point in the programme of action provides for an annual reporting procedure by contracting parties. At the last meeting of the Committee there was wide agreement on the usefulness of such a procedure, and no further comment was made on this aspect of the proposals.
(viii) **Diversification of the economies of the less-developed countries**

36. Members of the Committee sponsoring the programme of action pointed out that, in addition to the specific proposals on barriers facing the exports of the less-developed countries, in paragraph 7 of the programme it was proposed that contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from foreign sales. These questions have been under examination in the Committee and would receive particular attention during the consideration of the direction of its future work.

37. It was suggested that thought should be given to ways of ensuring that less-developed countries obtain optimum benefits from tariff reductions. It had already been pointed out that m.f.n reductions on products of interest to the less-developed countries, and particularly on new export products, might result in proportionately much greater gains for the highly industrialized countries than for less-developed countries. It was felt that the idea of preferential access for export items of these countries should be examined in the Committee. It was clear that, when it came to formulating precise proposals, many variations on this theme might emerge. It was suggested by the representative of the United Arab Republic that the less-developed countries might conclude multilateral agreements between themselves, in which they can exchange privileges and preferential treatment in trade of semi-processed or manufactured goods originating from the developing countries, Members of the GATT.\(^1\) It was also suggested that the less-developed countries might secure preferences on the markets of the industrialized countries, either for the full range of their export products or for the products of infant industries. It was apparent that possible schemes of these

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\(^1\)For the full text of this statement see Spec(63)39.
types might fall into two groups, those that envisaged the granting of preferences to all less-developed countries and others which might discriminate between groups of less-developed countries. The Committee agreed that these questions deserved further study.

IV. FUTURE WORK OF THE COMMITTEE

38. [To be inserted]
Additional items to be considered by the Committee

39. In considering the enlargement of the scope of its work, the Committee was aware that the examination of trade barriers affecting items other than those included in Lists I to III could make an important contribution to the solution of the trade problems confronting the less-developed countries. The Committee had instructed the secretariat to prepare a draft list of products of importance to the export trade of less-developed countries. This list is contained in COM.III/105.

40. The Committee recognized the importance of expanding its work to cover additional items but not in a position at the present time to enter into a substantive discussion on the individual commodities contained in COM.III/105. It was observed, however, that in any extension of the list of items to be examined by the Committee it would be necessary to establish priorities and that in its work it should first consider those items which were currently exported in significant quantities by the less-developed countries, with lower priority attached to such items as were, at present, of only minor importance or of potential interest. Some representatives proposed that the items should be defined more closely, perhaps in relation to a specific nomenclature. Representatives of less-developed countries expressed the wish to have included on any list of new items for consideration by the Committee, bananas, tin ore, manioc and cinchona bark. It was also pointed out that studies undertaken in accordance with the proposals listed under the section "Trade and Payments Aspects of Development" would reveal those items in which less-developed countries were currently or potentially interested. The Committee noted the view expressed by some representatives that the adoption of new items for consideration by the Committee in its work should not lead it to lose sight of the desirability of eliminating or reducing the barriers confronting the trade of those items already under consideration.
V. OTHER WORK OF THE COMMITTEE

Production and marketing techniques

41. At its last meeting the Committee had invited all contracting parties to submit papers on this subject (L/1925, paragraph 46). The United Kingdom had submitted for consideration by the Committee a paper covering Marketing Boards in its dependent territories (COM.III/102).

42. The Committee agreed to defer further consideration of this subject until its next meeting and reiterated the invitation to all contracting parties to submit papers on this subject.

International Trade Information Centre

43. At its last meeting, the Committee had agreed that the secretariat should prepare a note on the present availability of material on the topics proposed for inclusion in the publication of the "Centre". The secretariat had accordingly compiled a paper (COM.III/101) indicating certain sources of such material. The Committee had also instructed the secretariat to circulate a short questionnaire to selected contracting parties designed to obtain some idea of the potential demand for this type of information in their countries. Document COM.III/108 summarized the replies received from contracting parties to the questionnaire.

44. At the suggestion of the representative of Brazil, the Committee agreed to defer further consideration of the Brazilian proposal until additional replies to the questionnaire, particularly from less-developed countries, had been received. It noted the statements of the representatives of some developed countries that the proposal might, in its present form, perhaps be too ambitious particularly when viewed in the light of financial implications. The Committee decided also to postpone consideration until its next meeting of comments on the Brazilian proposal by the representative of the Netherlands, and

(a) a proposal by the representative of the Federal Republic of Germany that it might be appropriate for a documents centre to be established within the GATT to overcome the lack of co-ordination amongst national and international trade information services; and
(b) the suggestion by the representative of Sweden that it might be possible for the GATT to publish a register, to be brought up-to-date periodically, on all sources of trade information, national and international, and that the International News Trade Bulletin, which had not appeared since 1959, should be resuscitated.

45. Finally, the Committee agreed that it should, when it next discussed this matter, decide on the need for a special meeting of the Committee to which experts in the field of export promotion would be invited.
ANNEX

Notes on the Consultation with Individual Contracting Parties
Regarding the Elimination of Quantitative Restrictions

1. In examining progress in the removal of quantitative restrictions and plans for future action in this field, the Committee heard statements from representatives of twenty-five countries. For the sake of brevity, only those statements are summarized below under the individual country headings which either were not fully covered by the submissions produced in COM.III/101 or which led to substantive discussion in the Committee. Discussion under this heading, directly relevant to the various points of the proposed programme of action, is summarized under the relevant headings of the report. For details of liberalization measures see also COM.III/101 and Add.1 and COM.III/109.

Australia

2. In supplementing the statement contained in COM.III/101, the representative of Australia stated that the countries directly affected by the remaining restrictions on aluminium items were not less-developed countries. As regards the restrictions on certain types of timber, imposed under the provisions of Article XIX of the GATT, imports from non-industrial countries had been running at a higher level since the restrictions were introduced than in the immediately preceding period.

Austria

3. The representative of Austria informed the Committee that early in 1963, thirteen tariff items and sub-items of interest to the Committee, had been liberalized. Items which had benefited from import liberalization included animal and vegetable oils, processed wood items, certain coir products, sewing machines, certain electric motors, marine engines and certain cotton textiles. He confirmed that for all items subject to restrictions, the global quotas established for GATT countries had been enlarged on 1 January 1963.

1 Apart from the countries appearing under the individual country headings statements were heard from Argentina, Brazil, Ceylon, Finland, Ghana, Greece, India, Indonesia, Nigeria, Pakistan, the United States and Yugoslavia. Argentina and Nigeria informed the Committee that they applied no quantitative restrictions to imports from less-developed countries on items examined by the Committee.
4. As regards plans for import liberalization, the representative of Austria stated that it was envisaged to continue the programme of import liberalization with a view to eliminating restrictions by 31 December 1964, except for a few products where import liberalization would lead to particular hardship.

Denmark

5. The representative of Denmark informed the Committee that on 1 January 1963, remaining vegetable oils and animal and vegetable fats and oils, and certain sports requisites had been liberalized. Reconstituted wood, bicycles and moped engines were scheduled for import liberalization on 1 July 1963. The liberalization of three other commodities examined by Committee III and not yet fully liberalized in Denmark, certain sacks and bags of cotton and jute and electric motors was actively being considered. Once import liberalization for these items was achieved, only one product, coffee, would remain subject to import licensing. Licensing controls on that item were considered to have no limiting effect on imports and consumption in Denmark.

France

6. Referring to the system of administering import controls in France, the French representative stated that since the last major liberalization in the autumn of 1962, only a few additional items viz: cocoa derivatives, certain cotton items, certain coir manufactures and bicycles had been liberalized. Increased access had also been provided for certain cotton goods under the provisions of the Long-Term Arrangement on Cotton Textiles. The liberalization of a further large number of items was presently under consideration and it was hoped that further substantial progress in this direction would be made in the near future. With respect to sewing machines, electric motors and certain sports requisites, items still subject to import controls in France, the French representative pointed out that quotas for these items were usually not filled so that they did not seem to be a serious impediment to exports of less-developed countries. As regards cement, another item subject to restriction, he recalled that this commodity had been included in the third list of products to be examined by the Committee at the request of Tunisia. In view of the special trade relationship between Tunisia and France, imports of cement from Tunisia were in no way impeded by the continuation of licensing controls.

7. As regards restrictions on canned fish, the representative of France pointed out that crustaceans and molluscs, items which were of particular interest to a number of less-developed countries, had been liberalized.

8. Turning to jute products, the French representative explained that his Government was continuing its efforts to promote the modernization and rationalization of the jute industry. In the meantime quotas were being enlarged from year to year and negotiations to that effect were currently in progress with Pakistan, the country principally interested in supplying this product. Similarly, quotas for coir carpets, an item where immediate import liberalization would cause considerable hardship to the industry, were being increased from year to year and it was hoped that significant progress in this sector would be possible over a number of years.
9. As regards ferro-chrome and ferro-manganese, the Government was presently considering possibilities for enlarging the quota.

10. With reference to vegetable oils, and coffee the French representative referred to the discussions in the Sub-Group of the Special Group on Trade in Tropical Products, see L/1984. Restrictions on both these items were being maintained for the benefit of producers in the French franc area.

11. While welcoming the progress in import liberalization and relaxation which had been made by France, members of the Committee representing less-developed countries expressed disappointment at the large number of items still subject to restrictions and at the slow pace at which protected industries were being exposed to competition. The enlargement of quotas for certain of the products concerned could be no substitute for trade liberalization. They urged the French authorities to reconsider their import control policy with a view to liberalizing imports at the earliest possible time.

Federal Republic of Germany

12. The representative of the Federal Republic of Germany informed the Committee that with effect from 1 January 1963 four additional cotton items had been liberalized.

13. Liberalization dates for other restricted items had been fixed as follows: (i) neat leather, 1 June 1964; (ii) woven fabrics of jute and bags of jute for packaging, 1 July 1964; (iii) for cotton gauze, woven fabrics of cotton for padding and non-industrial sewing machines, 1 January 1965. Quotas for these items had been increased on 1 January 1963 by 30 per cent for neat leather and for the jute and cotton goods referred to above and by 10 per cent for the other two items. There remained only three categories of products, vegetable oils, certain cotton products and woven carpets of coconut fibres, for which no definite liberalization date had yet been fixed. As regards vegetable oils, which were subject to regulation under the German marketing laws, the global quotas which had been established were normally not fully utilized. The cotton textile items were covered by the Long-Term Arrangement on Cotton Textiles. As regards the last item, woven carpets of coconut fibre, it had not so far been possible to fix a target terminal date because of the special difficulties facing this industry which employed a large proportion of disabled workers. The Government was continuing its efforts to modernize the industry and to expose the industry to increasing import competition through the enlargement of import quotas. The proportion of imports in domestic consumption of woven carpets of coconut fibres was now 10 per cent.

14. Members of the Committee representing less-developed countries expressed disappointment over the delays in import liberalization envisaged and particularly that the Federal German Government had not yet found it possible to indicate a fixed date for the removal of remaining restrictions. They urged the Federal German authorities to explore all possibilities for accelerating import liberalization.
Israel

15. The representative of Israel informed the Committee that of the products examined by Committee III, only the following items were either not fully liberalized or on the automatic licensing list: coffee, cocoa, tea, leaf tobacco, cotton, cotton textiles, bicycles, canned fish and phosphates. Restrictions on these items were retained for balance-of-payments reasons. As regards phosphates, Israel was itself an efficient producer and exporter of this commodity so that the continued licensing control should not be regarded as restricting imports. The liberalization of bicycles was under active consideration and possibilities for the liberalization of the remaining items were under constant review.

Japan

16. The representative of Japan informed the Committee that his Government had recently disinvoked Article XII of GATT. As a result of the improvement in the balance-of-payments position the prior deposit requirement on cocoa and coffee had recently been reduced from 35 per cent to 1 per cent, the minimum rate applicable under existing legislation. Referring to the statement submitted by his Government, he confirmed that the following items were scheduled for import liberalization in the near future: roasted coffee beans, cocoa powder, cottonseed oil, copper waste and scrap, unwrought copper, copper products and remaining wood items at present still subject to restrictions.

17. Members of the Committee welcomed the indication of pending import liberalization of the items listed above. They noted, however, that even after the proposed liberalization measures would have come into effect a significant number of items examined by Committee III would remain subject to import restrictions. They urged the Japanese authorities to explore all possible ways to liberalize these items at the earliest possible date. At the same time Japan should consider the complete elimination of the prior deposit requirement.

Netherlands

18. The representative of the Netherlands explained that the import control measures on castor oil, the only product examined by Committee III still subject to import restrictions in the Benelux countries, were of an administrative nature and were maintained in view of the export controls in force in certain supplying countries. The control would be lifted as soon as adequate supplies were assured.

19. One member of the Committee representing a country supplying this product, urged the Benelux countries to eliminate this control measure and, if necessary, to explore other means available under the GATT for ensuring that adequate supplies of this commodity would be available.
New Zealand

20. [Statement to be supplied/]

Norway

21. The representative of Norway explained that licensing controls on coffee, the only item examined by Committee III still subject to restrictions in Norway, were being maintained for the purpose of facilitating the settlement of credit balances with Brazil.

Rhodesia and Nyasaland

22. Referring to the statement contained in COM.III/101, the representative of Rhodesia emphasized that the controls on jute bags, one of the three items still subject to controls, were maintained in the interest of ensuring adequate supplies and orderly marketing. There was no domestic production of jute bags and controls were not maintained for protective reasons. He confirmed that the restrictions on certain cotton textiles, imposed under the provisions of Article XIX of GATT, were of a temporary nature. Their removal was envisaged not later than December 1964.

United Kingdom

23. Supplementing the submission of the United Kingdom, reproduced in COM.III/101 the representative of the United Kingdom pointed out that the import controls on certain cotton textiles were maintained largely in the interest of countries in the Commonwealth.