DRAFT REPORT OF SUB-COMMITTEE 1 OF THE ACTION COMMITTEE ON ITS MEETINGS IN OCTOBER AND NOVEMBER 1964

1. Since last reporting to the Action Committee, Sub-Committee 1 has met on two occasions, namely on 12 and 13 October, and again from 2-4 November inclusive. The present report summarizes discussion in respect of the major points taken up at these meetings. Annexed to this report are notes on the consultations held at the latter meetings with Austria, Denmark, the Federal Republic of Germany, Italy, Japan, the United Kingdom and the United States.

2. The summary of discussion in respect of the major points taken up by the Committee is set out as follows in Sections A to D.

   (A) Review of progress made and action outstanding in regard to points (i)-(vii) of the Action Programme.

   (B) Procedures for securing fuller implementation of the Action Programme in accordance with indicated target dates.

   (C) Enlargement of the list of products covered by the Action Programme.

   (D) Other matters.

---

1 Mr. K. Shah Zaman, the Chairman of Sub-Committee 1, was prevented by other urgent business from attending the meeting. The Sub-Committee elected Mr. M.L. Rahman (Pakistan) and Mr. L.F. Collymore (Jamaica) to chair the first and second of these meetings respectively. The summary record of discussion at the meeting on 12 and 13 October was distributed in document AC/SC1/12 and Corr.1.

2 A consultation with France had also been scheduled. Since the French delegation was not in a position to attend the Sub-Committee meeting, the Sub-Committee only took note of a statement by the representative of India. A summary of that statement is contained in Annex 2 to this report.
A. Review of progress made and measures to be taken for the elimination of remaining barriers

3. In its review of progress in the implementation of the Ministerial Conclusions relating to points (i) to (vii) of the Action Programme and in examining possibilities for the early removal of remaining barriers, the Sub-Committee based itself on:

(a) document AC/12 and Addenda 1-6, containing the reports submitted by governments on the implementation of the Action Programme;

(b) a paper prepared by the secretariat, reviewing the progress in the implementation of the Action Programme (AC/SC1/11/Rev.1);

(c) a paper containing comprehensive tables on quantitative restrictions, customs duties and internal fiscal charges applicable to products which have already been examined in detail in Committee III (AC/SC1/13).

4. The position emerging from the Sub-Committee's discussions in respect of each point of the Action Programme is as follows:

(i) Standstill provision

5. The Sub-Committee noted with satisfaction that, except in one case, industrialized countries had not taken measures which would have the effect of increasing tariff or non-tariff barriers in respect of products covered by the Action Programme. As regards the action taken by the United Kingdom to protect its foreign exchange reserves through the imposition of a levy of 15 per cent on imports, the Sub-Committee noted that the measures would be examined by a special working party set up by the Council in which less-developed countries would have an opportunity of discussing the effect of these measures on their exports.

6. The Sub-Committee took note of the statement by the United Kingdom representative that the measures taken affected only a small number of products exported by less-developed countries and that, in any event, the measures were strictly of a temporary nature.  

1 A corrigendum, to take up amendments notified at the time of the meeting, will be issued shortly.

2 For details regarding these measures see the annexed note on the consultation with the United Kingdom.
(ii) **Elimination of quantitative restrictions**

7. The Sub-Committee expressed appreciation of the progress made by a number of industrialized countries since July 1963, in the elimination of quantitative restrictions. The Sub-Committee noted with satisfaction indications given by the Benelux countries, Denmark, the Federal Republic of Germany and Japan regarding further liberalization measures to become effective in the near future, and a statement by the representative of Italy that, with effect from 1 January 1965, trade in bananas would no longer be subject to monopoly control. Representatives from less-developed countries welcomed these developments, but noted with disappointment that for a considerable number of products, including some of the major export products of less-developed countries, no target date for import liberalization had, so far, been announced. Attention was drawn to the target date of 31 December 1965 for the elimination of remaining restrictions inconsistent with the General Agreement. They asked that the countries concerned should, as a matter of urgency, take steps to remove these restrictions within the time limits set in the Action Programme. In this connexion it was emphasized that these restrictions were also inconsistent with the obligations of the countries concerned under the General Agreement.

(iii) **Duty-free entry for tropical products**

8. The Sub-Committee noted the further details provided concerning action taken by contracting parties to give effect to the Ministerial Conclusions. It was noted however that action by Finland as regards tea still awaited legislative approval of a Bill submitted to Parliament. In the United States a Bill to suspend duties on tropical hardwood lumber has not been acted upon during the 1964 session of Congress. The Sub-Committee was informed that the United States Administration intends to resubmit the Bill. Further, in the case of Japan action for the removal of duties on tea is still outstanding.
9. The Sub-Committee noted that a suspension or reduction of duties on cocoa, had been put into effect during the period under review by Australia, Czechoslovakia, the European Economic Community and Norway. In the case of the United States, where raw cocoa already enters free of duty, legislative authority is being sought to remove or reduce duties on semi-processed cocoa.

10. As regards coffee, duty suspensions or reductions have been put into effect by Austria, Czechoslovakia, the EEC, Norway and Spain. For bananas, duty reductions were put into effect by Finland and Norway. Duties on selected tropical oilseeds or vegetable oils were reduced or suspended in the case of Czechoslovakia, the EEC and Japan. The Sub-Committee expressed appreciation of the progress made in reducing duties on tropical products, particularly the progress made in respect of tea and tropical timber. The hope was expressed that when action had been in the form of a duty suspension, the reduction in the duty levels thus effected should be placed on a permanent basis. Further, the hope was expressed that industrialized countries concerned would find it possible to reduce or eliminate not only the duties on the raw material but also pari-passu those on the products processed therefrom, as otherwise the consequential widening of the tariff differentials would have an adverse effect on the competitive position of exports from less-developed countries of the related processed products. It was suggested that the question of reducing tariff differentials between primary products, semi-manufactures and manufactures should be given urgent consideration in the context of the current trade negotiations.

(iv) Elimination of tariffs on primary products and

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

11. The Sub-Committee took note of the indications given in the reports submitted by a number of industrialized countries that action aimed at implementing these points will be taken in the context of the current trade negotiations. The Sub-Committee also welcomed the statement of the Trade Negotiations Committee at its
meeting in May 1964, that in the trade negotiations every effort shall be made to reduce barriers to exports of less-developed countries. Representatives of less-developed countries explained that they were following developments in the Kennedy Round with great interest and were willing to participate fully in the negotiations. They emphasized, however, that their delegations would not be in a position to accept the exclusion from the negotiations of products of special export interest to the less-developed countries as such a step would run counter to the whole theme of the Action Programme, the Model Chapter and the Conclusions adopted by Ministers for the Kennedy Round of Trade Negotiations, and reiterated at the occasion of the meeting of the Tariff Negotiations Committee held at ministerial level in May 1964. Moreover, it was their sincere hope that industrialized countries would, in fact, try their utmost to make cuts deeper than 50 per cent, or to eliminate completely, duties on products of special export interest to less-developed countries.

12. The Sub-Committee agreed that the urgent attention of the Tariff Negotiations Committee should be drawn to these statements. It was further suggested that at the same time the Trade Negotiations Committee might wish to bear in mind the points raised in regard to the effect of duty differentials on/export possibilities for less-developed countries.

(vi) Progressive reductions of internal fiscal charges and revenue duties

13. No indication of action in this field has been received from any country since the elimination, as from 1 January 1964, of fiscal charges on coffee by Sweden.

14. It was noted, however, that the question of further action in this field had been discussed in connexion with the establishment of the proposed Chapter on Trade and Development. The Sub-Committee felt that no useful purpose would be served by a substantive discussion of this problem in the Sub-Committee at the present time.
(vii) Reporting procedures

15. The Sub-Committee noted that reports on the implementation of the Ministerial Conclusions had been received from all industrialized contracting parties.

B. Procedures for securing fuller implementation of the Action Programme in accordance with indicated target dates

16. In examining the progress made so far in the implementation of the Action Programme and the action which is still outstanding, attention was drawn to the target dates contained in the Action Programme and in the Ministerial Conclusions.

17. In connexion with point (ii) of the Action Programme the Sub-Committee noted that, in respect of a number of products covered by the Action Programme, no indication was available at the present time that the target date of 31 December 1965 for the elimination of quantitative restrictions would be met. It was suggested that the Action Committee might wish to address itself to the matter, with a view to taking such action as might be appropriate in the circumstances.

18. It was also suggested that, in respect of certain other points in the Action Programme, the target date mentioned might cease to be relevant to the factual position and that the Action Committee might wish to take note of the situation. For instance, most contracting parties had not found it possible to remove tariffs and non-tariff barriers on cocoa and coffee by the end of 1963, in line with the hope expressed by many delegations at the ministerial meeting in 1963. Moreover, as regards raw and semi-processed cocoa, the Ministerial Conclusions envisaged that the removal of tariffs should be accomplished in the context of an international cocoa agreement, then under discussion in the United Nations. Such an agreement had not materialized to date.

19. Some members of the Sub-Committee also invited attention to the target dates mentioned under points (v) and (vi) of the Action Programme.
C. **Enlargement of the list of products covered by the Action Programme**

20. In the course of discussions in the Sub-Committee, several delegates invited attention to the additional list of products which had been submitted to Committee III at its meeting in October 1963. At that meeting Committee III had selected a further list of products with a view to having these products also covered by the Action Programme, in pursuance of the understandings reached at the 1963 ministerial meeting (MIN(63)7, paragraph 3).

21. The Sub-Committee noted that trade and other data in respect of these products had been submitted to the secretariat for processing and circulation to contracting parties. Representatives of less-developed countries urged that further action should now be taken to add these items to the lists of products covered by the Action Programme. It was agreed that the Action Committee should address itself to this problem with a view to making suitable recommendations for early examination and identification of these products.

D. **Other matters**

22. At its meeting on 12 October, Sub-Committee 1 of the Action Committee heard an application from the Government of India for full membership of India in the Sub-Committee. The Sub-Committee took note of this request and decided that it would submit the application for approval to the Action Committee. In the meantime, the delegation of India was invited to participate in the deliberations of the Sub-Committee. The request of India is supported by the Sub-Committee.

23. In submitting this report, the acting chairman of the Sub-Committee wishes to draw the attention in particular to the following points which would seem to require urgent consideration of the Action Committee:

1. Submission to the Trade Negotiations Committee (paragraphs 11-12);
2. Further action for securing fuller implementation of the Ministerial Conclusions (paragraphs 17-19); and
3. Extension of the coverage of the Action Programme (paragraphs 20 and 21).

[Annexes will be submitted later]