

5 October 1960

Committee III - Expansion of TradeANNEX ALIGHT ENGINEERING GOODS

Light engineering goods were the first mechanical and non-traditional exports of less-developed countries to be considered by the Committee. These products were well within the production capacity of less-developed countries and a number of less-developed countries already had had considerable experience in their production. The Committee, however, recognized that the problems related to the marketing of such products by new suppliers were sufficiently complex to present difficulties to production and exports without the added obstacles of tariffs and non-tariff measures confronting trade.

The Committee undertook a detailed examination of the range of light engineering goods of interest to less-developed countries by reviewing on a product by product basis tariffs and non-tariff measures in force in relation to imports of these products.

(b) Sewing Machines (Draft)

In discussing the possibilities of less-developed countries increasing their exports of sewing machines, the Committee had in mind that the sewing machine was a common use item in fairly universal demand. Although traditional exporters as a whole continued to account for a sizeable share of total production and exports, their relative share in the total had declined considerably as a result of new suppliers having entered the market. The Committee noted that this increase in total world production was due not only to a very significant expansion of output in new supplying countries which already had a broad industrial base, but that a significant expansion of production had also been achieved in at least one less-developed country.

This country had increased its production seven fold between 1950 and 1958. The Committee noted that although the major proportion of exports of sewing machines from this country were directed towards other less-developed countries more than one-third of exports were directed toward highly industrialized markets. The Committee recognized that while there existed a large potential market for sewing machines in less-developed countries, present lack of purchasing power made it necessary for producers in these countries to turn towards export markets, not only for the purposes of providing the countries concerned with immediate opportunities to diversify their economies and to increase their export earnings, but also to permit the industries concerned to avail themselves of large-scale production techniques.

At least one highly industrialized country had experienced a rapid increase in demand for household sewing machines. This demand was largely met by imports, domestic producers having either ceased production of sewing machines or having specialized in more sophisticated multi-purpose or industrial sewing machines. Imports of household machines continued to increase and it appeared likely that domestic production would continue to decline or be oriented to more sophisticated models. The Committee therefore urged less-developed countries to examine price and quality requirements in this market to ensure that less-developed countries secured a larger share of increased imports.

The Committee noted that high tariffs were imposed by many countries against domestic sewing machines. Over one-half of contracting parties levied tariffs in excess of 10 per cent and several countries maintained rates in excess of 20 per cent. Quantitative restrictions were also applied by a number of countries and in certain cases industrialized countries had liberalized trade in this product on an area basis while at the same time retaining restrictions against imports from many less-developed countries.

Sewing machines were also subjected to high revenue and internal fiscal charges in a number of important markets. The Committee recognized that as for certain other durable consumer goods, fairly high tariffs, together with high internal fiscal charges on household machines had adverse effects on demand.