

DRAFT THIRD REPORT OF COMMITTEE III
ON EXPANSION OF TRADE

INTRODUCTION

1. Since furnishing its second report to the CONTRACTING PARTIES (document L/1063 of 12 October 1959) Committee III has met on three occasions, namely on 11 and 12 November 1959 in Tokyo and from 14 to 25 March 1960 in Geneva.
2. At the meetings in Tokyo, the Committee agreed that there were four sections of work that should be dealt with at its meeting planned for March 1960. These four sections were (i) further examination of the matters discussed in the second report of the Committee (document L/1063), (ii) an examination of obstacles to trade in products other than those for which some examination had already been made, (iii) Section II(2) of the Committee's work programme set out in the first report of the Committee (document COM.III/1) and (iv) Section II(3) of the Committee's work programme set out in the first report of the Committee (document COM.III/1).
3. The Committee agreed that the following points required study under the four sections of the work programme. On item (i) (examination of the matters discussed in the second report of the Committee), the Committee agreed that the further study should take the form of an examination of the trade effects of the particular measures which had already been identified by the Committee and an investigation of the possibilities of expanding trade through their rapid reduction or elimination. The Committee had indicated that it would be helpful if, where possible, less-developed countries were able to give an indication of the increase in exports of various items which they would hope to achieve as a result of the elimination of barriers to trade. On item (ii) (examination of obstacles to trade in products other than those for which some examination had already been made), the Committee agreed to determine the second list of products for examination. As regards items (i) and (ii), the Committee intended that the studies should be conducted objectively in the spirit of the common interest of all contracting parties in moving rapidly towards the basic objectives of Committee III.

4. Item (iii)(Section II(2) of the Committee's work programme set out in document COM.III/1) required the Committee to make "a study of the possibility of channelling of expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers." Paragraph 13 of the second report of the Committee noted that some less-developed countries had the investment and the technological resources for the processing of raw materials and were able to produce efficiently some manufactured goods. The Committee recalled that this same paragraph of the second report had recommended that "contracting parties, particularly industrialized countries, should urgently consider lowering barriers to the development of the export of such goods and should in their economic policies take into account the urgent need of less-developed countries to increase their export earnings and should so far as possible avoid hindrances to the import of such goods from such countries." The Committee at its Tokyo meeting therefore agreed to address itself to the question of the scope for industrialized countries to open their markets to exports of industrialized goods from less-developed countries, and the possibility which might exist for the reduction or removal of barriers in the industrialized countries. They also agreed to give due weight to the possibilities of the expansion of trade between the less-developed countries themselves. Item(1v)(Section II(3) of the Committee's work programme set out in the first report of the Committee) required the Committee to "study measures which might be taken by less-developed countries to improve their own production and marketing techniques and to examine trade controls or other internal measures which might disrupt export or import trade between less-developed countries." The Committee had agreed **at its** Tokyo meeting that some time should be allowed for a preliminary examination of information and analytical comments on their experience in these matters which members of the Committee had been invited to submit.

5. At its meeting starting 14 March, the Committee had before it documentation submitted by the secretariat and by a number of countries, including both industrialized and less-developed, in which information was given on tariffs, quantitative restrictions, revenue duties and internal fiscal charges, State

trading and other measures affecting the trade in the eleven products (listed in paragraph 2 of the second report of the Committee - document L/1063) on which the Committee had already had some examination. It also had before it pilot studies prepared by the secretariat on the cotton manufacturing industry (document COM.III/8) and the jute manufacturing industry (document COM.III/18) and notes by the secretariat on the problems of marketing for less-developed countries (document COM.III/22) and the channelling of industrial expansion by less-developed countries into directions of efficient production (document COM.III/24).

6. The Committee took as the basis for the first section of its agreed work programme the recommendation contained in paragraph 14 of the second report of the Committee that "contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures applied by them with a view to facilitating an early expansion of the export earnings of less-developed countries." The Committee carried out a detailed examination of the measures applied in importing countries and already identified by the Committee at its September meeting and the findings of the Committee in regard to the eleven commodities concerned are recorded in the notes attached as Annex A to this report. In brief, the Committee found that the main obstacles in the export markets of less-developed countries to the expansion of their exports were the levels of revenue duties and internal fiscal charges (e.g. coffee, tea and cocoa), differential tariffs against imports of processed goods in favour of raw materials (e.g. cocoa, vegetable oils, cotton textiles), discrimination against less-developed countries in the administration of quantitative restrictions (e.g. timber) and severe quantitative restrictions (e.g. cotton textiles, jute manufactures and vegetable oils). The Committee also found that for some of the products concerned, more than one of these main obstacles to expansion of trade existed.

7. The Committee carried out a detailed investigation of the progress towards modification or elimination of the obstacles since the adoption by the CONTRACTING PARTIES at their fifteenth session of the recommendation contained in paragraph 14 of the second report of the Committee (document L/1063). In this connexion, the Committee noted (i) a Bill proposing the reduction of

internal consumption taxes on coffee and tea was at present under consideration by the Parliament of the Federal Republic of Western Germany; (ii) import of jute yarns into the Federation of Rhodesia and Nyasaland had been decontrolled and that the remaining import restrictions on jute manufactures would be removed in the near future; (iii) the mark-up on jute goods imported into the United Kingdom by the Jute Control had been reduced from 30 per cent to 20 per cent; and (iv) imports into the United Kingdom of tobacco and tobacco products had been liberalized.

8. The Committee, noting again the request of less-developed countries that there should be a more dynamic approach to their problems because of the nature and urgency of these problems, recommends that contracting parties, particularly industrialized countries, in their consideration of the recommendation adopted by the CONTRACTING PARTIES at their fifteenth session (paragraph 14 of document L/1063), take into account the specific points recorded in Annex A in relation to individual commodities. The Committee also recommends that individual contracting parties should, either at the sixteenth session or at the latest at the meeting of the Committee in September, report progress towards modification or elimination of obstacles, in order that the Committee may make a full report to the CONTRACTING PARTIES at the seventeenth session.

9. In regard to the second item of its work programme, the Committee agreed that the second list of products for examination should consist of the following:

- (i) light engineering goods
 - (a) bicycles
 - (b) sewing machines
 - (c) electrical fans (table and ceiling fans only)
 - (d) diesel engines (up to and including 50 HP)
 - (e) electrical motors (up to and including 50 HP)
- (ii) manufactured leather and leather goods
- (iii) iron ores
- (iv) aluminium, alumina and bauxite
- (v) sporting goods

The Committee requested the secretariat to prepare draft summary schedules showing details on tariffs, quantitative restrictions, revenue duties and internal fiscal charges, State trading and other measures in force in relation to imports of these commodities and information on subsidies, export taxes, regulation of exports, etc., in relation to the selected commodities in force in the less-developed countries. The Committee agreed that these draft summary schedules should be submitted to individual contracting parties for comment/ amendment in sufficient time for the final versions to be available for the next meeting of the Committee in September.

10. In discussion on the third item on the work programme (the channelling of expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers), the Committee recognized the necessity, which had been stressed in the experts' report "Trends in International Trade", for less-developed countries to increase their export earnings through trade in other than traditional products and the importance of diversification of the economies of less-developed countries. The Committee agreed that, if a thorough study of this section of the work programme was to be carried out, it was necessary for the Committee to be furnished with supporting information about plans which might exist in individual less-developed countries for development of individual products for the increase of their export earning capacity.

11. In discussion on the fourth item of the Committee's work programme (a study of measures which might be taken by less-developed countries to improve their own production and marketing techniques and an examination of trade controls or other internal measures which might disrupt export or import trade between less-developed countries), the Committee noted the measures that had been and were being taken by individual less-developed countries to improve their own production and marketing techniques. The Committee agreed that, in examination of specific products, the industrialized countries should be invited to state what in their view constituted the main obstacles to an expansion of purchases of these commodities from less-developed countries. On the basis of such information in relation to particular

products, the supplying less-developed countries might explain any difficulties in making adjustments or adopting new techniques. The Committee agreed that if, in relation to any specific commodity, it appeared to be useful the Committee should discuss what less-developed countries, either by themselves or with outside assistance, could do in the following matters:-

- (a) the preparation of Market Surveys to inform local producers and exporters of the nature and scope of the market in foreign countries, or of the type, design or style of products in demand;
- (b) advertising and publicity aimed at acquainting foreign consumers and purchasers with available goods for export; participation in trade fairs;
- (c) the establishment of trade representatives or agencies abroad which would facilitate the exchange of information and the negotiation and conclusion of transactions;
- (d) standardization and grading of products;
- (e) measures to ensure consistency of quality of goods exported so that shipments are in accordance with samples and that successive shipments are of the same quality, and that quality meets international standards and is in accordance with standard grading;
- (f) measures to ensure that exports meet the sanitary, health and similar requirements in importing countries;
- (g) general improvements in the credit, transport and commercial facilities that might facilitate the exportation of goods.

12. In relation to the second list of products selected for examination by the Committee and the procedure for the compilation of information on these products and in relation to the third and fourth items of the agreed work programme, the Committee recalled the recommendation contained in paragraph 13 of the second report of the Committee that "contracting parties, particularly industrialized countries, should urgently consider lowering barriers to the development of the export trade of manufactured goods and should in their economic policies take into account the urgent need of less-developed countries to increase their export earnings and should as far as possible avoid hindrances to the import of such goods from such countries." The less-developed countries stressed the urgency of the problems facing them and emphasized their conviction that action by the industrialized importing countries in removing or modifying the barriers to trade, not only for the products already examined by the Committee but for the new products selected for examination by the

Committee must not be delayed because compilation of documentation had not been completed. Furthermore, they stressed that further efforts to improve production and marketing techniques would be frustrated by the barriers to trade which existed in the importing countries.

13. The Committee decided to convene a short meeting during the sixteenth session to consider future work.