SUMMARY OF DISCUSSIONS IN
SUB-COMMITTEE 1 IN DECEMBER 1963

Note by Secretariat

In document AC/SC1/8 the secretariat has given a brief account of the discussions in Sub-Committee 1 of the Action Committee on 2-13 December, noting the principal points discussed concerning the removal of restrictions. It was stated that more detailed notes on the proceedings, setting out the arguments, explanations and the background facts, would be prepared by the secretariat at a later stage (see paragraphs 2 and 9 of AC/SC1/8).

The attached notes on the discussions with the twelve contracting parties have been prepared by the secretariat and in most cases have been checked with the delegation concerned.

CONTENTS

<table>
<thead>
<tr>
<th>France</th>
<th>Page</th>
<th>Japan</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Republic of Germany</td>
<td>5</td>
<td>Austria</td>
<td>15</td>
</tr>
<tr>
<td>Sweden</td>
<td>7</td>
<td>Italy</td>
<td>16</td>
</tr>
<tr>
<td>Denmark</td>
<td>8</td>
<td>United Kingdom</td>
<td>16</td>
</tr>
<tr>
<td>United States</td>
<td>12</td>
<td>Benelux</td>
<td>17</td>
</tr>
</tbody>
</table>
FRANCE

1. The following quantitative restrictions and internal fiscal charges maintained by France were discussed by the Sub-Committee:

**Quantitative restrictions**

- Vegetable oils
- Coffee, raw and roasted
- Carpeting of coconut fibre
- Jute manufactures
- Sports goods
- Ferro-chrome
- Ferro-manganese
- Sewing machines
- Canned fish

**Internal charges**

- Raw coffee
- Cocoa powder
- Cocoa butter
- Cocoa beans
- Tea, green and black

2. The representative of France recalled the ministerial Decision of May 1963, and emphasized that the member States of the EEC had not accepted the Action Programme as a whole but had endorsed, in principle, its general objectives and had declared themselves ready to contribute to the fullest extent possible towards the development of the export earnings of the developing countries. It was in this spirit and with this reservation that his Government would co-operate in the present consultation. He then informed the Sub-Committee that the following items included in Lists I, II and III already studied in GATT had been liberalized with effect from 2 July 1963:

<table>
<thead>
<tr>
<th>Tariff heading</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN 55-05</td>
<td>Cotton yarn, not put up for retail sale</td>
</tr>
<tr>
<td>EN 55-06</td>
<td>Cotton yarn, put up for retail sale</td>
</tr>
<tr>
<td>EN 55-07</td>
<td>Cotton gauze</td>
</tr>
<tr>
<td>Tariff heading</td>
<td>Item</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>EN 58-08</td>
<td>Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), plain</td>
</tr>
<tr>
<td>EN 62-04</td>
<td>Tarpaulins, sails, awnings, sunblinds, tents and camping goods</td>
</tr>
<tr>
<td>EN 57-06</td>
<td>Yarn of jute</td>
</tr>
<tr>
<td>ex 85-01 A</td>
<td>Generators, motors, excluding electro-magnetic machines weighing each more than 50 kg. and electro-static machines</td>
</tr>
<tr>
<td>85-01 B 1 b 2</td>
<td>Transformers other than instrument transformers, weighing 500 grs. or less</td>
</tr>
<tr>
<td>85-01 ex I</td>
<td>Converters (glass - bulb mercury arc, hot cathode, vibrating contact, germanium)</td>
</tr>
<tr>
<td>25-23</td>
<td>Cement</td>
</tr>
<tr>
<td>59-04</td>
<td>Twine, cordage, ropes and cables, plaited or not.</td>
</tr>
</tbody>
</table>

Under the Notice to Importers of 27 July 1963, the trade liberalization régime hitherto applicable to metropolitan France was extended to the French overseas departments (Martinique, Guadeloupe, Réunion and French Guiana). Under the Notice to Importers of 5 November 1963, the following item was liberalized on an experimental basis:

15-07 B I a  Castor oil

Vegetable oils, coffee, roasted and unroasted

3. The delegate of France stated that these products had been discussed at length in the Special Group on Trade in Tropical Products and that the reasons for the maintenance of quantitative control over the admission of these products into France had been expounded at that time. There had been no new developments in this regard.

Carpeting of coconut fibre

4. It was explained that France maintained restrictions on this item because of the situation of the domestic industry which is located in areas of low economic activity in Western France and which constitutes an important factor in regional equilibrium. He said that despite the risk of market disruption, quotas were open for the largest exporter of these goods, India. These quotas were substantially increased each year in bilateral arrangements between France and India and were currently equivalent to 4 per cent of French domestic production.
Jute manufactures

5. Since the liberalization of jute yarn on 2 July 1963, only jute fabrics and jute bags remained subject to restriction. The representative of France explained that the maintenance of these restrictions was due partly to the difficulties encountered by the domestic industry, which was very localized, and partly to the disadvantage at which it was placed as compared with its Asian competitors, with respect to both labour cost and supply conditions for raw materials. However, under the Franco-Indian Trade Agreement, France has been granting expanded quotas to India. No request had been received to date on the bilateral level from Pakistan with respect to jute manufactures.

Sewing machines

6. The representative of France pointed out that the quantitative restrictions were maintained primarily on account of competition from certain industrialized countries which were Members of GATT. Among the less-developed countries only India seemed to be a major exporter; France had opened bilateral quotas for imports from India. Those were substantially expanded each year and at present represented 3.5 per cent of French output. Those quotas were large in relation to India's export capacity and had in the past few years only been taken up partially.

Sports goods

7. The Committee was informed that the restrictions related mainly to leather balls, rackets and nets. France has opened quotas for India and Pakistan under bilateral agreements, and such quotas could be adjusted each year during the negotiations with these two countries. It was stated that demand was weak, particularly for goods from India and that the level of the quotas did not constitute an obstacle to imports.

Ferro-alloys (ferro-chrome and ferro-manganese)

8. The representative of France said that the restrictions on these products were not directed against imports from less-developed countries which, so far as was known, had not shown an interest in the European market. India in particular had never requested the opening of quotas for these products during bilateral negotiations with France.

Canned fish

9. The representative of France recalled that the only products in this category subject to quotas were canned sardines, tunny fish and bonito. The sardine fisheries on the French Atlantic coast had experienced serious social difficulties in the past few years and, despite certain structural changes, no slowing down was indicated in the French imports and there had been a spectacular fall in fish prices during the summer season. The French market for tinned sardines amounted to some 40,000 tons, about one half of which being supplied from domestic resources, and the rest from imports from Morocco, Portugal, Algeria and Tunisia. Canned tunny fish and bonito posed different problems and it was the opinion of the French Government that the liberalization of these products would not primarily benefit the less-developed countries and might in particular adversely affect less-developed countries in the franc zone.
10. The following quantitative restrictions and internal fiscal charges maintained by the Federal Republic of Germany were discussed by the Sub-Committee:

Quantitative restrictions

- Edible refined vegetable oils
- Woven carpets of coir
- Jute bags (liberalization scheduled for 1 July 1964)
- Neat leather (liberalization scheduled for 1 June 1964)
- Non-industrial sewing machines (liberalization scheduled for 1 January 1965)

Internal charges

- Coffee
- Tea

11. The representative of the Federal Republic of Germany examined the position of his Government with respect to the Action Programme, and, in reply to questions, indicated that for internal reasons it would not be possible to advance the liberalization dates for jute bags, neat leather and non-industrial sewing machines.

Edible refined vegetable oil

12. The Committee was informed that the Federal Republic of Germany had fixed quotas for the imports of edible refined vegetable oils. Greater export possibilities had in fact been given to the less-developed countries in the past few years, but the quotas had not been fully utilized.

Woven carpets of coir

13. In the Federal Republic of Germany only imports of coir carpets under tariff number ex 58.02 are subject to quantitative restrictions. Imports of all other coir products, e.g. coir yarns and coir fabrics, have been liberalized.

14. The quantitative restrictions are being maintained because of the strained situation faced by the German coir industry. This very small industry consists of only twenty-four firms having 1,500 employees. There has been a stagnation of the production of coir carpets for several years. The import situation is marked by the fact that the ratio of imports to German production of coir carpets increased from 22 per cent in the year 1961 to 27 per cent in the year 1962.
15. The German Federal Government is trying to help the German coir industry in its process of adaptation to international competition. There is reason to believe that immediate liberalization of imports would jeopardize the existence of this entire branch of industry. Moreover, such action would run counter to the economic-political aim of the Federal Government to keep medium-scale business viable. In this connexion it must also be noted that the coir industry provides employment to disabled persons whom it would be difficult to employ elsewhere.

16. The import possibilities of the developing countries have in the past increased continuously. Since 1960 the quota for India has more than doubled (1960: DM1.2 million; 1963: DM2.75 million).

17. In spite of the existing difficulties it is the aim of the Federal Government to indicate a date of liberalization as early as possible.

**Non-industrial sewing machines**

18. The delegate from the Federal Republic of Germany explained that the maintenance of quantitative restrictions had been made necessary by competition from certain industrial countries. A target date for their elimination had, however, been fixed at 1 January 1965. Domestic production of straight-stitch machines had decreased and imports had risen by 48 per cent since 1959. A substantial part of these imports came from Japan although it was to be noted that imports from India had increased by 500 per cent during the past few years. Domestic production of zig-zag and automatic machines had slightly increased but imports, predominantly from certain industrial countries, were also rising. The total imports of sewing machines had risen by 22 per cent between 1961 and 1962, and in 1962 imports had accounted for 52 per cent of domestic consumption. The industry needed a certain time to adapt itself to the growing competition and it would not therefore be possible to liberalize this item before the beginning of 1965. The only less-developed country which exported this item was India, but the quota which had been opened for imports from India had not been fully utilized.

**Neat leather**

19. Imports of certain leather manufactures, such as leather footwear, leather for clothing and leather transmission belts, had been liberalized in the recent past. Imports of neat leather, simply tanned and dressed, remained subject to restriction but liberalization was scheduled for 1 June 1964. The representative of the Federal Republic of Germany recalled that this industry had suffered greatly from the partition of his country. The number of firms in the industry had decreased from 397 in 1950 to 276 in 1962. Similarly, the number of workers employed had also decreased. Imports from Uruguay, the major exporter of dressed leather among the less-developed countries, had gone up by 250 per cent since 1960.
Coffee and tea

20. The delegate from the Federal Republic of Germany stressed the fact that internal charges on coffee and tea in his country had not been a barrier to an increase in imports. The German Government believed that consumption of tea and coffee would respond less to changes in price than to changes in income. Imports had increased by 293 per cent between 1953 and 1962.

SWEDEN

21. The representative of Sweden stated that a Bill had recently been approved by the Parliament to abolish the internal fiscal charges on coffee, raw and roasted, and the import duty on tea, from 1 January 1964.

DENMARK

22. The Danish Government levies internal fiscal charges on cocoa powder, cocoa paste and cocoa butter. The representative of Denmark informed the Subcommittee that these taxes had been increased during 1963. He explained that his Government had been obliged to introduce anti-inflationary measures to safeguard the country's balance of payments and that, in addition to several other measures, a general sales tax had been introduced. This resulted in the raising of the existing taxes on cocoa products. The specific tax had been raised from DK1.50 to DK1.80 per kg. and the incidence of this tax was now 34 per cent on cocoa paste, 55 per cent on cocoa powder and 22 per cent on cocoa butter. It was pointed out, however, that in spite of the taxation on cocoa products the level of consumption in Denmark was very high. Excise taxes accounted for about 60 per cent of Danish revenue and all consumption goods other than essential commodities were subject to relatively heavy taxation. In view of the difficulty involved in finding alternative sources of revenue, the Danish Government was not at present in a position to give any firm commitment on the removal of the internal taxes on cocoa products. The Danish Government would however be willing to take part in any concerted programme for the reduction of taxation on tropical products.
UNITED STATES

23. The Sub-Committee discussed quantitative restrictions maintained by the United States on peanuts, unwrought lead, lead ores and concentrates and cotton. The representative of the United States stated that his Government considered that the restrictions on these items were compatible with the Action Programme in that they were consistent with GATT provisions and had not been altered to the detriment of developing countries' trade since the Action Programme was adopted.

Lead

24. Import quotas on lead were established in late 1958 following an escape clause investigation in which the United States Tariff Commission had found unanimously that, as a result of customs treatment reflecting trade agreement concessions, unmanufactured lead was being imported in such increased quantities, both actual and relative to domestic production, as to cause serious injury to the domestic industry.

25. Imports of unmanufactured lead average 517,000 tons per year from 1952 to 1957, or 200,000 tons above the annual average in the previous six years. As compared to 37 per cent of domestic production in the latter period, imports had reached 70 per cent in 1957, the year before quotas were imposed. While United States consumption was generally rising and mine production had even declined, production abroad increased much more rapidly than demand. Excessive supplies built up in the United States, and prices declined while domestic costs of production were rising. The distress of the domestic industry was reflected in many mine and smeltery closures and curtailments of operations, reduced employment, abandonment or postponement of essential mine exploration, development and maintenance activities, wasteful practices of selective mining of highest grade ore reserves, accumulation of excessive unsold stocks at primary smelters, and large financial losses or sharply curtailed profits for producing companies.

26. A Tariff Commission report to the President recently stated that trade conditions affecting the domestic industry had not changed sufficiently to warrant relaxing protective import restrictions. There have, however, been some encouraging developments in the course of the current year.

27. Lead consumption has been rising and may come within 1½ per cent of the 1953-57 average this year as compared to 7 per cent below this average last year. The price of lead, while still far below the level of the mid-1950's, was recovering some from the 9.6 cents per pound average during 1962 and at the end of November 1963 was 12.5 cents with sales strong. Producers' stocks at the end of June had dropped by about 50 per cent as compared with six months earlier. While these data show improving conditions in the domestic industry, the situation is still not satisfactory. Mine production, for example, has been well below the 1953-57 average in recent years and has been accompanied by significantly lower employment.
28. Imports of unmanufactured lead subject to the United States quota have varied only slightly in recent years and have approximated the quantities permitted under the quota (354,000 tons). Commercial imports were equal to 35 per cent of average annual industrial consumption in the United States during 1957-62 as compared with 38 per cent in the previous six-year period.

29. In establishing quotas, the United States had tried to keep in mind the effects of such action upon the economies of countries with significant stakes in the United States market. The total quota was set at 80 per cent of the average United States commercial lead imports during the five-year period, 1953-57, and country quotas were established for the more important suppliers. The United States believes that through the country allocation system the detrimental effects of quotas have been mitigated for the suppliers in less-developed countries by the higher prices they have obtained in the United States market. Furthermore, the allocation of the total quota has been designed to assure that traditional developing country suppliers have maintained their fair share of imports into this market at these higher prices.

30. Lead quotas were imposed as a temporary measure. The United States Government examines the situation annually to determine whether they can be removed in whole or in part without serious injury to the United States industry. Executive agencies of the United States Government are currently considering what recommendations might be made to the President regarding further reviews of this and other escape clause actions.

Cotton

31. The expansion in production and the decline in consumption in the past three seasons have led to a world carry-over of cotton. World cotton production in 1963-64 is estimated at 48.6 million bales, approaching the record yield of 48.8 million bales in 1962-63. The 1963 United States crop of 14.8 million bales is 20,000 bales smaller than last year. World cotton acreage in 1963-64, 80.5 million acres is about the same as 1962-63. However, the United States acreage has declined by about 8 per cent from 15.6 million acres harvested in 1962-63 to 14.3 million acres harvested in 1963-64. As compared with a decade ago, United States acreage has been reduced by 40 per cent while that of other countries has expanded 14 per cent; on the production side, United States output in the past five years has averaged about 15 per cent below that of 1953-54 while foreign production has expanded about 30 per cent.

32. In order to deal with the cotton surplus problem, the United States has had in operation several programmes, such as:

(a) A Price Support Programme - the maintenance of the prices of both United States upland and extra long staple cotton within certain ranges is required by law.
(b) An Acreage Allotment - for 1964 the United States upland crop was set at 16.0 million acres, the same as 1963. This amount is the smallest permitted under present law, considering the supply-demand situation. The 1964 national allotment for extra long staple cotton is 112,500 acres, compared with 149,880 acres for 1963.

(c) A Marketing Quota Programme which in 1964 was set at 14.3 million bales for upland and 120.2 thousand bales for extra long staple cotton, compared with 14.4 million and 155.5 thousand bales, respectively, for 1963.

(d) A Conservation Reserve Programme - under this Programme farmers agree to withdraw general cropland from production.

(e) Related Surplus Operations - the United States Government has continued to market stocks of cotton owned by the Commodity Credit Corporation in such a manner as to avoid disrupting domestic and foreign markets, while at the same time cutting back domestic production and encouraging increased utilization of cotton.

33. Despite the progress made as a result of these programmes, it is necessary to continue import quotas on cotton and cotton waste in order to meet the requirements of Section 22 of the Agricultural Adjustment Act, as amended. There have been no changes in these quotas during the past year. As was true in 1961-62, the import quota (82,500 bales) for extra long staple cotton in 1962-63 was nearly filled on opening. Imports of upland cotton in 1963-64 are expected to be about 50,000 bales.

34. During the 1963-64 season, United States efforts to reduce the surplus of cotton will continue. These efforts have been largely along the lines of production adjustment through the use of acreage allotments and marketing quota, and market promotion programmes. In continuing to support prices for its farmers and undertaking other operations designed to bring about a better balance between supply and demand for cotton, the United States has found it necessary to continue import quotas. Were the United States programmes mentioned above to be abandoned and production and trade made completely free, it is likely that increases in supply would occur and prices would be adversely affected not only in the United States but other markets as well.

Peanuts

35. An import quota of 1,709,000 pounds of peanuts (shelled basis) is in effect this year. This quota represents the same level as last year and applies on a global basis.

36. The United States has various programmes and operations in effect to assist its peanut farmers, and it has been necessary to continue controls on imports in 1963 to prevent foreign supplies from materially interfering with such programmes.
The latter include notably a price support programme and an acreage allotment and marketing quota programme. Additionally, the Government has attempted to relieve the surplus problem by having substantial quantities of peanuts processed into peanut butter for the School Lunch Programme and distribution to needy persons.

37. Price support for peanuts is mandatory under United States law at 75-90 per cent of parity when producers have approved marketing quotas, as was most recently done in December 1962 (covering the 1963-65 marketing years). For 1963, the level of support has been set at a national average of $224 per short ton or 80 per cent of parity.

38. The national acreage allotment of 1.6 million acres is at about the minimum authorized by law. It is almost exactly the same as last year but is less than one half that from which peanuts were picked and threshed in the last year before acreage allotments were put into effect. Any producer who knowingly exceeds his farm acreage allotment is denied price support on the output of that farm and in addition may be subject to penalties under the marketing quota regulations.

39. Despite domestic restraints, United States production in 1962 was 905,000 tons and in 1963 is expected to rise slightly. Output was about 20 per cent above the level required for domestic food and farm uses. About 20 per cent of the 1962 crop was placed under support and over 90 per cent of this was acquired by the Commodity Credit Corporation when the loans matured on 31 May. Exports declined very sharply in 1962 and imports also dropped (881 compared with 1,091 short tons in the shell-data preliminary).

40. Since the United States Government has had to continue to assist the domestic producers of this product and the latter in turn have accepted acreage and marketing restraints on their operations, it has not been feasible to abolish or reduce restrictions on imports. Unfortunately, we do not at present have any sound basis for predicting when the conditions which made domestic support programmes necessary may improve sufficiently so that these programmes would not be required.

Increase in tariff rate on harvest hats of pandan (TSUS Item 702.37)

41. The representative of Indonesia has referred to the recent increase in the tariff rate on harvest hats of pandan as a result of the coming into force of the new tariff schedules of the United States. The increase in duty is from 6 1/4 per cent ad valorem to 10 per cent ad valorem, and 1961 imports from Indonesia are estimated at $57,000.

42. The increase in the duty on this type of hat was inadvertent. It had been thought by the United States Tariff Commission that pandan hats would be classifiable as palm-leaf hats at 6 1/4 per cent, but this has proved not to be the case. Unfortunately, this information came to light too late to permit rectification prior to the effective date of the new tariff, and the United States is consequently negotiating the modification of the rate with Indonesia under the procedures of Article XXVIII:4.
43. The background of the matter is as follows. Under the old 1930 tariff schedules, there were seventeen different product classifications and nine tariff rate provisions for harvest hats of vegetable fibre, ranging from 6 1/4 per cent to 25 per cent. In general, a distinction was made between each major type of fibre and each of these was further subdivided to distinguish between bleached and unbleached hats. The difficulty that exporters and importers had in ascertaining the rate applicable to their type of hat is obvious, and in fact the complexity resulted in litigation in the courts on numerous occasions. In order to simplify customs practice and facilitate trade, the new tariff schedules have eliminated the previous distinction by type of fibre and have reduced the number of classifications to three. The three new rates represent an averaging of all the old rates, so that while it is true that the tariff rate on pandan hats has been increased, the tariff rates on some $1,000,000 worth of trade in other types of harvest hats, also produced in less-developed countries, have been reduced (Philippines - $160,000; Taiwan - $550,000; Ecuador - $350,000). Since these kinds of hats are not produced at all in the United States, the effect of the change has been to put all the various types of imported harvest hats on a more equal competitive basis and, by greatly simplifying the tariff treatment of them, to facilitate export sales to the United States.

44. The Committee discussed quantitative restrictions maintained by Japan on the following products: peanuts, rape-seed and mustard seed, soyabean oil, groundnut oil, rape-seed oil, mustard seed oil, cottonseed oil (excluding for mayonnaise), corn oil, safflower oil, sunflower oil, coffee (roasted), lead unwrought and wrought, timber (lavan and apiton), leather, leather footwear, cod roe and herring roe, black tea, cocoa preparations, internal combustion engines.

45. The representative of Japan in his introductory statement recalled that his Government had indicated during the last ministerial meeting that, while it was its intention to liberalize the remaining quantitative restrictions affecting exports of the less-developed countries as soon as possible, it regretted that it might not be able to meet the target date laid down in the Programme of Action of 31 December 1965 in respect of a few products. The Japanese Government levied internal fiscal charges on two products of export interest to the less-developed countries, namely coffee and cocoa powder. These amounted to 10 per cent ad valorem and were part of the general tax structure, similar taxes being levied on other beverages. The Japanese Government would however give careful consideration to the possibility of reducing these taxes.

46. It was noted that Japan maintains restrictions on imports of peanuts, mustard seed and rape-seed. The representative of Japan informed the Committee that, while quotas had recently been enlarged, it was not at present possible for his Government to contemplate the complete liberalization of imports of those
items. This branch of Japanese agriculture was divided into a very large number of small, high-cost farming units. Mustard and rape-seeds were cultivated on about one and a half million farms, or 27 per cent of Japanese farms, as a winter crop on paddy fields. It would be difficult to find alternative crops, and it would also be difficult to find an alternative to the production of peanuts, which were grown on about 400,000 farms. The Sub-Committee would appreciate that the reorganization of this branch of Japanese agriculture could be accomplished only over a considerable period of time.

**Vegetable oils**

47. The representative of Japan informed the Sub-Committee that cottonseed oil for the production of mayonnaise had been liberalized on 1 April 1963 but that the Japanese Government was at present unable to indicate liberalization dates for vegetable oils still subject to restriction (soyabean oil, peanut oil, rape-seed oil, mustard oil, corn oil, safflower and sunflower oils). The Japanese oil crushing industry was composed of many small, relatively high-cost producers which were unable to compete against the imported product. The rationalization of this industry would take some time and it would not be possible to envisage liberalization in the near future.

**Lead (wrought and unwrought)**

48. The representative of Japan recalled that bars, rods, angles, shapes and sections of lead and lead wire had been liberalized on 31 August 1963 and that the other items falling under this heading would be liberalized in the near future.

**Coffee (roasted)**

49. The Committee noted that roasted beans in containers of less than 400 grs. had been liberalized on 1 April 1963, and welcomed an announcement by the representative of Japan that the quota restriction on other roasted beans would be removed in the near future.

**Timber (lawan and apiton)**

50. It was announced that these would be liberalized in the near future.¹

**Leather**

51. The Sub-Committee noted that bovine and equine leather; sheep and goat skin leather, dyed, coloured, stamped or embossed, remained subject to restriction. The representative of Japan explained that the domestic industry was composed of numerous small inefficient producers, and that the rationalization

1 Restrictions on these items were removed effective from 11 January 1964.
of this industry would take some time. While it was not possible for his Government to indicate a date for the liberalization of the products in question, quotas for less-developed supplying countries were being enlarged and had been increased from $250,000 in 1962 to $325,000 in 1963.

Leather footwear

52. Leather footwear, with the exception of sports shoes and slippers, is still restricted. The representative of Japan explained that the industry faced a situation similar to that faced by the leather industry. It was comprised of small firms whose production it was difficult to rationalize. In spite of this, quotas for leather footwear had been increased from $224,000 in 1962 to $400,000 in 1963.

Canned fish

53. The representative of Japan explained that import restrictions are applied only to canned cod roe and herring roe. While it was not possible to indicate a liberalization date, quotas had been opened for $250,000 and $110,000 respectively for 1963. The representative of Japan further commented that the imported roes of cod and herring were normally preserved with salt and that these roes were still on the restrictions list simply because of the theoretical possibility that they might be imported in cans.

Black tea

54. It was stated that the Japanese Government was not in a position to indicate a date for liberalization, as domestic production was not competitive and it was difficult for the black tea planters to find any substitute cash crop. The Japanese Government had increased its quota for black tea imports from $2,442,000 in 1962 to $2,480,000 in 1963 and was considering a further increase.

Cocoa powder

55. It was recalled that cocoa powder, unsugared in containers of less than 2,260 grs. net content, was still subject to restriction. This restriction would, however, be removed in the near future.

Internal combustion engines under 50 h.p.

56. The representative of Japan stated that quantitative restrictions were maintained in order to protect domestic industry from imports from other industrialized countries. The Japanese Government was not in a position to indicate liberalization dates for piston engines for motor vehicles (excluding auto-bicycles and three-wheeled motor vehicles) but liberalization was envisaged in the near future for outboard motors rated at not more than 25 h.p. water-cooled diesel engines with a rating of more than 30 h.p. but not more than 3,000 h.p., and parts of internal combustion piston engines (pistons, connecting rods and cylinder blocks).
AUSTRIA

57. The following quantitative restrictions maintained by Austria were discussed by the Sub-Committee:

Vegetable oils
Coir manufactures
Jute manufactures
Electric motors
Bicycles
Leather footwear

In explaining the position of his Government the representative of Austria referred to problems which Austria had been experiencing in relation to its balance-of-payments situation. The Austrian Government had given due consideration to the exports of developing countries in their measures towards elimination of restrictions in recent years. It was expected that, in the new decree for liberalization, effective from 1 January 1964, more commodities exported by less-developed countries would be included. In reply to questions regarding the effect of liberalization on the domestic economy, the representative of Austria said that so far there had been no negative effects.

Vegetable oils

58. Linseed oil, castor oil, tung oil were already liberalized and pumpkin oil was to be liberalized as from 1 January 1964. Other vegetable oils, such as soyabean oil, cottonseed oil, coconut oil, peanut oil, palm oil and palm kernel oil, would be considered for liberalization at a later date.

Coir manufactures

59. Coir fibres were liberalized and machine knotted carpets were to be liberalized on 1 January 1964.

Jute manufactures

60. The representative of Austria stated that his Government faced serious economic and social difficulties with respect to this item and that although a target date of 1 January 1965 had been established, it was doubtful whether it could be met. He stressed that the remaining restrictions maintained by Austria on these items were not a barrier to the trade of the less-developed countries.

Leather footwear

61. The representative of Austria said this item would be liberalized but that the small-scale domestic manufacturers would require some time to adapt themselves to new competition.

Bicycles

62. This item would be liberalized on 1 January 1964.
ITALY

63. The Sub-Committee discussed the quantitative restriction imposed by Italy on imports of soyabean oil and Italian internal fiscal charges on raw and roasted coffee, cocoa beans, paste, powder and cocoa butter.

64. The representative of Italy pointed out that no less-developed country Member of GATT was a substantial exporter of soyabean oil. The Italian authorities were concerned to maintain the purity of domestically produced olive oil. Imports had been restricted for this reason and because olive oil was the principal source of income for the small-scale producers in southern Italy who cultivated land which it would be difficult to utilize for other purposes. The subsidization of soyabean production in a major exporting country had, however, led to an increase in competition from imports. In these circumstances the Italian authorities had been obliged to impose restrictions. A large quota of $650,000 had been established taking into account the position of exporting countries.

65. Referring to internal charges the representative of Italy recalled that his Government had no specific obligation. As a member country of the EEC, it had not given any undertaking concerning the first seven points in the Action Programme at the ministerial meeting last May. It was also recalled that, under the Italian constitution, fiscal matters were within the sole competence of the Parliament, and that any ministerial measure on this subject must be submitted to, and approved by, Parliament.

UNITED KINGDOM

66. The Sub-Committee discussed the United Kingdom's import policy on jute manufactures.

67. The representative of the United Kingdom informed the Committee that her delegation would submit to the secretariat a detailed account of the current policy of State control for jute manufactures in the near future. Changes had recently been made in the jute control measures owing to the fact that the Government had been able to adjust itself to the improvements taking place in Dundee - the area affected by this problem - and had met the requests of the two major suppliers, India and Pakistan. At present the only jute goods subject to a quota were jute cloth exceeding 18 inches in width and new sacks and bags other than heavy bags, common sacking and wool packs from countries other than India and Pakistan, the Irish Republic and the Eastern area. Restricted imports were subject to a global quota of 1,200 tons and this provides for an opportunity for considerably increased trade from the countries concerned, since in recent years, imports had been under 500 tons a year. Imports of yarn were outside the quota. Imports of heavy bags, and common sacking had been returned to private trade and licences were granted freely. Imports of yarn, cloth over 18 inches
in width which come from India and Pakistan continued to be controlled by the jute control authorities. Imports of these were subject to pricing policy only and there was no quantitative restriction. Pricing policies were based on the mark-up. It was stated that in 1957 the mark-up had been as high as 37 per cent. It had been reduced to 20 per cent in 1962 and in August last to 10 per cent. The mark-up was the only barrier in the nature of a tariff on imports from the Commonwealth and the Irish Republic. The representative of the United Kingdom said that the share of imports in total consumption was over 40 per cent for jute bags and cloth. Dundee, the centre of the jute industry, where a large percentage of the labour force was employed in jute mills, was one of the high unemployment areas in the United Kingdom. The Government was trying to rationalize the industry and secure alternative employment for people in Dundee. The progress made since 1957 in this direction would be continued.

**BENELUX**

66. The representative of the Netherlands, speaking on behalf of the Benelux countries, stated that the present quota restriction on castor oil would be removed by 31 December 1964.