SPECIAL GROUP ON TRADE IN TROPICAL PRODUCTS

Points Raised During the Meeting Held on 1-2 April 1963

Note by the Secretariat

I. INTRODUCTION

1. The Special Group met on 1 and 2 April 1963 under the chairmanship of the Executive Secretary.

2. The Special Group agreed that, as the report (L/1984) of the Sub-Group on its meeting from 18-26 March 1963 had only become available very recently and had not, therefore, yet been considered by governments, there should be another meeting of the Special Group during the period of the forthcoming meeting of the Council of Representatives which begins on 22 April 1963. At that meeting of the Special Group it would be necessary, against the background of the report (L/1984) drawn up by the Sub-Group, to formulate draft recommendations which, after their consideration by the Council, would be submitted to Ministers at their meeting to be held from 16-21 May 1963.

3. Meanwhile it was agreed that, at the present meeting of the Special Group, representatives in a position to do so would express their views on the conclusions reached by the Sub-Group in its report. The following paragraphs summarize the main points made.

II. RECOMMENDATIONS BY THE SPECIAL GROUP

4. It was proposed in the Special Group that draft recommendations of a general character, as well as recommendations on each of the individual tropical products considered by the Sub-Group, should be submitted to the Ministers for their consideration.

A. General recommendations

5. In this connexion the United States representative expressed the view that the Sub-Group's conclusions brought out that in the case of three of the products considered by the Sub-Group, namely cocoa, tea and tropical timber, duty-free entry could be achieved within the next year or so without the risk of dislocating the trade of any less-developed country. Because of the special problem that arose in the case of coffee from the existence of two marketing systems, the time required to achieve duty-free entry would presumably have to be somewhat longer. The question of tropical oilseeds and oils and of bananas was a complicated one and would require further study.
6. As regards draft general conclusions that should be put before Ministers for their consideration, the representative of the United States proposed that these should include the following:

(a) the general objective of free access to markets for tropical products should be endorsed;

(b) all importing countries should agree to a "standstill" and refrain as far as possible from any measures which might represent an intensification or extension of trade barriers;

(c) attention should be focussed on the fact that certain countries had failed to implement the recommendations in the 1961 Ministerial Declaration concerning the removal or considerable reduction of internal taxes on tropical products;

(d) a decision should be taken that, where this had not already been done by unilateral action, barriers to trade and restraints on consumption of tropical products should be dealt with in the context of the forthcoming GATT trade negotiations.

7. In connexion with internal charges the Special Group noted that, at its meeting in June 1962, it had already referred this question for further discussion at the ministerial level.

8. The representative of the United Kingdom suggested that the Special Group should consider whether it could not put forward a recommendation that tariffs, internal charges and other non-tariff barriers in respect of cocoa, coffee, tea and tropical timber should be removed as soon as practicable and, wherever possible, by the end of 1963. The proposal of the United Kingdom representative was supported by the representatives of Sweden, India, Indonesia, Ceylon and Ghana.

9. The representative of Brazil, in reference to the proposal of the United States representative that Ministers should be invited to endorse the general objective of free access to markets for tropical products, said that, as a year and a half had passed since the Ministerial Declaration of November 1961 had been adopted, some concrete results in this field should already have been forthcoming. The industrialized countries concerned should at least give an indication of the date by which the trade barriers concerned would be eliminated.

10. A further point stressed by the representative of Brazil was that some duties or taxes applied by industrialized countries had the purpose of safeguarding the interests of certain less-developed countries. In this connexion the proposal put forward in June 1962 by Nigeria and Brazil in document Spec(62)154 deserved comment by the industrialized countries. The tendency to consider the problems that arose in trade in tropical products on a piece-meal basis should be avoided.

11. The representative of Nigeria agreed with the representatives of the United States and the United Kingdom that there should now be no problem in regard to the implementation of duty-free entry for cocoa, tea and tropical timber. He went on to reiterate Nigeria's view that the question of duty-free entry was not a package deal. In other words, duty-free entry for cocoa or tropical timber, for example, did not have to await duty-free entry for coffee. Likewise the removal of tariffs should not have to await the removal of internal charges and vice versa.
12. The representative of the Congo (Leopoldville) stressed that the existing preferential tariffs had very little effect on consumption. On the other hand, the loss of the preferences would have adverse effects on the States associated with the EEC and his Government wished to see the maintenance of the preferences. The representative of Madagascar, pointing out that the question of preferences was only a very small part of the overall problems that arose in the context of economic development, stressed that the solution of these problems would require patience and time.

B. Recommendations on individual commodities

13. Some representatives then expressed their views on the subject of recommendations which might be put forward on the individual products considered by the Sub-Group, namely cocoa, coffee, bananas, tropical oilseeds and oils, tea and tropical timber. It was hoped that the expression of these views would enable representatives to report to their governments the kind of questions they would have to consider before the next meeting of the Special Group.

The views of the United Kingdom representative as regards cocoa, coffee, tea and tropical timber have already been referred to in paragraph 8 above.

(a) Cocoa

14. The representative of the United States expressed the view that Ministers should be invited to endorse the commodity agreement approach to cocoa. The aim should be to increase the export earnings of the producing countries so as to facilitate their economic development while providing adequate supplies to consumers at equitable prices. Further, Ministers should be invited to endorse the view that any international cocoa agreement should include the following three elements:

(i) increased price stability at remunerative and equitable levels;

(ii) the need for some control of the level of supply and production by producing countries so as to permit stable world prices at a somewhat higher level than might result from free market forces;

(iii) the need for any such control of production and supply to be counter-balanced by efforts to secure increased cocoa consumption in importing countries. To this end a schedule for the removal of tariffs, internal taxes and other trade barriers within a fixed period of time should be incorporated in the cocoa agreement.

15. The representatives of Ghana, Nigeria and Brazil supported the views expressed by the representative of the United States although the representative of Brazil stressed his Government's hope that the removal of barriers should not be conditional on the establishment of an international cocoa agreement, or on a successful outcome of the GATT general trade negotiations.
(b) Coffee

16. The United States representative said that the most important conclusion for consideration by Ministers should be support for the full and efficacious implementation of the International Coffee Agreement. Ministers might further wish to welcome those provisions of the proposed convention between the EEC and the States associated with the Community which also made a contribution to a reconciliation of the two distinct marketing systems which at present existed. There was also, of course, the general concept of making the maximum use of the GATT trade negotiations in order to eliminate tariff and other barriers affecting trade in coffee.

17. The representative of the United Kingdom stressed that the most rapid way of reconciling the two market systems would be through the removal of tariffs, internal charges and other barriers at present applied to trade in coffee.

(c) Bananas

18. It was pointed out in the Special Group that, while a note for information might be submitted to the Ministers, it would not be appropriate to seek ministerial endorsement of the proposal made in the Sub-Group's report that there should be further studies on the question of trade in bananas. These studies should be put in motion in the hope that the Sub-Group would then, in due course, be able to make specific recommendations with respect to trade in bananas in the light of these further studies.

19. The representative of the United States, while agreeing with this view, nevertheless considered that draft recommendations should be submitted to Ministers on two points that emerged from the Sub-Group's report, namely that governments should refrain from measures that might extend or intensify trade barriers, and that an attempt should be made to reduce excessive trade margins. As regards further studies, the Special Group's report to the Council should refer to the desirability of there also being studies on the question of financial assistance to facilitate the adjustment to competition on a world market basis by countries at present enjoying sheltered access, and on the question of the need, where necessary, for some export earnings guarantee for those producing countries without alternative sources of export income.

20. The representative of Brazil, while associating himself with the comments of the United States representative, pointed out that the problems connected with the individual tropical products were only part of the overall, general problem. In Brazil's view, the question of financial assistance for adjustment purposes or for compensation should be considered by the Ministers.
(d) Tropical oilseeds and oils

21. While the view was expressed that the situation as regards tropical oilseeds and oils and the need for further study was analogous to that of bananas, the representative of the United States pointed out that two of the conclusions of the Sub-Group, namely those in sub-paragraph (vi) and (vii) (page 24 of L/1984) were specific and should be drawn to the attention of Ministers.

(e) Tea and tropical timber

22. The Chairman made the point that the Sub-Group's recommendations on tea and on tropical timber (pages 26 and 27 of L/1984) were sufficiently precise to go forward to the Council in the final report of the Special Group.

C. Compensatory finance for development

23. There was some discussion of this subject which had been referred to in paragraph 10 of the Sub-Group's report (L/1984). It was agreed that it would be more profitable to discuss the proposal put forward by Brazil and Nigeria in document Spec(62)154 when it was known what degree of progress was likely to be achieved on the basic proposal for the maximum freedom of access to markets for tropical products.

24. In the discussion which preceded this agreement on procedure, the representative of Brazil pointed out that it should now be possible for representatives to comment on the proposal put forward in document Spec(62)154, which had been submitted to the Special Group almost a year ago.

25. The representative of Nigeria, stressing that his Government subscribed to the principles contained in Spec(62)154, pointed to the need for some quantifying of the value of preferences. This information was very necessary in the context of the discussion of this question.

26. The representative of the United Kingdom emphasized the great difficulty of trying to evaluate in financial terms what the existence of preferences or the lack of them meant for the countries concerned. This made it difficult to offer precise comments on this question. However, if the proposition in document Spec(62)154 were to be pursued it would need to be further examined by governments as significant financial and budgetary considerations would be involved. It might be necessary for consideration to be given in the United Kingdom to the question of compensating certain countries whose economies depended heavily on the existence of preferential arrangements in the case where those arrangements had to be terminated.

27. The representative of Brazil stressed that, apart from the question of quantifying the value of preferences, there was also the question of the principles involved and it would be interesting to hear the views of the industrialized countries on these principles. Paragraph 10 of the Sub-Group's report (L/1984) relating to the proposal put forward by Brazil and Nigeria in document Spec(62)154 encompassed all the essential elements of the problem. It referred at the same time to trade and to financial aid to development and it was discouraging that, after a year, there was no precise orientation of thinking as regards the ways in which the problems that arose could be solved.