I. INTRODUCTION

1. At the ministerial meeting in November 1961 most Ministers agreed that the proposal (L/1608) put forward by Nigeria for duty-free entry for tropical products should be given careful consideration.

2. In February 1962 the Council established the Special Group on Trade in Tropical Products, following a recommendation by Committee III that such a group should be set up. The terms of reference of the Special Group are as follows:

"Taking into account all factors bearing on present and future problems in international trade in tropical products (cocoa, coffee, tea, vegetable oilseeds and oils and tropical timber), to consider ways of overcoming difficulties confronting less-developed countries exporting these products and to make appropriate proposals bearing in mind, among other things, the Conclusions of the ministerial meeting and the Decision of 7 December 1961."

3. The Special Group held its first meeting from 4-8 June 1962 and the record of the discussions that took place was distributed in document L/1817. At its meeting, the Special Group established a Sub-Group to undertake certain work relating to the Group's terms of reference. In this connexion it was decided that bananas should be added to the list of commodities to be considered. The terms of reference given to the Sub-Group are set out on page 9 of document L/1817.

4. The Sub-Group met from 3-6 December 1962 and the record of its discussions was distributed in document L/1952. At its meeting the Sub-Group requested the secretariat to undertake certain studies in connexion with the Sub-Group's terms of reference and a note by the secretariat giving the outline which was proposed for these studies was distributed in document L/1946.
5. In accordance with the request of the Sub-Group, the secretariat produced studies on cocoa, coffee, bananas and tropical oilseeds and oils as well as notes on certain individual less-developed countries, namely Ivory Coast, Nigeria, Senegal and the Somali Republic. In the course of its work, the secretariat received the collaboration of other organizations including the FAO, OECD, the Organization of American States and the Regional Economic Commissions of the United Nations. In connection with the individual country studies, officials of the secretariat visited the four countries concerned.

6. The Sub-Group considered the studies prepared by the secretariat at a meeting held from 18-26 March 1963. On the basis of these studies, the Sub-Group discussed the situation as regards each of the products concerned and reached certain conclusions on each product. In addition to the products on which the secretariat had produced studies, the Sub-Group considered tea and tropical timber which were also included in its terms of reference. The conclusions reached in the Sub-Group on each product are annexed.

7. The report of the Sub-Group was distributed in document L/1984. It will be noted that this document also includes the studies prepared by the secretariat and revised in the light of comments made during the meeting of the Sub-Group. It was considered appropriate and convenient to attach these studies to the Sub-Group's report, although they continue to be the secretariat's responsibility.

8. The Special Group met on 1 and 2 April and from 22-26 April 1963 to consider the report of the Sub-Group and to draw up its own report to the Council. A note by the secretariat on the points raised during the first of these two meetings was distributed in document L/2000.

9. Representatives of States associated with the European Economic Community participated in the meeting of the Sub-Group held from 18-26 March 1963 and in the subsequent meetings of the Special Group. Representatives of Latin American countries also participated in the meeting of the Sub-Group. The participation of these representatives was warmly welcomed by the Special Group.

10. At its meeting from 22-26 April 1963, the Special Group, on the basis of the report and conclusions submitted to it by the Sub-Group and in the light of its own discussions, concentrated its attention on the formulation of recommendations for possible submission to Ministers at their meeting beginning 16 May 1963. Except for the EEC and the States associated with the Community, it was agreed in the Special Group that these recommendations should encompass general recommendations and recommendations on individual tropical products; these follow hereunder. The representatives of the EEC and of States associated with the Community were unable to support the inclusion of general recommendations, considering that there should only be recommendations on the individual products. In the view of the EEC and the States associated with the Community, the situation differed as between the
individual products under consideration and it was, moreover, illogical to introduce general recommendations when, in the case of two of the products, it was agreed that further studies were required before conclusions could be reached. Moreover, the representatives of States associated with the EEC made the point that their countries would require some time to adapt themselves to the new situation which would arise as a result of the new association arrangements with the EEC.

II. RECOMMENDATIONS

A. General recommendations

11. All representatives other than those of the EEC and the States associated with the Community suggested that the Ministers should be invited:

(a) to endorse the general objective of free access to markets for tropical products, in view of the great importance of these products to the foreign exchange earnings and economic development of many less-developed countries;

(b) to agree that the instability of prices and inadequacy of earnings are the principal problems affecting producers of tropical products;

(c) to agree that, in the interval before action is taken to remove the existing trade barriers, there should be a "standstill" and governments should refrain as far as possible from any measures which might represent an intensification or extension of these barriers. If, in fact, a government felt that it had to take any measures of this kind, it should have prior consultations with the exporting countries mainly interested in trade in the product concerned;

(d) to give special attention to the problem of revenue duties and internal charges, with particular regard to the difficulties which have delayed the implementation of the relevant part of the Ministerial Declaration of November 1961 and to the steps which need to be taken to speed up such implementation;

(e) to decide that, where this has not already been done by prior action - and the desirability of such action is recognized - barriers to trade and restraints on consumption of tropical products should be dealt with in the context of the forthcoming GATT trade negotiations.

12. As is indicated in paragraph 10 above, the EEC and States associated with the Community were unable to support the inclusion of general recommendations and reserved the position of their delegations. Representatives of States associated with the Community stated that their delegations supported the removal of revenue duties and internal charges. The States associated with
the EEC and the Community itself stated their belief that the general and primary objective was to increase the export earnings of the less-developed countries in order to promote their economic development by all appropriate means. Freedom of access to markets for tropical products was only one of these means. Such freedom would be truly effective only to the extent that all the prerequisites to its full effectiveness had been completely achieved in all these countries. In the meantime such freedom should only be implemented gradually, to the extent compatible with the existing situation and the specific needs of some of the countries concerned, in order not to hinder their economic development on a sound and balanced basis, until such time as their full integration into the world economy could be effected without harmful consequences.

13. The representatives in the Special Group, other than those of the EEC and the States associated with the Community, sympathized with these considerations, but believed that the recommendations put forward in paragraph 11 above could be implemented in a manner which took these considerations duly into account.

B. Recommendations on individual products

COCOA

14. All representatives in the Special Group, other than those of the EEC and the States associated with the Community, suggested that Ministers should be invited:

(a) to endorse the commodity agreement approach to cocoa and to recommend that an international agreement should be negotiated speedily with the aim, inter alia, of stabilizing prices at remunerative and equitable levels and increasing the export earnings of producing countries so as to facilitate their economic development;

(b) to recommend that internal charges and other non-tariff barriers in respect of raw and semi-processed cocoa should be removed wherever possible by the end of 1963;

(c) to recommend that the removal of tariffs in respect of raw and semi-processed cocoa should be accomplished in the context of a cocoa agreement which was otherwise satisfactory to the principal producing countries.

15. The representatives of the Community and of the associated States stated that the work of the Sub-Group had shown that the basic question was the price problem. In their opinion it was not desirable to make this problem more difficult by linking it with other problems of less importance, as the report by the Sub-Group had shown. They suggested that, in the circumstances, the Special Group should recommend that the Ministers confirm their intention to co-operate positively in order to reach an International Cocoa Agreement so as to ensure equitable prices at remunerative levels for producers.
16. The Special Group suggested that the Ministers should be invited to confirm the intention of their governments to apply in an efficacious manner the International Coffee Agreement and to recommend that the governments signatories to this Agreement collaborate in a positive manner in the Coffee Council within the foreseen time-limits with a view to the efficacious application of the Agreement so that coffee prices are established and maintained at an equitable level and so that the trade in and consumption of this product are developed.

17. All representatives in the Special Group other than those of the EEC and the States associated with the Community suggested that the Ministers should also be invited:

(a) to recommend that tariffs, internal charges and other non-tariff barriers in respect of coffee should be removed, wherever possible, by the end of 1963;

(b) to recognize that the proposed GATT trade negotiations would give an opportunity to eliminate all remaining barriers affecting trade in coffee.

BANANAS

18. The Special Group on Trade in Tropical Products has recognized that further study in collaboration with the FAO of the question of trade in bananas is necessary, and the fact that arrangements for this work will be put in hand could be brought to the attention of the Ministers for their information. However, it is suggested that the Ministers should be invited to agree that each consuming country should consider possibilities to increase the consumption of bananas.

19. The representatives in the Special Group other than those of the EEC and of the States associated with the Community considered that the Ministers should also be invited to agree that, while the study referred to above was in progress, there should be a "standstill" and governments should refrain from any measures which might represent an intensification or extension of trade barriers and should make an effort to enlarge their markets for bananas on a universal basis.

TROPICAL OILSEEDS AND OILS

20. The Special Group on Trade in Tropical Products has recognized that further study of the question of trade in tropical oilseeds and oils is necessary, and the fact that arrangements for this work will be put in hand could be brought to the attention of Ministers for their information.

21. The representatives in the Special Group other than those of the EEC and the States associated with the Community suggested that the Ministers should be invited:
(a) to agree that governments should consider the desirability of including the problems of tropical oilseeds and oils in the framework of the GATT trade negotiations and in international discussions on internal agricultural price and production policies;

(b) to agree that governments should, in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers.

22. The States associated with the EEC and the Community itself stated that the studies referred to in paragraph 20 should relate in particular to conditions of competition in respect of fats and oils from the tropical and temperate zones. It should be reaffirmed that the final objective of such studies is to maintain and increase the export earnings of the developing producer countries. Pending the completion of such studies, the Group should recommend that governments should, in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products.

TEA

23. It is suggested that the Ministers should be invited to agree that the customs duty on tea should be removed with the least possible delay and, if practicable, before the end of 1963. The Ministers should also be requested to recognize the need for ensuring that the removal of the duty is not nullified by increases in internal taxes and to address themselves to the question of reducing and eliminating such taxes.

TROPICAL TIMBER

24. It is suggested that, in the case of tropical timber likewise, the Ministers should be invited to agree that the customs duty should be removed with the least possible delay and, if practicable, before the end of 1963.
ANNEX

Conclusions on Individual Products Reached in the Sub-Group of the Special Group on Trade in Tropical Products during the Meeting held from 18-26 March 1963

COCOA

(i) The Sub-Group recognized that any action taken to deal with the problems that arise in trade in cocoa would have to embrace several elements, some of which could appropriately be dealt with in the negotiations for an international cocoa agreement.

(ii) There was agreement in the Sub-Group that the important aim was 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.

(iii) Price falls had in recent years had the effect of decreasing the export earnings of producing countries despite the fact that they had exported increased quantities. The establishment of a satisfactory, equitable price level would necessitate the conclusion of an international cocoa agreement.

(iv) The Sub-Group recognized that a price policy of this sort might require producing countries to exercise control as regards levels of production and supply. At the same time any such control of production and supply must be counter-balanced by efforts to secure increased cocoa consumption in importing countries. In this connexion, it was generally agreed that, while the trade restraining effect of low import duties on cocoa beans was very modest, the removal of internal taxes could have the effect of increasing consumption. There was a difference of view within the Sub-Group as to the extent of the increase that might be expected.

(v) The Sub-Group recognized that preferential arrangements had, in the past, only given rise to problems of a marginal character. Concern was, however, expressed by some representatives as regards the effects when the common external tariff of the EEC came fully into effect. While these representatives recognized that the EEC proposed to make a considerable effort through the reduction of the common external tariff by 40 per cent, they expressed the need for further progress. It was agreed that, if an international cocoa agreement was formulated on the right lines, preferences would lose most of the little importance they at present possessed.
(vi) The Sub-Group agreed that the question of access to the developed countries for processed cocoa products manufactured in less-developed countries was an important problem needing serious attention. It was recognized that the development of semi-processing industries in the producing countries would enable these countries to increase their export earnings and to diversify their economies. At present the high level of duties on semi-processed products tended to discourage the development of such industries. The Sub-Group agreed that, if it unfortunately proved to be impossible to negotiate an international cocoa agreement providing for the progressive elimination of taxes and duties on processed cocoa products as well as on raw cocoa, these important questions could appropriately be dealt with in the forthcoming GATT Trade Negotiations.

COFFEE

(i) The Sub-Group was in agreement that the existence of two distinct market systems had to be recognized and it was the view of the Sub-Group that the desirable objective was the reconciliation of these two marketing systems with the elimination of regional inequalities.

(ii) The Sub-Group considered that such a reconciliation could be facilitated on the one hand by an efficacious implementation of the Coffee Agreement which might conceivably lead to a maintenance of prices at an equitable level and, on the other hand, through the medium of the Convention concluded between the EEC and associated States which will make it possible gradually to decrease sheltered prices to the level of prices in the world market.

(iii) The Sub-Group noted the statements of representatives of the EEC and of the associated States that the provisions of the Convention between them represented the extent to which the Community and the associated States could go for the time being.

(iv) The Sub-Group noted the view expressed by some representatives that a reduction in prices for producers now enjoying premium prices in sheltered markets should be offset by increases in economic aid, in particular from the importing countries benefiting from the lowering of prices.

(v) The Sub-Group also noted the view expressed by other representatives that it should be possible to make further progress towards increased trade and consumption. In the view of some representatives quantitative restrictions would have to be recognized for the time being as an unavoidable part of a dual-price system. However, many representatives felt with reference to paragraph 47 of the Coffee Agreement that concerted action should be taken to reduce or remove obstacles to trade and
consumption, and tariffs and internal charges in particular. If prior action had not otherwise been taken - and the urgency attached to this question by many countries was fully recognized in the Sub-Group - such action could appropriately be taken on a unilateral basis by the industrial countries in the forthcoming GATT Trade Negotiations. Moreover, with respect to internal charges, action could be taken at the GATT ministerial meeting to which this question had already been referred by the Special Group.

(vi) It was emphasized by several representatives that, in addition to the fact that a reduction in or abolition of tariffs and internal charges would lead to higher consumption, such policies would be regarded as an important manifestation of the principle that industrial countries should not finance their government expenditure by hampering exports from the less-developed members of the trading community. It was admitted, however, that for many countries, a change of the fiscal structure, such as was necessitated by such a reduction or abolition, would have to be gradual.

(vii) As regards raising consumption, it had, however, also to be recognized that a large part of any increase in consumption would have to result from higher incomes and forming of coffee-drinking habits, also in the producing countries.

BANANAS

(i) The Sub-Group stressed the particular character of the banana trade which was largely due to the characteristics of the commodity and the consequent high degree of integration within the trade.

(ii) It was recognized that preferential arrangements, made effective through tariffs, restrictive State-trading practices and, in particular, quantitative restrictions resulted in high import prices and had trade directive effects; in some sheltered markets, however, consumer prices were not excessively high due to the modest trade margins involved.

(iii) There was general agreement that a removal of trade barriers which would lead to a fall in consumer prices would bring about an increase in banana consumption, although there were differences of view as to the extent of such increase.

(iv) The Sub-Group recognized the importance of sheltered access to some of the producing countries concerned and the adverse effects on these countries' export earnings from bananas that might result from the removal of all measures providing for sheltered access, especially in the case of marginal producers.

(v) The Sub-Group also recognized the difficulties of the non-sheltered exporters and their serious concern about the effects of existing preferences and of any extension of preferences.
(vi) There was agreement in the Sub-Group that there was a considerable lack of knowledge about many aspects of the banana trade and industry, including such matters as price elasticities, elasticities of substitution of other fruits, organization and costs of production, producer prices, transport and marketing as well as data on wages, social charges, wholesale and retail prices, etc. The Sub-Group would therefore recommend that studies on these problems should be undertaken. Such studies, which would require the collaboration both of governments and the banana industry, could, in the view of the Sub-Group, appropriately be undertaken jointly by the GATT and the FAO secretariats. The GATT secretariat will submit to the Special Group a possible programme of further studies.

(vii) The Sub-Group recommended to the Special Group that the discussion of this question of trade in bananas should be carried forward on a continuing basis.

TROPICAL OILSEEDS AND OILS

(i) The Sub-Group felt that a consideration of the problems confronting exports of tropical oils and oilseeds was particularly hampered by their complexity. Although a great amount of agreement existed on certain aspects of the problems none of these aspects could be considered in isolation. It was, therefore, not possible at this stage to put forward proposals for a specific course of action and the Sub-Group felt that further studies in depth of the problems involved were required.

(ii) There was a general consensus of opinion that the price of tropical oils and oilseeds was an important matter for the exporting countries. However, a commodity agreement approach to strengthen the price of these products would not constitute a solution which would be applicable in practice because of the immediate substitutability by other tropical oils, by temperate zone vegetable oils and oilseeds and by animal fats or fish oils.

(iii) The Sub-Group recognized that, while the removal of preferential arrangements would have an adverse effect on countries benefiting from preferences, a solution to the problems referred to above should be sought which would be satisfactory to all less-developed countries producing these commodities. If a solution was to be found in terms of a reduction or elimination of duties and other import barriers, and hence in a removal of preferences, such a solution had to incorporate appropriate safeguards for countries depending on preferential arrangements. An appeal was made that pending a solution along these lines, nothing should be done to intensify and extend present preferential arrangements to the prejudice of non-sheltered supplying less-developed countries.
(iv) It was felt that promotion of trade between the less-developed countries themselves - by inter-regional arrangements or otherwise - might contribute to a solution of the problem.

(v) A number of representatives suggested that a solution of the problems would be facilitated if industrialized countries ceased to differentiate in their import policies between vegetable oilseeds and oils.

(vi) The Sub-Group agreed that developments in production and exports of temperate zone vegetable oilseeds and oils and of animal fats were of primary importance to the less-developed countries supplying tropical oilseeds and oils. The general prospects for exports of tropical oilseeds and oils did not appear to be favourable. The Sub-Group agreed that consideration should be given to the question of including the problems of tropical oils and oilseeds in the framework of general trade negotiations and in international discussions on internal agricultural price and production policies.

(vii) It was recommended that industrialized countries, in framing their agricultural policies should, where these policies affected tropical oils and oilseeds, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers.

**TEA**

(i) There was wide support in the Sub-Group for the proposal for duty-free entry for tea and it was agreed to recommend to the Special Group on Trade in Tropical Products that it should pursue this proposal.

(ii) With respect to internal charges, action could be taken at the GATT ministerial meeting to which this question had already been referred by the Special Group.

**TROPICAL TIMBER**

There was general support in the Sub-Group for the proposal for duty-free entry for tropical timber and it was agreed to recommend to the Special Group on Trade in Tropical Products that it should pursue this proposal.