CONSIDERATION OF THE SCOPE OF WORK FOR THE GROUP

Proposals submitted by the Government of Ceylon

At its meeting on 17 January 1968 the Special Group on Trade in Tropical Products had a preliminary discussion on the scope of its own competence and agreed to invite governments to submit proposals on the nature and scope of problems which the Group should deal with. By airgram GATT/AIR/644 governments were invited to transmit to the secretariat any such proposals by 30 April.

The attached communication has been received from the Government of Ceylon.

The reactivated Group on Tropical Products will have to examine the problems related to the trade in tropical products. The problems relating to tropical products have been examined both in GATT and in several other international forums such as the Food and Agriculture Organization, UNCTAD, and the Economic Commission for Asia and Far East etc. These problems can be grouped under five broad headings:

(a) Customs tariffs
(b) Fiscal charges
(c) Preferences
(d) Competition from synthetics
(e) Instability in markets and declining prices.

The Group on Tropical Products may consider the problems of relating to this trade on the same lines. The Group should also take note of action being taken in other international organizations in the field of tropical products in deciding its own programme of work.

The Group proposes to consider the problems relating to the following tropical products in the first instance: tea, coffee, cocoa, bananas, vegetable seeds and oils, and spices. Some of these products are of direct interest to Ceylon. The problems connected with each of these commodities are briefly enumerated below:
Tea

The problem faced by tea is one of gradual declining prices, which if allowed to continue unchecked, will cause serious problems to the tea-producing countries. The main reason for this decline in prices is due to the rate of growth of consumption falling slightly behind the rate of growth of production. If this decline can therefore be arrested or even reversed, a more favourable balance could be brought about between consumption and production to the benefit of tea producers.

Some of the measures which have been proposed to stabilize the price of tea at levels remunerative to both producers and consumers and which the Special Group may take note of, are:

(1) The feasibility of an international commodity arrangement for tea;
(2) Action to stimulate demand for tea, e.g. tea promotion;
(3) Action to review the existing sales mechanism for tea;
(4) Action to promote blending in Ceylon and to promote sales of tea in packeted form.

Vegetable seeds and oils

Effective international action in the field of vegetable seeds and oils is beset with a number of technical problems. These problems include the possibility of substitution among different oils which means that international measures would have to include a range of these commodities and not merely one particular vegetable oil. The question of price relationship between various oilseeds and oils would thus arise. There is also the problem of by-products, e.g. oil meals and oilcakes, connected with vegetable oils. In fact certain oilseeds, e.g. soyabean, are, primarily cultivated for the purpose of animal feed rather than for oil. There is also the problem of inadequate information being available with regard to sunflowerseed oil which is produced in the Centrally Planned Economies. Another problem is the competition between temperate and tropical oils and oilseeds. The possible effects of price changes on production and consumption including consumption in developing importing countries, and the competition from synthetics in non-edible uses should also be taken into consideration.
Cocoa

Ceylon's interest in this item is marginal because our production which stands at about 2,000 tons actually is very small when compared to total world production which is around 1.32 million tons per year. Ceylon cocoa is also fine or flavoured cocoa and the problems which we face with regard to the Ceylon industry are somewhat dissimilar to those faced by the major cocoa producers. It may be noted that there was, in fact, a proposal to exempt producers of fine or flavoured cocoa from the application of quotas and possibly the contribution to the buffer stock in the draft cocoa agreement which was discussed under the auspices of the UNCTAD late in 1967. Although our interest in this item is marginal, the study of the problems connected with the trade in cocoa by the Special Group should be of interest to us.

Spices

Our interest in this item is also marginal. But, as in the case of cocoa, the study of the problems relating to the trade in spices by the Special Group will be of interest to us.