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 cils 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 connexion 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.

7. The report of the Sub-Group was distributed in document L/1984. It will be noted that this document also included 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 Sub-Group's responsibility.

8. The Special Group met on 1 and 2 April and from 22- 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 W(63)ll and Add.l.

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- 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. It was agreed in the Special Group that these recommendations should encompass general recommendations and recommendations on individual tropical products. These recommendations, which follow hereunder, are submitted for the consideration of the Council.

II. RECOMMENDATIONS OF THE SPECIAL GROUP

A. General recommendations

11. It is 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, 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;

(c) 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;
(d) 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.

B. Recommendations on individual products

12. In addition to the above general recommendations, the Special Group has formulated the following recommendations on each of the individual products considered by the Special Group.

COCOA

13. It is suggested that the Ministers should be invited:

(a) 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.

First alternative

(b) to agree that any international cocoa agreement negotiated 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 counterbalanced by efforts to secure increased cocoa consumption in importing countries. To this end a schedule for the removal of tariffs, internal charges and other trade barriers within a fixed period of time should be incorporated in the cocoa agreement.
Second alternative
(b) to recognize that the question of prices is of primary importance;
(c) to agree that, although preferences play a less important rôle in the case of cocoa than in the case of other tropical products, it is nevertheless desirable, in working out arrangements for cocoa, that there should be arrangements for the removal of tariffs and other barriers to trade and consumption.

Third alternative
(b) to recognize that the question of prices is of primary importance;
(c) to recommend that tariffs, internal charges and other trade barriers in respect of cocoa should be removed, wherever possible, by the end of 1963. If this proves not to be practicable and if these trade barriers have not been removed before a cocoa agreement is negotiated, their removal within a fixed period of time should be considered in the context of such agreement.

COFFEE

14. It is suggested that the Ministers should be invited:
(a) to express their support for the full and efficacious implementation of the International Coffee Agreement;
(b) to welcome those provisions of the proposed convention between the EEC and the States associated with the Community which also make a contribution to a reconciliation of the two distinct market systems which at present exist;
(c) to recommend that tariffs, internal charges and other non-tariff barriers in respect of coffee should be removed as soon as practicable and, wherever possible, by the end of 1963;
(d) to recognize the desirability of making the maximum use of the proposed GATT trade negotiations in order to eliminate tariff and other barriers affecting trade in coffee.
14. It is 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.
BANANAS

15. 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 and to liberalize generally its import restrictions insofar as possible.

TROPICAL OILSEEDS AND OILS

16. 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. However, it is 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.
TEA

17. 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, in any case, before the end of 1963.

TROPICAL TIMBER

18. 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, in any case, before the end of 1963.

C. Compensatory financing