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 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 secretariat'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)11 and Add.1.

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. 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 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.

**COFFEE**

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 extention 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
recommends that governments should, in framing their agricultural policies, where such policies affect tropical oilseeds and oils, duly take into account the primary importance for the less-developed countries of the possibility to maintain and increase 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.

C. Compensatory financing