Note by the Secretariat

1. At the last meeting of the Group, on 17 January 1968, it had been agreed that governments should be invited to submit proposals concerning the nature and scope of problems which could be taken up in the Group and that the Group should reconvene at a suitable date to consider the proposals received (see W(68)3). A number of contracting parties having responded to the request and sent proposals, the present meeting had been convened for 10 July 1968.

2. The meeting was attended by representatives of twenty-five contracting parties members of the Group, as well as observers from other contracting parties, non-GATT countries and inter-governmental organizations, and was chaired by Mr. O. Long, the Director-General.

3. The Group had before it proposals concerning the scope of the Group's work submitted by four Governments, namely Ceylon, Brazil, the United States and Kenya (SGTP/2, 3, 4 and 8 respectively), together with certain papers prepared by the secretariat, viz. a note on suggested procedures for dealing with those proposals (SGTP/7), an outline of relevant recent activities in other organizations (SGTP/6) and a review of recent developments relating to trade in tropical products (SGTP/5).

4. In opening the meeting the Chairman commented on the tasks before the Group and briefly outlined the contents of the proposals tabled for discussion. Attention was drawn to the brief analysis in the secretariat note SGTP/7 which covered three of the four proposals received. It was pointed out in the secretariat note that the proposals contained similar elements as well as differences. All the proposals referred to the effects...
of trade barriers (tariffs, non-tariff measures and fiscal charges) on the trade in tropical products, the existence of special preferences and the need to co-ordinate the Group's activities with those of other international organizations. Different approaches to the various problems were, however, envisaged by the governments submitting these proposals. The Chairman stressed the need to keep in mind the desirability of avoiding duplication of work with other organizations such as the UNCTAD and the FAO.

5. The discussion opened with statements by the representatives of three of the contracting parties which had submitted proposals. After briefly outlining the proposals in SGTP/4, the United States representative explained that his Government placed great emphasis on the value of further comprehensive studies along the lines of those made in 1962 and in 1963 with a view to bringing into better relief the problems inherent in the trade in tropical products. In the opinion of his Government, the immediate task, in preparation for action at an opportune future time, was fact gathering, and prior attention should be given to coffee, cocoa, bananas and tea. Problems relating to oilseeds and vegetable oils, in view of the inter-relationship between products of this nature originating in tropical countries and those produced in the temperate zones, should be dealt with in the Agricultural Committee.

6. In presenting his Government's proposals in SGTP/3, the representative of Brazil referred to the adverse effects of escalated tariffs of developed countries on the developmental efforts of developing countries, and noted that under paragraph 1(a) of Article XXXVII developed countries had accepted the commitment to reduce and eliminate trade barriers including those which "differentiate unreasonably between products in their primary and in their processed forms". The obligations undertaken by developed countries being applicable to all products of export interest to developing countries, his Government saw no reason why the deliberations in the Group should be limited to the six products which, from the secretariat papers, would seem to have been chosen for particular, if not exclusive attention.
7. The representative of Ceylon, referring to the proposals in SGTP/2, stated that his Government approved of the short-list of commodities proposed for discussion, subject to the understanding, however, that other products could subsequently be added to the list to receive attention. While appreciating the importance of avoiding duplication of work with other organizations, his Government considered it equally important that the GATT and the Group should not be inhibited from tackling problems simply because they were also being dealt with elsewhere, especially where the activities in other organizations were of a perfunctory character or held forth little prospects of effective solution.

Product coverage

8. On the question of product coverage the Group was reminded that it had been agreed at its previous meeting that for practical purposes, both in regard to preparatory work and in the formulation of proposals, attention should in the first instance be given to six products, namely tea, coffee, cocoa, bananas, oilseeds and vegetable oils and spices, but that other products could be taken up at a later stage (cf. W(68)3). After a discussion the Group confirmed the understanding that whereas attention should at present be given first to these six products, other tropical products which had been the subject of negotiation in the Kennedy Round and which were listed in L/2808 could be proposed by contracting parties for consideration in the Group at a later stage. It was noted in this connexion that the choice of products for study and discussion naturally in no way implied that the commitments assumed by developed countries under Article XXXVII, with regard to tropical products, were relevant for these six items only. It was also suggested that the Group would be competent to study and discuss trade problems relating to any tropical products not only in their unprocessed form but also in processed form.
Further studies to be undertaken

9. The United States proposal stressed the need for further comprehensive studies of problems involved in the trade in tropical products, covering not only the effects of existing tariff and non-tariff trade barriers and special preferential arrangements, but also those of fiscal charges in the form of internal taxes and revenue duties on these products, with a view to pinpointing the difficulties inherent in resolving those problems. During the discussion a number of representatives expressed themselves in favour of such further studies and suggested that information on such matters as border tax adjustments should also be included.

10. Some representatives pointed at the complex nature of some of the subjects proposed for inclusion in the studies, especially that of the effects of internal taxes on consumption, and doubted whether such theoretical exercises could have any practical value. The representative of France pointed out that the major part of the internal taxes in France, as in many other countries, were of a general nature and fell uniformly on a wide range of products and that no useful purpose could conceivably be served by studying the consequences of removing a general consumption tax on one kind of beverage while maintaining it on others. Commenting on this point, representatives of developing countries observed that ever since the Haberler Report of 1958 a cardinal doctrine generally subscribed to by contracting parties had been that internal taxes on tropical products had the same effects as customs duties on imports and that their reduction or elimination would be beneficial to the exporting developing countries.

11. In a brief statement, the representative of the UNCTAD secretariat drew attention to the points in the comprehensive resolution on International Action on Commodities adopted at the second session of UNCTAD relevant to the work of the Special Group and outlined the various studies which the UNCTAD secretariat had put in hand.
12. After further discussion it was generally agreed that the studies already done by the secretariat in SGTP/5 should be further elaborated where appropriate. These, together with similar studies available from other international organizations, seemed to have provided an adequate basis for further work in the Group in respect of the six products mentioned above. Studies might be undertaken by the secretariat on any other tropical products on the proposal of delegations.

Programme of work

13. Some representatives were of the view that developed contracting parties should be urged to give immediate consideration to the removal of their import duties, fiscal charges and other trade barriers affecting imports of tropical products into their markets, as they were required to by the various provisions of paragraph 1 of Article XXXVII of the General Agreement. Other representatives, while not disassociating themselves from this view, considered that direct discussions between importing and exporting countries might contribute to a fuller understanding of the problems involved and facilitate the implementation of those provisions, and that to this end commodity group meetings might be organized under the aegis of the Special Group. Some members expressed doubt on the efficacy of this approach on account of the limited representation in GATT of producing countries of certain tropical products. Some representatives drew attention to the fact that study groups, commodity councils, etc. already existed for practically all the products under discussion, and considered that the duplication of mechanism might merely place an additional burden on delegations for no purpose.

14. The consensus in the Group after the exchange of views was that the Special Group should continue to assume the responsibility of examining the problems involved in the trade of tropical products and of exploring ways and means of resolving them. Before the next meeting of the Group, however, informal consultations might be held between producing and consuming countries in respect of each of the six products mentioned with a view to
clarifying factual points relating to tariff and non-tariff barriers to trade and fiscal charges affecting imports or consumption of the product in question. The secretariat might take steps to ensure the participation of non-GATT producing countries in such consultations and their representation by observers at the next meeting of the Special Group.

Other questions

15. At the meeting the representative of Denmark made a statement on the operation of the fund which Denmark had indicated at the closing stages of the Kennedy Round that it would create for the purpose of encouraging investments in developing countries from proceeds from duties on coffee imports. (This information had been requested by the representative of Brazil at the eleventh session of the Committee on Trade and Development in June.) He explained that the reason for changing the tariff offer made during the Kennedy Round to the fund arrangement was that the demand for coffee in Denmark was highly inelastic, so much so that even a 50 per cent tariff reduction would not have resulted in any appreciable increase in consumption and would therefore benefit only importers and consumers. The establishment of an industrialization fund into which part of the customs revenue on coffee would be paid over a number of years was aimed at encouraging investments by private Danish industrial firms in developing countries and thereby promoting industrial development in these countries. The fund had started operation only on 1 April 1968 and the time of its operation had been too short for effects to be discernible, and it was hoped that at the end of 1972 its resources would amount to at least $20 million. In the statement a detailed description was also given of the manner in which the fund was administered and the criteria used in allocating the resources. The representative of Brazil thanked the representative of Denmark for his statement and expressed the hope that in the operation of the fund account would be taken of the proportion of the commodity supplied by the different exporting countries.