PAST ACTIVITIES IN GATT AND ESTABLISHMENT OF A FUTURE WORK PROGRAMME

Note by the Secretariat

1. Section I below gives a brief outline of the activities of the CONTRACTING PARTIES in the past relating to trade in tropical products. (The work done in this field in other organizations, notably the UNCTAD and the FAO, will be dealt with in a separate note to be issued shortly.) Section II contains certain suggestions as to the questions to which the Special Group might wish to direct its attention at this stage.

I. Past GATT Activities Relating to Tropical Products

2. Tropical products have occupied a prominent place in the list of commodities considered by the CONTRACTING PARTIES ever since the inception of the Programme of Expansion of International Trade in 1958. In fact, tea, coffee, cocoa, vegetable oilseeds and oils and tropical timber were among the limited number of products selected for priority treatment when Committee III was set up under that Programme. Between 1959 and 1961 the Committee examined in detail the obstacles to trade in these tropical products along with other commodities and, in its successive reports, drew attention to the adverse effects on the exports of developing countries caused in particular by high customs tariffs and internal fiscal charges on these products in importing countries (see BISD, 8th Supplement, pages 132-141; 9th Supplement, pages 120-169; and 10th Supplement, pages 167-185). The principal findings and recommendations formulated by the Committee in late 1961 were presented in a "special report" and were considered by the CONTRACTING PARTIES at their nineteenth session (see BISD, 10th Supplement, pages 185-199).

3. These recommendations formed the basis for the Ministerial Conclusions of 30 November 1961 and the Declaration of 7 December 1961 on Promotion of Trade of Less-Developed Countries (Ibid, pages 25-34), which made special reference to the contribution that might be made to the foreign exchange earning capacity of developing countries by the removal or considerable reduction of revenue duties and fiscal charges in industrial countries (Ibid, page 30). At the ministerial meeting in November 1961 Nigeria proposed duty-free entry for tropical products. The Conclusions adopted at that meeting noted that most Ministers agreed that the Nigerian proposal should be given careful consideration (Ibid, page 28).
4. On the recommendation of Committee III the Council of Representatives established, in February 1962, a Special Group on Trade in Tropical Products to consider ways of overcoming difficulties confronting developing countries exporting cocoa, coffee, tea, vegetable oilseeds and oils and tropical timber in the light of the Ministerial Decision and Conclusions referred to above. When the Special Group met in June 1962 it agreed that bananas should be added to the list of products to be considered, and appointed a Sub-Group to assist it in the examination of certain specific problems (notably those relating to the effects of preferential and other sheltered access enjoyed by certain exporting countries, the effects on trade of certain special arrangements, and problems arising from the existence of protective duties and other trade barriers) and proposals relating to compensatory finance for development, etc. The Sub-Group, with a view to establishing a factual basis for its work, in turn requested the secretariat to undertake studies on cocoa, coffee, oilseeds and oils and bananas, as well as on certain developing countries (Ivory Coast, Nigeria, Senegal and the Somali Republic).

5. As may be seen from its report, the Sub-Group examined the problems referred to it with reference not only to considerations of prices and access but also to those of production, consumption, future prospects, obstacles to trade, the effects of the removal of preferences and the possibility of offsetting any adverse effects of such removal. The report of the Sub-Group, together with the secretariat study, has been reproduced in a GATT publication of 1963 entitled "Trade in Tropical Products". A separate study on the production of and trade in bananas, undertaken jointly by the GATT and FAO Secretariats, was circulated in March 1965.

6. In April 1963, the Special Group submitted its first report which contained both recommendations of a general nature relating to all the tropical products examined by it and recommendations on individual products (BISD, 12th Supplement, pages 152-161).

7. At a ministerial meeting held in May 1963 consideration was given to an eight-point programme of action which reflected the findings of Committee III and which included, inter alia, "duty-free entry for tropical products" and "progressive reduction of internal fiscal charges and revenue duties" (Ibid, page 37). One part of the Conclusions of the ministerial meeting dealt specifically with tropical products. In the "general conclusions" concerning this sector, the Ministers, other than those from certain countries, endorsed the general objective of free access for tropical products, urged governments to secure the removal of revenue duties and internal charges, reaffirmed the principle of stand-still in the use of trade barriers on tropical products, etc. Those Ministers who did not support these general conclusions emphasized their belief that the general and primary objective was to organize markets and to increase the export earnings of developing countries. The document also contained special conclusions on individual products. In these there was recorded a unanimous agreement that customs duties on tea and tropical timber should be eliminated and an undertaking by governments to apply in an
efficacious manner the International Coffee Agreement (ibid, pages 41-44). The implementation of the Ministerial Conclusions was reviewed from time to time first by the Action Committee set up in 1962 and subsequently by the Committee on Trade and Development. The question of implementation of the 1963 Ministerial Conclusions on tropical products was discussed at successive sessions of the Committee.

8. Early in 1964 the Group was transformed into a negotiating body within the framework of the Kennedy Round (see BISD, 12th Supplement, page 164) and was instructed "to pursue further the question of trade in tropical products with a view to working out arrangements and procedures for their treatment in the trade negotiations" (TN.64/SR.10).

9. Pursuant to this, the Group attempted to work out a special procedure for negotiations on tropical products on the basis of a joint proposal by four Nordic countries. Though full agreement on the procedure was not reached in the Group, the Trade Negotiations Committee considered, in July 1965, that the area of agreement reached was sufficient for the participating countries to proceed with negotiations on tropical products. Following that procedure the secretariat prepared an indicative list of products mainly produced in, and important in the export trade of, tropical countries. To this list certain products were subsequently added at the request of developing countries. Industrial countries were asked to consider the abolition or reduction of trade barriers on products on the list. In the course of the Kennedy Round, a series of formal and informal meetings were held among groups of countries with a view to exploring the ways of achieving the maximum possible results in this field.

10. After the conclusion of the negotiations in June 1967, the Committee on Trade and Development appointed an Ad Hoc Group to assess the Kennedy Round results for developing countries, which met in October 1967. The factual information on the results of the Kennedy Round, which formed the basis of the deliberations in the Ad Hoc Group, is contained in a secretariat study circulated in revised form in COM.TD/48/Rev.1. Chapter I of the paper deals with tropical products. One of the tasks of the Ad Hoc Group was to identify specific problems that might have prevented fuller action on particular products or product groups of export interest to developing countries and among the problems mentioned in the Ad Hoc Group's report, fiscal considerations, protection of like or competing domestic products, the provision of preferential margins on account of special trade and economic links and the lack of joint action would seem to be of particular relevance in regard to tropical products (see L/2912, Annex I).

11. On the basis of the Ad Hoc Group report, the Committee on Trade and Development, in its report to the CONTRACTING PARTIES, expressed the following views with regard to tropical products:
Although tariff concessions were granted in the Kennedy Round by many contracting parties in respect of many tropical products, the objective of tax and duty-free entry was not achieved for all tropical products in the Kennedy Round negotiations. The most common reasons for maintaining duties and taxes on tropical products were the need to maintain preferential margins for certain preferential suppliers, the protection of domestic agriculture against direct competition from, or substitution by, imported tropical products, and fiscal considerations (L/2912, paragraph 9).

12. Pursuant to the 1963 Ministerial Conclusions and the provision of Part IV and in response to requests by developing countries, some developed countries implemented their offers made in the Kennedy Round, mainly offers on tropical products, in advance of the conclusion of the negotiations. Certain developed countries have continued to extend their suspension of duties on a number of tropical products pending the full or partial consolidation of these duty suspensions. Many developed countries have either submitted lists of products, mainly tropical products, on which they intend to give effect to their Kennedy Round concessions without staging, or indicated their intention to submit such lists shortly (see L/2862 and Addenda).

13. It was against this general background that the CONTRACTING PARTIES, on the recommendation of the Committee on Trade and Development, agreed at their twenty-fourth session that the Special Group on Tropical Products be reactivated.

II. Questions for Consideration

14. The discussions in GATT and elsewhere would seem to indicate that the problems relating to tropical products can be grouped under five headings, namely, (i) customs tariffs; (ii) fiscal charges; (iii) preferences; (iv) competition from synthetic substitutes; and (v) instability in markets and declining prices. Some of these problems are being or will be taken up in the context of negotiations for commodity agreements, e.g. those on cocoa and coffee. Others have been the subject of discussion in subsidiary bodies of UNCTAD and are on the agenda of the New Delhi session. The Special Group will no doubt wish to take these activities in other organizations into account in deciding on its own programme of future work. At its meeting on 17 January the Group may wish to agree that governments be requested to communicate to it, in advance of its next meeting, their views as to which aspects of the problems should be taken up in the Group, as well as any proposals relating thereto which they may wish to submit for consideration by the Group.

15. The secretariat has begun work on bringing up to date and supplementing the study which it undertook in 1962 for the Sub-Group in existence at that time (see paragraph 5 above). An outline of the notes prepared by the secretariat on certain commodities for incorporation in the revised study will be available at the January meeting for the Group's information. Members of the Group may wish
to comment on these notes and on the kind of documentation that will be needed for the Group's work. In the light of this they may discuss with the secretariat what information the latter might be authorized to request from governments.

16. Finally, the Group might wish to discuss a time schedule for its future meetings. In considering when substantive discussion could be started the Group will no doubt wish to take into account not only the time required for the discussion of the above-mentioned questions and the preparation of the necessary documentation but also of convenience to delegations whose attention might be required elsewhere in the next few weeks. More importantly, the meetings would have to be so timed that conclusions reached at the second UNCTAD could be taken into account.

17. In the light of the above, it is suggested that the Group, at its meeting on 17 January, might address itself to certain points of procedure and take up the following questions:

(a) Arrangement for governments to submit their views and proposals on matters to be dealt with in the Group;

(b) Documentary requirements and information to be requested from governments;

(c) Time schedule for future meetings of the Group.