GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

24 March 1960

Committee III - Expansion of Trade

DRAFT THIRD REPORT OF COMMITTEE III ON EXPANSION OF TRADE

Addendum

OILSEEDS AND VEGETABLE OILS

The Committee examined the factors affecting the international market for oilseeds and vegetable oils and in particular the measures which had been identified in the second report of the Committee (COM.III/12/Rev.1) as restricting the export earning capacity of less-developed countries in respect of these commodities. It was realized that many of these countries because of favourable climatic and general economic conditions/would continue depended and to depend for part of their export earnings on the production of oleaginous crops in view of such factors as the need for rotation, diversification of agriculture, earnings from cash crops and yield per unit of land. The Committee recognized that the solution to the problem of expanding the export trade in these commodities was complicated by the surplus conditions characterizing the world market for other products, such as dairy fats and other animal fats which were competitive with and substitutes for vegetable oils.

Having in mind the above considerations the Committee noted that the export trade in oilseeds, and especially the trade in the processed product, was in many instances limited by a high degree of protection which operated both through tariffs and to a marked extent also through quantitative restrictions, State-trading practices, mixing regulations and other measures. It appeared that protection was afforded not only to agricultural producers of these commodities and to the vegetable oil producing industry in importing countries, but often was imposed also on behalf of producers of substitute commodities. The Committee agreed that the widespread differentiation in import treatment, according to the stage of processing, in favour of imports

of the raw material was on the whole a factor unfavourable to the development of oilseed processing industries in less-developed countries. The Committee noted in this connexion that, on the one hand, vegetable oil exports from less-developed countries were in most instances only a small proportion of oleaginous raw material exports from these same countries and that, on the other hand, some industrial countries which did not have a domestic raw material base for the production of certain vegetable oils were nevertheless important exporters of these oils. It was pointed out that the differential treatment in the import of raw materials and processed goods often led to unsatisfactory levels of utilization of installed capacity for countries such as Brazil which had had an oil crushing industry for some considerable time and which lacked neither the know-how nor the technical resources for efficient production. On the subject of world levels of production of oilseeds and vegetable oils reference was made to the operation in some countries of support measures for these commodities and to the effect of such policies on export markets. This subject had been discussed in Committee II, for example in connexion with the consultation on agricultural policies with the United States (Spec(60)22), and these discussions, it was stated, indicated that such price support measures might lead to export surpluses, thus unfavourably affecting the export markets of less-developed countries.

The hope was expressed that the proposed rates of the Common Tariff of the European Economic Community would not be high: if they were they would be an illustration of the differential treatment of raw materials and processed products which limited the export earning capacity of less-developed countries. The Committee noted the assurance of a representative of the EEC that in fixing tariffs on vegetable oils the Community had taken into account and was sympathetic to the need particularly of less-developed countries, to increase their export earnings.

In the discussion of mixing regulations in force in several countries, the representative of the Federal Republic of Germany stated that his Government had suspended for the months of June, July and August the mixing regulation; which required that in the production of margarine, 5 per cent of the fat content be derived from domestically produced rapeseed. He added that this regulation affected only a very small part of imports of vegetable oil products. The Committee hoped that the regulation could eventually be altogether abandoned.

COPPER

The Committee, in conducting its further examination of the points raised in the second report of the Committee in relation to this commodity, recognized that the establishment or expansion on a sound economic basis of the processing and export of locally produced copper would contribute to the diversification of the economies of less-developed producing countries and increase their ability to earn foreign exchange. It was brought out that efforts of these countries to establish an efficient and competitive copper refining industry could be frustrated by barriers to trade in industrialized countries which made access to their markets difficult and did not give the copper processing industries of less-developed countries an opportunity of entering into competition with refined copper from other sources. In this respect, the Committee noted that in some cases countries operated much higher duties on processed copper than on raw copper. Without carrying out a detailed study on the extent to which such high duties affected the expansion or establishment of refining industries in less-developed countries, the Committee was aware that in general such differential duties might result in impeding or at least retarding the development of copper processing industries in the copper producing countries and proposed that copper importing countries should give full attention to that problem. Attention was also drawn to the fact that copper production in some countries was subsidized, and this fact might present an obstacle to less-developed countries in increasing their export earnings.

In the view of most members of the Committee, commercial policy measures - apart from the above-mentioned specific points - were not unduly hampering the trade in copper. Many difficulties for copper producing countries arose from facts which were not directly connected with commercial policy, such as general economic conditions, price fluctuations, changing patterns of consumption and increased use of substitutes for copper.

The representative of one major copper exporting country, however, could not share the point of view of the majority of the Committee. In particular, he disagreed with the findings of most members of the Committee that the tariffs on copper and copper products were moderate. In his view, the import duties of certain countries were high enough to represent serious

obstacles to trade on the one hand and to protect marginal producers on the other hand. Furthermore, the operation of preferential tariff systems by certain countries had an adverse effect on the copper exports of his country. The customs duties on copper represented a barrier to trade in such products all the more since they encouraged the consumption of substitutes for copper and thus resulted in a loss of markets for copper products.

With regard to the adverse effects on the trade of less-developed countries which could result from the release of copper from stockpiles in industrialized countries, the Committee noted that this problem was not at present acute. It nevertheless recognized that the desirability of consultations before such release, as recommended in the Resolution of 4 March 1955 by the CONTRACTING PARTIES (BISD, Third Supplement, page 51) was still valid and should be stressed. These consultations should, wherever practicable, take place before the announcement of the release was made.