

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Multilateral Trade Negotiations

GROUP 3(f) - REPORT TO THE TRADE NEGOTIATIONS COMMITTEE

DRAFT

Revision

Introduction

1. Group 3(f) was established by the Trade Negotiations Committee on 7 February 1974 to deal with item 16 of the Programme of Work (MTN/2) which provided for:

"Continuation, in the light of the work undertaken by the Committee on Trade and Development and other international bodies, of the studies of all the pertinent data on trade in tropical products, due account being taken of the factors which influence this trade such as supply, demand, prices and the level of the export receipts of developing countries."

The Trade Negotiations Committee also agreed, inter alia, that each Group would, in the course of its work, be guided by the Ministerial Declaration as it relates to developing countries.

2. Group 3(f) held three meetings in February, April and July 1974. At its initial meeting, the Group agreed on the detailed work programme it intended to pursue in relation to tropical products. This is recorded in document MTN/3F/2 annexed hereto.

3. In accordance with this work programme, the Group at its April meeting undertook a preliminary examination of background material provided by the secretariat covering cocoa, coffee, tea, bananas and pepper in their raw, semi-processed and processed forms and certain vegetable oilseeds, oils and oilcake with a view to identifying

the problems facing these commodities. Details of certain procedural aspects agreed to by the Committee at its second meeting are contained in document MTN/3F/3 (see Annex 2). Secretariat note (MTN/3F/3/Add.1), summarizing the general observations and specific points made by members on the various items which were examined on a commodity-by-commodity basis, is attached as Annex 3. At its third meeting in July, the Group examined a number of additional products listed in COM.TD/W/205. The specific points and general observations made by delegations in respect of these items are summarized in a note by the secretariat attached as Annex 4. A check-list of documents prepared for consideration by the Group is shown as Annex 5.

Procedure

4. Among the procedural aspects taken up in the course of the discussion was that related to the treatment of certain items either produced in both tropical and temperate zones or produced in the tropics but substitutable for products produced in the temperate zone.

5. It was noted, inter alia, that trade in tropical vegetable oilseeds, oils and oilcake was influenced by, and in turn influenced, the trade in temperate vegetable oilseeds, oils and oilcake. In view of this inter-relationship, the Group, while reiterating its competence in respect of tropical products, agreed that the material provided by the secretariat in MTN/3F/W/3 and Addendum 6, together with a summary of the comments and observations made by members, should be transmitted to Group 3(e) for consideration when the question of vegetable oilseeds, oils and oilcake was being examined in that body on a global basis. The Group requested Group 3(e) to give priority to this matter having regard to

the interests of developing countries in the sector and the special and priority treatment being accorded tropical products in the Multilateral Trade Negotiations. The Group agreed that thereafter it would pursue the discussion on particular aspects of tropical oilseeds, oils and oilcakes in the light of the documentation and views of Group 3(e).

6. Certain members referred to the competence of other groups in respect of some products listed in the documentation. It was stated by a number of delegations that because rice, sugar and sugar products (ex 17.02 and 17.03) and tobacco were also significantly produced in the temperate zone, these items could more appropriately be taken up in Group 3(e), which would be studying them in detail. There was general agreement, however, to request other groups to send to Group 3(f) for its consideration in due course the results of the discussions and the information collected on these products so that the Group could pursue the discussion on the products falling within its competence.

7. At its July meeting the Group noted that the discussions on these matters in Group 3(e) would be reflected in the report of that Group to the Trade Negotiations Committee.

Identification of problems and their significance to an approach to the negotiations

8. The representative of a group of countries stated that the problems facing tropical products, the trade in which was characterized by instability of prices and quantities, were due to complex reasons. For this reason, the reduction or elimination of trade barriers would not be the only important factor to be considered in resolving these problems, but other factors such as the stabilization of prices and export earnings would be equally relevant. It was therefore important that these issues should be tackled as a whole. He also considered that, for certain items, commodity arrangements would be helpful in finding solutions.

9. Some members from developed countries said that, as in other areas of the negotiations, it would be possible to decide on the special approaches to meet the particular objectives for developing countries in regard to tropical products only when it became clear to the general procedures to be adopted. In the meantime, it would be useful if developing countries were to specify products for negotiation and priorities they wished to pursue.

10. One member¹, supported by a number of other delegations from developed countries, reiterated the view that both importers and exporters would benefit from an expansion in international trade and that the best way for developing countries to obtain permanent benefits from the negotiations was through liberalization of trade on an m.f.n. basis. Recognizing that the Tokyo Declaration called for additional benefits and more favourable treatment for the trade of developing countries, he pointed out that ways would need to be found to ensure that full advantage could be taken by developing countries of the benefits achieved by way of bound m.f.n. concession. He also stated that contributions by all participants were the essence of negotiations. However, the developed countries would not expect the developing countries to make contributions which were inconsistent with their individual development, financial and trade needs and in this context, due account would need to be taken of the situation of the least developed among the developing countries. Only in extreme circumstances should products of interest to the least developed among the developing countries be exempted from the negotiations.

¹The full text of the US statement has been circulated as document ...

His government was prepared to explore any reasonable ideas put forward by delegations to achieve the objectives for developing countries as contained in the Tokyo Declaration. In addition, it was willing to explore the effects on the export trade of developing countries of tariff escalation according to stages of processing and take this fully into account. His delegation felt that although information was still required on some products and although certain institutional and legal questions remained outstanding, a sufficient amount of material had been collected and a sufficient consensus now existed to permit substantive negotiations to begin in the autumn, especially on some major non-competitive tropical products such as those listed in COM.TD/W/189.¹

11. Some members stated that the information provided in the documentation had led them to identify the following problem areas which needed to be taken up in the negotiations on tropical products² - the continued maintenance of tariffs on certain unprocessed products; tariff escalation on semi-processed and processed products; special preferences; quantitative restrictions, internal taxes and other non-tariff measures; and price instability.

12. It was the view of some members that differential or more favourable treatment to developing countries in the field of tropical products could best be provided by including semi-processed and processed items in the GSP. One member also suggested that one way of providing more favourable treatment to developing countries in respect of some items, e.g. certain tropical fruit and fruit products, would be to seek the creation of separate sub-positions, where

¹The information in COM.TD/W/189 was updated and extended in MTN/3F/W/3 and Addenda.

²Details of the discussions and suggestions made with respect to individual commodities are contained in MTN/3F/3/Add.1 (Annex 3) and Annex 4.

appropriate, in the tariff schedules of developed countries in order to provide duty-free access for these items. One other member, however, considered this would be only necessary where tropical products not already separately identified in tariff schedules were not given duty-free treatment under miscellaneous positions in the various tariff headings.¹ Some other members emphasized that it would be necessary to find ways of ensuring that the benefits of trade liberalization in the field of tropical products accrued to developing country producers and not to importers in developed countries.

13. Some members expressed the view that the Group should not at this stage go beyond the task allotted to it under the Programme of Work. They indicated, however, that their governments intended to honour the commitments in respect of developing countries provided for in the Tokyo Declaration as the work proceeds. In addition, it would appear that governments had not so far been in a position to identify all the issues affecting trade in some tropical products and also insufficient attention had been given to the question of price instability in the preliminary discussions. With regard to the question of special procedures for developing countries, this matter should be dealt with in the Trade Negotiations Committee.

14. Members from developing countries, while broadly welcoming the statements made by members from developed countries, emphasized that differential treatment, both with respect to trade liberalization and procedures for negotiations, remained central to their approach to the negotiations. However, it had not been possible to give detailed consideration to this question in the Group. They also

¹See also Annex 4, paragraph 9.

reiterated their adherence to the broad principle of non-reciprocity. Some of these members said that a major contribution of developing countries to the negotiations would be represented by the general increase in trade which would result from the liberalization of access for products of interest to them. Some members noted that for a number of tropical products, there had been sufficient detailed examination in the Group to permit substantive negotiations to take place. At the same time, since information with respect to all items had not been collected, it appeared premature to them at this stage to attempt to present a compendium of products or lists of specific requests with priorities to be taken up in the negotiations as had been suggested.

Final observations

15. Some members commented on the work which had taken place so far in the Group. It was generally agreed that the examination had been of a preliminary nature and that the comments and suggestions made concerning certain items may need further development. However, in respect of a significant segment of the tropical products sector so far examined (MTN/3F/W/3 and Addenda), the Group felt that although some further, if limited, information may still be required on these items it had been able to undertake a detailed analysis and generally been able to identify the basic problems. For a number of other products studied, the requirements of additional information were larger.

16. Some members referred to the lists of products contained in MTN/3F/1, MTN/3F/W/2 and MTN/3F/W/4 for which no data had been collected and no analysis taken place. In this respect, one member stated that in his view detailed analysis of each individual tropical product was not an essential pre-requisite to negotiation once the broad problems facing the sector had been identified. It was also noted that certain other suggestions for further examination were contained in MTN/3F/3 and Add.1 and time had not permitted these matters to be taken up.

17. Taking note of the suggestion which had already been made in the Group in respect of tropical oilseeds, oils and oilcake, one member suggested that to enable this sector to be examined on a global basis, it should be recommended to the Trade Negotiations Committee that it request the secretariat to compile documentation covering the whole fats and oils sector. One other member agreed with this proposal on the understanding that castor-oil, because of its characteristics and end-uses, be treated separately and that Group 3(f) would have an opportunity to come back to the tropical aspects of this sector as indicated in paragraph 5 above.

- ANNEX 1 - Points Relating to Programme Work - MTN/3F/2
- ANNEX 2 - Meeting of April 1974 - MTN/3F/3
- ANNEX 3 - Points made by Members at the
Meeting of April 1974 - MTN/3F/3/Add.1

ANNEX 4

GROUP 3(f) - SPECIFIC POINTS AND GENERAL OBSERVATIONS
MADE BY MEMBERS AT THE MEETING OF JULY 1974

Note by the Secretariat

1. Among the matters taken up at the July meeting of the Group were
(i) additional points members wished to submit in respect of the products examined at the April meeting; (ii) additional products listed in COM.TD/W/205; and (iii) marketing and distribution systems relating to tropical products. The following paragraphs reflect the main points and observations made on these subjects.

Additional points on products examined in April 1974

2. Some members representing certain tea producing and exporting countries noted that the information provided in MTN/3F/W/3/Add.8 indicated that black tea production in Japan had declined and consumption was increasing. While welcoming the tariff reductions which had taken place in that country, they considered that, in the light of the present situation, further reductions were possible. With respect to packaged and processed teas, however, it was important that developing country exporters be given more favourable tariff treatment in the markets of developed countries through the inclusion of these items in the GSP where appropriate, to make it possible for them to compete with developed country exporters.

3. One member pointed out that the information prepared by the secretariat on pepper (MTN/3F/W/3/Add.10) indicated that while the bulk of the pepper exported by his country into the EEC was of the black pepper variety and mostly garbled,

that exported by an associated African country was largely of the green variety and mostly ungarbled. He stated that if the EEC were to remove the 10 per cent duty on black pepper imported for purposes other than the manufacture of essential oils and resinoids, while maintaining the duty on green pepper, the interests of his country as well as that of the associated country mainly concerned would be satisfied. Furthermore, since developing country exports of chillies were mostly to other developing countries, there should be no great difficulty in developed countries removing any remaining duties on this item. The representative of a pepper exporting country associated with the EEC mentioned that green pepper represented a decreasing percentage of the total export of pepper from his country and that black pepper exports mostly of the ungarbled variety had been increasing in recent years.

4. While welcoming the information provided by the secretariat on exports and re-exports of certain semi-processed and processed tropical products from developed countries, one member requested the secretariat to furnish, if available, similar information on the export from developing countries of certain items namely roasted coffee, sweetened cocoa powder and extracts, essences and concentrates of coffee. One other member suggested that sweetened cocoa powder should be included in the GSP of the EEC thus eliminating the more advantageous treatment accorded to certain developed countries for this item. It was also pointed out that some GSP systems still maintained a degree of tariff escalation on cocoa and cocoa products.

5. With regard to the discussion which had taken place on cocoa and cocoa products at the April meeting of the Group, one member stated that the views of his delegation would have been more comprehensively expressed by deleting

the last two sentences of paragraph 13 of the secretariat note on the meeting (MTN/3F/3/Add.1) and replacing them with the following sentence: "In this connexion, attention was drawn to the situation where tariff reductions had been made on sweetened cocoa powder and chocolate between a group of developed countries on the one hand, and certain other developed countries who are not producers of cocoa beans, on the other, even though the major ingredients of sweetened cocoa powder notably cocoa and cane sugar, are imported from certain tropical producing countries".

Additional products listed in COM.TD/W/205

6. In the course of this meeting, Group 3(f) also reviewed and analyzed trade flows and commercial policy measures, affecting a number of additional products¹ of interest to developing countries on the basis of the background material provided by the secretariat. The Group complimented the secretariat on the excellent quality of the documentation and noted that although international trade in these products was relatively small, a number of these products were of considerable significance for a number of developing countries or groups of developing countries.

7. Referring to the background note on tropical fruit and fruit products, some members pointed out that the note clearly brought out the growing importance of these items in the exports on developing countries and the need for taking action

¹Spices, manioc, flour and meal of manioc, salep and sago, manioc starch, tapioca and sago, coconuts, brazil nuts, cashew nuts and kernels and cashew shell liquid, tung, babassu, tobacco and oiticica (nuts, seeds and oil), psyllium seed, pyrethrum, gum arabic, rattan, kapok and crin and carnauba wax, tropical fruit and tropical fruit products.

to improve access in the context of the multilateral trade negotiations. One of these members stated that his country was endeavouring to increase trade in fresh mangoes. If transportation by sea of this fruit became more economically feasible as a result of the trials and experiments being carried out at present, it may be possible to ensure regular supplies to markets in substantial quantities. There appeared to be considerable potential for development of consumption of this and other exotic fruit in the developed country markets as with rising incomes, consumer expenditure on fruit was expected to increase. As mangoes and mango products did not compete with temperate zone fruit and fruit products, it should be possible to eliminate duties and non-tariff measures affecting trade. In particular, he stressed the importance of eliminating duties through further improvements in the GSP for such mango products as mangoes preserved in brine, mango pickles and chutney, mango jams and mango juices. In this context, he referred to the difficulties which arose in a group of developed country markets as a result of the regulations requiring that a variable levy should be paid on the basis of the sugar content, particularly as the quantum of sugar in mango products such as jams and juices varied considerably from consignment to consignment.

8. Referring to the prohibition on imports of mangoes by one developed country, he stated that fresh mangoes from his country were permitted entry by other countries without any restrictions on health and sanitary grounds. There would therefore appear to be a need for consultation between the two countries concerned with a view to finding a way of overcoming problems of this nature.

9. The Group also discussed on a preliminary basis, the question of possible separate tariff classification for tropical fruit and fruit products. One member pointed out that tariff classification was one technique which could be used for providing improved market access and should be used only if it was not possible to reduce or eliminate duties applying to the whole tariff item or relevant tariff line. Since the tariff schedules of most developed countries had separate tariff sub-positions for temperate zone fruit and vegetables which were domestically produced, it may be possible to grant duty-free entry to tropical fruit, vegetables, and their products not already separately identified, by eliminating duties on the tariff sub-positions covering miscellaneous items where these products could be included. Some members considered that it may be desirable to study the technical problems involved in separate classification in detail before arriving at any conclusions, although the focus of any such work should be on the achievement of duty-free access for these products.

10. In the discussion on the background note on spices, (other than pepper) some members emphasized that these provided an important source of earnings for a large number of people in tropical producing countries. Many of these spices were grown in areas where population pressure was heavy and where alternative sources of income did not exist. Some of these spices were being increasingly used by consumers in developed countries and there appeared to be scope for further development of trade. One of these members emphasized the need for the elimination of duties on processed and ground cinnamon, as this might facilitate establishment of processing industries and enable producing developing countries

to secure added value from their exports as well as provide employment opportunities. Some other members referred to the importance to their countries of production and exports of certain spices such as vanilla, nutmeg, cardamoms, mace, curry powder and ginger and suggested that countries still maintaining duties on these spices, in raw and processed forms, should eliminate them. As it appeared that in a number of cases, developed countries accounted for a significant proportion of total exports of some of these spices, in packaged and processed forms, it was suggested that it may be desirable to remove the remaining duties on a preferential basis for imports from developing countries, through their inclusion in the GSP.

11. With regard to the other products covered in the secretariat background notes, one member explained that there was a considerable trade among developing countries in cashew nuts. His country imported cashew nuts from other developing countries which, together with cashew nuts domestically produced, were exported after shelling and further processing, to outside countries. He noted that a group of developed countries had recently eliminated duties on cashew nuts and urged other developed countries which still maintained duties on this item to do likewise. For packed, prepared or preserved cashew nuts he suggested that duties should be removed on a preferential basis through improvements in the GSP. In regard to cashew shell liquid, he also proposed that those developed countries which continued to maintain duties on this item should remove them, as consumption of the product in developed countries was likely to increase as a result of possible diversification in its end uses. He also expressed the interest of his delegation in securing the removal of duties applying to tobacco seed oil and psyllium seeds.

12. Commenting on the secretariat note (MTN/3F/W/9) showing the share of certain tropical products included in total exports of individual developing countries, one member pointed out that the table clearly indicated that a number of developing countries depended for a significant proportion of their exports on these products. However, in the opinion of this member, the table did not fully reflect the importance of the tropical products sector as products such as jute, leather and leather products had not been covered in the documentation.

Marketing and distribution systems

13. In response to a proposal made by the Group at its February meeting, the secretariat provided information on marketing and distribution systems relating to cocoa, tea, spices, bananas and certain coconut products (MTN/3F/W/8). The Group examined this material on a preliminary basis. In considering the relevance of marketing and distribution to the MTN, a member noted that the Tokyo Declaration stated that the negotiations should aim to achieve the expansion of world trade through, inter alia, the improvement of the international framework for the conduct of world trade (paragraph 2) and also that the negotiations should cover measures other than tariffs and non-tariff barriers which which impede or distort international trade in tropical products (paragraph 4). Some members stated that the material compiled was helpful in explaining certain factors other than trade barriers which affect the flow of trade.

14. Some members of the Group felt that in general many problems in the area of marketing and distribution could only be tackled on a long-term basis. However, subject to further examination of the material, they may wish to make

suggestions at a later date on matters in this field relevant to the MTN. It was suggested that in the course of the negotiations, attention might be drawn to the need for measures for reinforcing the results of the negotiations including the rôle that could be played by co-operation among producing countries for the purpose of improving quality, sustaining the price level, or for joint promotional efforts. There may be areas in these fields where additional support for the attainment of these objectives could be provided by developed countries.

15. A member stated that with regard to bananas, ways and means would need to be worked out which would ensure that the benefits of tariff reductions by consuming countries accrued to producing countries whose receipts from banana exports accounted for only a very small proportion of the retail sales value of bananas in consuming countries.

16. Some members felt that certain aspects of marketing and distribution systems such as the manufacture and marketing of processed tea and cocoa were more relevant to the multilateral negotiations than other aspects. A member stated that her country was making a significant effort to develop new forms of tea in order to increase demand and export income and hoped that the marketing of new products would not be hindered by trade barriers in the same way that the export of processed coffee from developing countries had been hindered.

17. Some members expressed interest in securing additional information with regard to cocoa and also tropical products not covered by MTN/3F/W/8.

Annex 5

Group 3(f) Checklist of Documents

The checklist is intended to indicate the documents prepared in the context of the work which has taken place in the Group since February 1974. It may be noted that time did not permit the detailed examination of all the products covered in the documentation including, for example, certain tropical fruit and fruit products and certain spices.

MTN/3F/1 Tropical Products - Consideration of Technical Work to be Undertaken in the Negotiations

" " /2 Group 3(f) - Points Relating to Programme of Work

" " /3 Group 3(f) - Meeting of April 1974

" " /3/Add.1 Group 3(f) - Points made by members at the meeting of
April 1974

MTN/3F/W/1¹ Points Relating to Programme of Work

" " "/2 Programme of Work

" " "/3 Background Information on Certain Tropical Products

" " "/3/Add.1 - Cocoa and Cocoa Products

" " " "/Add.2 - Coffee and Coffee Products

" " " "/Add.3 - Tea (BTN 09.02 and 21.02B)

" " " "/Add.4 - Pepper, Ground and Unground

" " " "/Add.5 - Bananas

¹This document was finally issued as MTN/3F/2 following approval of the work programme by Group 3(f).

- MTN/3F/W/3/Add.6 - Certain Vegetable Oilseeds, Oils and Oilcake
- " " " "/Add.7 - Addendum - Additional Data on Prices
- " " " "/Add.8 Additional Information on Tea
- " " " "/Add.9 Details of exports and re-exports of certain semi-processed and processed tropical products from developed countries
- " " " "/Add.10 Additional information on exports of pepper from developing countries (variety, quantity and value)
- " " " "/Add.11 Index of prices for cottonseed oilcake
- MTN/3F/W/4 Inclusion of Items in Programme of Work
- " " "/5 Background Information on Certain Tropical Products
- Spices
- " " "/6
- Manioc, flour and meal of manioc, salep and sago, manioc starch, tapioca and sago
- " " "/7
- Coconut, brazil nuts, cashew nuts and kernels and cashew liquid
- " " "/9
- Share of Selected Products in Exports of Developing Countries or Territories in 1970
- " " "/10
- Tung, babassu, tobacco and oiticica (nuts, seeds and oil)
- " " "/11
- Psyllium seed, pyrethrum, gum arabic, rattan, kapok and crin, carnauba wax
- " " "/12
- Tropical fruit and fruit products
- " " "/13 Provisional Agenda and Checklist of Documents
- " " "/8 Marketing and distribution systems