

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

### GROUP 3(f) - TROPICAL PRODUCTS

#### Draft Report to the Trade Negotiations Committee

1. In conformity with the decision of the Trade Negotiations Committee at its July meeting, Group 3(f) met on 14 and 15 October 1974 to deal with points mentioned in paragraphs 5 to 8 and 18 and 19 of the Report of the Group (MTN/6) to the TNC and to complete the examination of the problems affecting tropical products and their implications for approaches to the negotiations. A provisional agenda including a checklist of documents for the meeting was circulated as MTN/3F/W/22.

#### Specific points on additional products

2. In the report of the Group to the Trade Negotiations Committee, it was suggested that data might be collected in respect of additional items included in the lists of products notified to the Group as being of interest to developing countries.

Accordingly, notes on the following products were made available to the Group giving relevant information, to the extent available, on trade flows and commercial policy measures: Tropical cut flowers including orchids (MTN/3F/W/14), essential oils and resinoids (MTN/3F/W/15) and shellac, sticklac and other lacs (MTN/3F/W/16).

3. Representatives of a number of developing countries exporters of cut flowers, including tropical varieties, noted that in most developed countries this group of products was not covered by the GSP and suggested that tariff barriers to trade in these items should be eliminated by their inclusion in GSP schemes. It was also

suggested that there may be instances where the use of separate tariff classification for certain of these items exported by developing countries might facilitate the attainment of this objective. Some of these representatives proposed that during out of season production periods in developed countries, imports of cut flowers from developing countries might be exempt from duty. Some other representatives, in noting from the documentation that a number of non-tariff measures including quotas and seasonal restrictions continued to be applied to these items, proposed that they be eliminated in the trade negotiations at least on developing country exports.

4. With regard to essential oils and resinoids, representatives of developing countries exporting these items referred to the continued maintenance of duties on some of these products and suggested that they should be included, duty free, in the GSP schemes of developed countries. Where import ceilings are maintained under existing GSP arrangements, these should be eliminated. The representative of a developing country called for efforts, including efforts in the commercial policy field, which would enable natural essential oils to maintain their share of the trade in the face of synthetic competition. Representatives of some developed countries which maintain tariffs on some of the products mentioned said that in certain cases such tariffs were designed to protect domestic production. The representative of one of these countries stated that imports to cover the deficit in domestic production of peppermint oil to meet domestic needs were allowed duty-free entry. The representative of a group of developed countries indicated that experience has shown that the ceiling levels for these products which had been established under the GSP scheme of the countries concerned had remained above the actual level of imports.

5. Representatives of developing countries exporters of lac and lac products called for the elimination of tariffs and any remaining non-tariff barriers on this group of products. In particular, they referred to the tariff escalation on certain lac products in one developed country market and suggested that this be removed in the negotiations. In connexion with a proposal that the secretariat might undertake a study of problems arising from competition from synthetics and substitutes, it was noted that considerable work had been done on this subject in another forum.

#### Tariff classification

6. The Group discussed the possibility of using separate tariff classification or miscellaneous sub-positions as a technique for dealing with certain problems affecting the tariff treatment of tropical products in the multilateral trade negotiations on the basis of a background note circulated as document MTN/3F/W/20. The discussion which took place on a preliminary and non-committal basis, focussed in particular on the technical feasibility of this approach.

7. Representatives from developing countries stated that the material provided by the secretariat suggested that the use of this technique either within or outside the framework of the multilateral trade negotiations would be technically feasible for certain tropical products. These representatives considered that this technique might be used to provide improved access for tropical products in both the tariff and non-tariff barriers field. They felt that the use of separate tariff classification would be particularly useful in separating certain tropical products exported by developing countries from temperate zone products exported by developed countries so that more favourable treatment could be granted to the former items.

8. One representative suggested by way of an elaboration of the possible approaches mentioned in paragraph 6 of the document that tropical products at present subject to duties be included under miscellaneous or "other" headings carrying nil rates of duties. Furthermore, miscellaneous or "other" headings might be defined in such a way as to reduce to zero the rate of duty on the entire heading; or tropical products might be deleted from such headings where duties apply and rates of duty on them reduced to zero; or temperate products be deleted from such headings and positive rates of duty retained, where applicable, only on them.

9. Representatives of some developed countries stated that while it would be premature at the present stage of the negotiations to agree to the points contained in paragraph 6 of MTN/3F/W/20, there may be scope for examining on a case-by-case basis in the course of the negotiations how far one or the other of these approaches could be used to meet particular situations. These representatives suggested that the application of such techniques would depend upon a number of factors including the nature of the commodities under consideration and the tariff structure of the country concerned. One of the problems relating to the creation of new tariff positions or sub-positions would be the need for keeping national tariff nomenclatures as simple as possible so as to avoid increasing administrative complications and costs. In addition, the technical possibility of separately identifying products for the purposes of the tariff nomenclature as well as the value of trade in the products concerned would also be relevant to the question of creating new tariff sub-positions. However, the matter would be examined in a positive and constructive spirit and the suggestions and proposals made would be given full attention. One representative noted that the problems that this was intended to deal with have been considerably reduced as a result of the introduction of the GSP.

10. Some representatives stated that the possibilities provided by the separate tariff classification approach should be kept in mind so that it could be used as a supplementary technique in the negotiations.

11. The Group requested the secretariat to continue, as the negotiations proceeded, technical work that might facilitate the consideration of use of this technique. In this connexion, one representative suggested that a list of four digit BTN headings and corresponding SITC headings, covering relevant tropical and temperate zone products be prepared, and that information on particular sub-classifications used in the tariff schedules of importing developed countries be supplied. Another representative suggested that in any further work on separate tariff classification, it would be useful if the following information could be collected with regard to items identified as tropical:

- (i) exporting countries which have notified interest in the item concerned
- (ii) the tariff positions in developing and developed country markets on products in respect of which these exporting countries have indicated a trade interest, and
- (iii) any statistical and other supporting material, including export data for each item, indicating both exporters and importers.

Effective protection and internal taxes

12. The Group exchanged views on the further work that might be done on the question of effective protection relating to tropical products and also discussed the problem of internal taxes facing these products on the basis of a secretariat note MTN/3F/W/17 which reproduced an earlier note prepared for the Committee on Trade and Development.

13. Some representatives suggested that a further study of effective protection would be useful in order to identify areas where the question of tariff escalation on vertically related products should be tackled on a priority basis or to update the data contained in the document referred to above. These representatives stated that although certain technical and conceptual difficulties were indicated in an Annex to document MTN/3F/W/17 in measuring the level of effective protection, the secretariat might initially attempt to calculate rates of effective protection with regard to one or two items, such as cocoa products, using more recent data.

14. Some other representatives stated that input/output data required for the calculation of the rates of effective protection differed from country to country depending on access conditions, production capacity etc. and were meaningful only in relation to groups of products. Because of the lack of such details it would be difficult to calculate accurately the rates of effective protection at the level of tariff lines. They also suggested that the rates of effective protection, if obtainable, would call for various qualifications and reservations and therefore could hardly form a basis for negotiations. These representatives suggested that it should be possible to deal with the problem of tariff escalation affecting tropical products without getting involved in detailed work on effective protection.

15. With regard to internal charges, one representative stated that studies by certain other organizations indicated that selective taxes applied by certain countries on coffee, cocoa, tea and bananas were having inhibiting effects on the consumption of these products. He hoped that such charges would be removed, perhaps initially on a temporary basis in order to assess the trade effects of such action. Another representative stated that if the importing countries

concerned found it not possible to remove such charges, they might consider instead refunding the proceeds or part thereof to the exporting countries concerned, as suggested in an UNCTAD document.

Review of items discussed in earlier meetings of the Group and developments regarding pricing policy

16. One representative of a developing country in commenting on the decline in his country's export earnings from cardamoms in recent years, requested secretariat assistance in identifying the problems his country was facing in trade in that commodity. A representative of a developed importing country provided details regarding health standards applying to imports of mangoes and mango products into his country and stated that his country was willing to examine further with interested exporting countries the possibility of finding solutions to these problems.

17. The Group noted that the Tokyo Declaration had visualized that for developing countries the negotiations should, inter alia, include measures designed to attain stable, equitable and remunerative prices for primary products. Some representatives stated that international trade in a number of tropical products was subject to wide fluctuations in prices and suggested that in the multilateral trade negotiations attention should be given both to the question of the improvement of market access and to the stabilization of prices. In this connexion, some representatives referred to the work being undertaken in other organizations on the stabilization of prices and stated that it might be necessary to consider how this work could fit into the context of the trade negotiations having regard to the Tokyo Declaration. Some of these representatives referred to proposals which were under discussion between the EEC and the ACP countries for the stabilization



of export earnings of individual developing countries from exports of certain commodities and suggested that the secretariat should, at an appropriate time, prepare documentation explaining the main features of the scheme and examining the possibilities of adopting any such mechanism on a global basis.

Products examined in Group 3(e)

18. The Group noted that in accordance with paragraphs 5 to 8 of its last report to the Trade Negotiations Committee (MTN/6) it was to examine aspects of the problems affecting international trade that were related to its area of work in oilseeds, oils and oilcake; rice; sugar, sugar syrups and molasses and tobacco, after these products had been considered on a global basis in Group 3(e). Representatives of developing countries expressed the hope that the points made by them in Group 3(e) would be duly taken into account. Some of these representatives referred to the need for distinguishing between tropical and other oilseeds and oils and stated that in their view it would be possible to consider the removal of barriers to trade affecting trade in tropical oilseeds and oils only, without waiting for action on other seeds and oils. One of these representatives recalled an earlier proposal that priority attention should be given in the negotiations to the removal of barriers affecting trade in castor oil. This representative referred to a notification of his country's interest in certain derivatives of castor oil which had been listed on page 11 of document MTN/3F/W/19 and hoped that as part of the secretariat's continuing work for the negotiations, a study of the commercial policy problems facing these items would be undertaken. Another representative emphasized the desirability of removing the remaining barriers affecting trade in palm oil, particularly as this product could not, for technical reasons, be exported in any less processed form. As regards tobacco,



one representative from a developing country referred to the statement made by his delegation at the recent meeting of Group 3(e) which was circulated as document MTN/3E/W/27. He suggested that the points made therein should be fully taken into account by Group 3(f).

Concluding remarks

19. Members of the Group commented on the progress made in the examination of the problems affecting trade in tropical products in accordance with Task 16 of the Programme of Work. Some representatives noted that the Group, in the course of its work, had collected and analyzed a great deal of data relating to trade, tariffs and non-tariff measures in respect of many of the products included in the consolidated list of tropical products (MTN/3F/W/19) and had thus provided a useful basis for negotiations. In the course of this work, certain basic problems facing tropical products had been identified. While there were certain products or particular aspects on which some further work might be required this could be undertaken by the secretariat as a part of its continuing work for the trade negotiations. Some representatives mentioned the need for a further examination of the problems which marketing and distribution systems posed for the trade of developing countries. Some other representatives suggested that as part of its continuing work, the secretariat might study the question of special preferences for tropical products in so far as this subject is relevant to the multilateral trade negotiations. One of these members suggested that it might be possible to eliminate these preferences by granting adequate compensation to any developing

country that may be affected by such liberalization, provided that the compensation in question did not affect the interests of third developing countries.

20. It was expected that the Trade Negotiations Committee would provide further guidance in respect of areas in which secretariat assistance could be helpful.

In this connexion, the Group recognized that secretariat work on tropical products would need to continue both in the near future and throughout the substantive negotiations, although such work may not necessarily take place within the framework in which it has so far been carried out.