

GENERAL AGREEMENT ON TARIFFS AND TRADE

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PROGRAMME OF CONSULTATIONS ON TRADE LIBERALIZATION

GENERAL STOCKTAKING

INFORMATION NOTE ON TROPICAL PRODUCTS

Prepared by the Secretariat

1. In accordance with the agreement reached at the forty-fifth session of the Committee on Trade and Development (L/5253, paragraphs 38-44), a programme of plurilateral consultations on trade liberalization in the area of tropical products was held during the period 1-18 March¹. Bilateral consultations between interested trading partners also took place. The purpose of the consultations was to undertake "a more systematic identification and analysis of trade problems and examination of the possibilities for, and ways of, making further progress". The present note attempts to summarize the main points made during the consultations and to indicate some conclusions or findings that would appear to have emerged. The specific suggestions that were made by developing country delegations for improved conditions of access are listed in an Annex. Informal records, prepared by the secretariat, of each of the consultations have been circulated in documents Spec 82(19) to Spec 82(32).

¹ An information note on the consultations on quantitative restrictions is being circulated separately.

Documentation, clarification and additional information

2. The consultations took place on the basis of documentation prepared by the secretariat, outlining the trade policy measures in force, providing statistical information on trade flows and containing other information relevant to trade, production and consumption of the products in question. Certain updated or corrected information, including some recent trade liberalization measures, was provided by delegations during the consultations; this is contained in the notes on individual consultations. In the course of the consultations, importing and exporting countries were able to obtain from each other clarifications on specific points of relevance to trade, production and consumption in the products under consideration. Some representatives of developed countries expressed the view that this process might have been more fruitful had more delegations of developing countries been able to provide advance notice of the points that they intended to raise.

General trade situation

3. Representatives of developed countries emphasised the substantial progress that had already been made in liberalizing trade in tropical products in the Kennedy and Tokyo Rounds, under the GSP and, in some cases, under special preferential arrangements. Representatives of developing countries, while expressing their appreciation for the improvements to conditions of access that had been made and acknowledging that in respect of certain products, such as rubber, essential oils, certain plants, vegetable materials, lacs, etc. a high degree of liberalization had been achieved, said that there continued to be important obstacles to access and consumption for a number of tropical products, both processed and

unprocessed, in developed country markets. Many delegations said that they saw the consultations as forming a vital part of the Committee on Trade and Development's work towards providing an input into the preparatory work for the Ministerial Session of the CONTRACTING PARTIES.

4. Representatives of developing countries stressed the importance of the products that were the object of the consultations as sources of export earnings to their countries and of employment to their peoples. They further stressed the role that the industries processing tropical products were expected to play in their economic development programmes. They referred to the problems of low prices and market instability currently facing many tropical products and to the importance they attached to the successful conclusion and effective operation of international commodity agreements wherever feasible and appropriate. They appealed to importing countries to cooperate fully in such endeavours. They added that, in these circumstances, it was all the more urgent to remove all obstacles to increasing the consumption of tropical products.

5. Representatives of some developed countries reaffirmed their policy of supporting international commodity agreements wherever possible. On the question of consumption, some of these representatives noted the wide variation in per capita consumption levels in respect of tropical products among importing countries and expressed the view that countries with low consumption levels could play, in many cases, a particularly important role in improving trade and market conditions for these items.

Identification and analysis of trade problems

(a) Tariffs and tariff escalation

6. Representatives of developing countries identified two main kinds of tariff problem that continued to apply to tropical products. First, a wide

range of tropical products were subject to import duties in their primary form in one or more markets. Secondly, many tropical products in their processed form faced problems of tariff escalation in some markets, though the extent of this problem varied from product to product and from market to market. In this connexion, they noted that GSP treatment did not apply to all processed tropical products and, even where it did apply, the preferential treatment offered was often only partial and was sometimes subject to quantitative limits. A further point made by some developing countries was that in certain markets the tariff treatment extended to some tropical products, such as tobacco, manioc and tropical vegetable oils, compared unfavourably with the treatment applied to similar or substitutable products imported from developed countries.

7. In responding to comments concerning the continued application of tariffs or other charges on imports of certain tropical products in their unprocessed form, representatives of developed countries concerned referred to a number of reasons for such measures. Some tariffs or other charges were designed to provide a margin of protection for domestic production of the commodity in question or of a substitute for it; for example tobacco and rice in the EEC, bananas and tea in Japan and vegetable oils in Switzerland. Some tariffs were described by importing countries as being essentially fiscal in nature, such as those on tobacco in a number of countries and on bananas and raw coffee in Switzerland. A further factor mentioned was the use of the tariff as an instrument of domestic price stabilization in the interests of creating conditions favourable for consumption, as in the case of coffee in Finland. The European Communities indicated that import duties on a number of tropical products were maintained in order to provide a margin of preference, albeit one that had

been substantially reduced over the years, to suppliers from ACP countries and other preferential sources.

8. Representatives of developed countries indicated that tariffs on processed products were often applied in order to protect the domestic processing industry. Emphasising the reductions that had been made in the context of trade negotiations and under the GSP, they noted that imports of many processed products, such as vegetable oils, instant coffee or plywood, had risen substantially and given rise to major difficulties for the domestic industries concerned. In respect of certain other products, such as packaged spices, the view was expressed that the lack of growth of imports despite improved tariff treatment indicated the importance of other factors - such as marketing, quality, blending etc. - in determining the location of processing activities. Reference was also made in some instances to the effect of taxes or restrictions on the export of the raw product from some producing countries in giving rise to difficulties for processing industries in importing countries, such as in respect of vegetable oils or wood products.

(b) Import restrictions

9. Representatives of developing countries said that in a number of cases exports of tropical products were being impeded by the continued application of import restrictions by certain developed countries. In this respect, they referred to a number of restrictions in force in New Zealand and Finland, and to restrictions applying to individual items in France, Italy, the United Kingdom, Japan, Norway and Switzerland. In indicating the reasons for such measures, representatives of the importing countries concerned said that some restrictions were necessary to protect the domestic industry concerned, such as in the case of the mainly seasonal

restrictions on cut flowers in a number of European countries; some were designed to protect the domestic production of substitutes - e.g. the measures applying to bananas in Finland and Italy; still others, such as the restrictions on bananas in France and the United Kingdom, were imposed in order to safeguard the position of certain preferential suppliers which were highly dependent on the commodity in question.

(c) Internal taxes

10. Representatives of developing countries said that, in their view, internal taxes in a number of markets continued to be a significant impediment to increasing the consumption of some tropical products, such as coffee, cocoa, tea and bananas. They expressed concern about an apparent increasing readiness to increase fiscal charges on some of these tropical products despite undertakings entered into under Part IV of the GATT, during the Multilateral Trade Negotiations and under relevant commodity agreements.

11. Representatives of the developed countries concerned said that there was no evidence that the internal taxes in question had any significant effect on consumption. They reaffirmed their determination to abide by their commitments in regard to this matter and indicated that in many cases the real incidence of specific taxes had fallen as a result of the declining value of money.

(d) Other non-tariff measures

12. Reference was made by representatives of some developing countries to certain difficulties arising from the application of phytosanitary regulations in regard to a number of products - including cut flowers, manioc and certain vegetable oils, oilseeds and oilcakes. Among other measures applied in developed countries that developing countries

considered to have an adverse impact on certain trade flows were state-trading arrangements, production aids, export disposal policies and mixing regulations in regard to such products as tobacco, rice and vegetable oils and oilseeds.

Possibilities for further progress

13. Representatives of developing countries said that, having regard to the provisions of Part IV, they would like to see, in general terms, the elimination or substantial reduction by developed countries of all customs duties and other charges on imports of tropical products, including the removal of tariff escalation on processed products, the liberalization of import restrictions still applicable, the elimination of internal taxes on tropical products and steps to alleviate the adverse effects on their trade of certain other non-tariff measures. To these ends, they put forward a substantial number of specific suggestions for consideration by the developed countries concerned; these suggestions are listed in the Annex to this document.

14. Representatives of developed countries said that they had taken note of the suggestions made and would transmit them for consideration by their authorities. Some of these representatives added that, while so doing, they felt it appropriate to recall that the guidelines for the consultations, as determined by the Committee on Trade and Development, made it clear that the consultations could not be regarded as a negotiation or even the first step in a negotiating process. In regard to the suggestions for improved GSP treatment, some representatives of developed countries recalled that their GSP schemes were subject to annual review and invited interested developing countries to put forward their suggestions in the context of the review procedures. The representative of the European

Communities said that, in considering suggestions, it would be necessary to take into account the interests of those countries with whom the Community had special preferential arrangements, particularly as their margins of preference had generally fallen in recent years and preparations for the negotiation of Lome III were currently underway. The point was also made that changes in certain export policies by developing countries could, in some instances, facilitate consideration of requests for improved market access.

15. The representative of the United States said that the principal legislative authority to negotiate trade concessions had expired on 3 January 1980 and the residual negotiating authority under Section 124 of the Trade Act of 1974 on 3 January 1982. However, certain bills had been introduced into the United States Congress that, if enacted, would extend Section 124 authority. If this authority was extended, the United States would be in a position to consider entering into tariff negotiations at the request of individual developing countries on items of interest to them. He invited participants in the consultations to indicate where they would be interested in such a process. He said that the negotiating authority would not enable the United States to make unilateral concessions - concessions would have to be negotiated on both sides. He added that normally negotiations were more effective when they covered a number of products and suggested that delegations might wish to group their requests.

Conclusions

16. There was a general view that the consultations had served a useful purpose in clarifying the trade and commercial policy situation concerning tropical products, as a basis for making further progress towards trade liberalization in this area. Developing supplying countries had obtained a

more complete picture of the commercial policy measures in force and of the reasons for their application. On the other hand, developed importing countries had gained a better appreciation of the impact of certain measures on the trade of developing countries and of the importance of the trade interests affected for individual developing countries.

17. It was noted that, while considerable progress had been made over the years in liberalizing trade in tropical products, a significant number of measures affecting trade in tropical products, in both primary and processed forms, had been identified during the consultations.