

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Special Group on Trade in Tropical Products

### RECENT ACTIVITIES IN OTHER ORGANIZATIONS RELATING TO TROPICAL PRODUCTS

#### Note by the Secretariat

1. At the last meeting of the Special Group, in January 1968, it was agreed that in the documentation to be prepared by the secretariat for the Group an account should be given of relevant discussions and activities in other international organizations. The present paper has been prepared for the meeting of the Group to be held on 10 July 1968. Information relevant to the six product groups chosen for priority attention in the Group is set out in the six sections to follow. Concluding the paper is a section dealing with discussions relevant to trade in tropical products in general. No attempt has been made to summarize discussions of a more general character relating to primary commodity problems. The report of the First Committee of UNCTAD II (TD/L.37/Add.3) covers a number of points relevant to tropical products questions.

#### I. TEA

2. The Second Ad Hoc Consultation on Tea of the Food and Agriculture Organization took place in London in February 1967 to consider the world tea supply and demand situation. The meeting asked FAO, in addition to its study of the current situation and long-term outlook, also to examine the effects on consumption of price and income changes, to keep under review the developments in the tea economies of the centrally-planned countries, and to complete the study on the primary marketing of tea.

3. At UNCTAD II a resolution was adopted in which it was suggested that several products, including tea, could benefit from intergovernmental consultations to identify the problems faced, to determine the techniques appropriate for dealing with them and to agree on appropriate remedial measures. It is understood that a meeting of the FAO Consultative Committee on Tea will be held in July 1968. One of the items on the agenda will be a consideration of this UNCTAD Resolution 16 (II).

#### II. COFFEE

4. The International Coffee Agreement of 1962 was to expire on 30 September 1968. As a result of discussions in the Coffee Council its validity was extended in February 1968 for a further period of five years with certain modifications.

Replacing the previous arrangement where the level of quotas was adjusted to the movement of the blanket indicator price based on average prices, a four-fold mechanism was evolved covering the four types of coffee whereby quota cut-backs will be applied only to the particular type or types of coffee suffering a fall in price.

### III. COCOA

5. A United Nations Cocoa Conference was held from 23 May to 23 June 1966 in New York, following arrangements made in the previous year on the initiative of the United Nations Trade and Development Board and on the basis of progress made in the Working Party on Prices and Quotas of the 1963 Cocoa Conference which had been meeting at the request of the Board in 1965-1966.

6. Although the 1966 Conference achieved a certain degree of progress it was unable to resolve a number of important problems. In its resolution on adjournment the Conference, inter alia, agreed that a suitable international agreement on cocoa should contain provisions relating to quotas, buffer-stock mechanism, price range, regular income for the buffer stock and diversion of structural surpluses to non-conventional uses. In accordance with the provisions of the resolution the Secretary-General of UNCTAD held a number of consultations with principal cocoa importing and exporting countries. The first session of a Technical Working Group was convened in September 1966 to discuss problems relating to quotas and terminal markets, and in February 1967 a Working Party was convened to discuss barriers to trade in cocoa. At the resumed Cocoa Consultations in August 1967 agreement was reached on some important elements of the draft agreement on cocoa and at further consultations held in September-October 1967 agreement was reached on the question of prices. A Memorandum of Agreement was adopted. The United Nations Cocoa Conference was convened in November-December 1967 in Geneva.

7. At the Conference further progress was made on a number of questions but agreement was not reached on certain issues. The administrative articles of the draft agreement were mostly approved and agreement was reached on such problems as conversion factors and the definition of the quota year. Substantial progress was also made on questions relating to fine and flavour cocoa. The Secretary-General of UNCTAD has been requested to decide on a suitable date for the resumption of the meetings and to arrange for such preliminary consultations and discussions as he considers necessary for such resumption.

8. At UNCTAD II it was recommended in a resolution that the United Nations Cocoa Conference should be reconvened immediately after the New Delhi Conference and, if necessary, be preceded by consultations so as to ensure its success. It should be convened in any case not later than the end of June (Resolution 16 (II), Section A). Consultations with countries principally interested in the product were held in June but up to the present the date for the Cocoa Conference has not been determined.

#### IV. OILSEEDS AND VEGETABLE OILS

9. The first session of the Study Group on Oilseeds, Oils and Fats (the former Study Group on Coconut and Coconut Products, with the terms of reference extended to cover other oilseeds, oils and fats) was held in Rome in September 1966. The Group examined a case study by the FAO Secretariat on the possible international organization of trade in fats and oils with the aim of ensuring remunerative prices to developing exporters, and considered various questions such as the economic aspects of the location of oilseed-crushing industries, non-food uses of coconut oil in North America and the short-term and long-range outlook for oilseeds, oils and fats. There was also an exchange of views on the new European Economic Community regulations on fats and oils.

10. At its second session held in September 1967, the Group referred to the post-war features of concern for developing countries such as the relatively slow increase in the production of fats and oils, the low level of consumption, fluctuations in world prices, and the decline in the share of these products in world trade, etc. The Group considered that there appeared to be no grounds for expecting any marked improvement in regard to long-term prospects - production was expected to continue to increase in the high-income countries; the increase in import demand in Western Europe was expected to slow down; Japan's expanding demand for oils and fats would mainly be met by imports of temperate zone products; export outlets in centrally-planned countries were uncertain; most developing importing countries were likely to remain short of foreign exchange so that the shortage of fats and oils in most of these countries was unlikely, in the absence of special arrangements, to result in substantial increase in effective demand. The objectives identified for action were: the maintenance of stable, equitable and remunerative prices; expansion of export outlets; the raising of the level of consumption in developing countries and the levels of productivity in these countries.

11. The Group recommended the setting up of a technical working party to evaluate the various possible approaches to international action. It also requested the FAO Secretariat to prepare a paper on the technical and economic aspects of various solutions to the problems of oilseeds, oils and fats. Finally, the Group recommended the convening of a session of the technical working party and also of the Study Group if possible early in 1968 so that its report could be considered at the second UNCTAD. These have been convened for 5-10 February and 12-13 February respectively.

12. The Technical Working Group met in February 1968 and submitted a report to the third session of the Study Group which was held shortly after. The Study Group drew up a report in which certain solutions to the problems involved in the trade of oilseeds, oils and fats were suggested. In a recommendation adopted at UNCTAD II, the UNCTAD and FAO Secretariats were invited to pursue jointly and urgently the study of possible solutions to the problems in the trade of these products and specifically of those mentioned in paragraph 19 of the report of the third session of the Study Group on Oilseeds, Oils and Fats and it was urged that these studies should be completed before the end of October 1968. UNCTAD II also

recommended that in the light of these studies the Secretary-General of UNCTAD and the Director-General of FAO in consultation with interested governments, consider the necessity to set up at the earliest possible date but not later than the end of 1968 an intergovernmental consultative committee on oilseeds, oils and fats to suggest short-term measures to improve the market situation and make practical proposals on long-term measures for intergovernmental arrangements in this field.

#### V. BANANAS

13. The first session of the Study Group on Bananas was held in Rome in March-April 1966. Among principal issues discussed were the outlook for production and consumption in the medium to longer term and the problems relating to access to markets and the barriers to imports imposed by some importing countries. The second session of the Study Group was held on 9-17 October 1967 at Las Palmas in the Canary Islands. Matters discussed included the current banana situation and outlook; longer-term prospects for production and trade; access to markets and developments in import policies; statistical problems and problems of international quality standards.

14. With regard to market developments the Group noted with satisfaction the increase of 10 per cent in world imports in 1966 as compared with 1965 but that this increase had been obtained at generally lower prices. The Group pointed out the need for further studies of the outlook for production and demand, taking into account the possibilities for expansion of intra-regional trade. With regard to access to markets, the following points were agreed on:

- (a) that importing countries should undertake a gradual abolition of customs duties and other restrictions affecting the banana trade including import quotas, taking fully into account the special position of certain less-developed banana exporting countries and provided that these measures do not entail the risk of jeopardizing the position of certain producing countries. Participating countries should pay attention to the problems of liberalization, and stabilization of the banana trade in future conferences, including those of GATT;
- (b) that governments of importing countries should be requested to promote consumption, inter alia, by phasing out internal taxes; and
- (c) that the FAO Secretariat should undertake a comprehensive study on different aspects of production, including cost factors, trade and consumption of bananas and if possible new uses and markets for bananas.

15. In the UNCTAD II Resolution on International Action on Commodities reference was made to bananas as one of the products requiring prompt consideration as a basis for appropriate action and it was indicated that to this effect inter-governmental consultations might be necessary in order to identify the problems, to determine the techniques appropriate for dealing with them and to agree on appropriate remedial measures.

## VI. SPICES

16. Resolution 16(II) adopted at UNCTAD II notes that no study group or ad hoc meeting has so far been arranged on pepper. It suggests that the kind of inter-governmental consultations mentioned earlier in this paper with regard to tea and bananas should also be considered for trade in pepper. In the study prepared by the UNCTAD Secretariat on the effects of existing preferential arrangements a section is devoted to the trade in spices (pages 69-76, TD/16/Supp.1).

## VII. GENERAL

17. In the report of the Committee on Trade and Development to the twenty-fourth session, it was pointed out that one of the reasons for the failure to achieve duty-free entry for all tropical products in the Kennedy Round negotiations was the need to maintain preferential margins for certain preferential suppliers. In this connexion it may be noted that a study was made by the UNCTAD Secretariat for the New Delhi Conference on the question of existing preferences in which reference was made to the effects of these preferences (cf. TD/16/Supp.1). In the First Committee of UNCTAD II there was a discussion of the need and feasibility of studies on the effects of abolition of special preferences and on the international measures to ensure developing countries at present enjoying such preferences, advantages at least equal to the losses resulting from the abolition (cf. TD/L.37/Add.3, paragraph 78).