

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## PROVISIONAL AGENDA

### Items Proposed by the Council

#### ITEM I. MEASURES FOR THE EXPANSION OF TRADE OF DEVELOPING COUNTRIES AS A MEANS OF FURTHERING THEIR ECONOMIC DEVELOPMENT

##### A. POINTS (i) - (vii) OF THE ACTION PROGRAMME

1. Committee III of the GATT Trade Expansion Programme, in examining the action programme submitted by the less-developed countries, prepared submissions to Ministers as follows:

##### Point (i): Standstill provision

No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature.

Industrialized countries indicated that they would use their best endeavours to maintain the standstill in full, although situations might arise where there could be a compelling need for limited exceptions.

##### Point (ii): Elimination of quantitative restrictions

Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items will be progressively reduced and eliminated by 31 December 1965.

The industrialized countries confirmed that it was their intention to remove quantitative restrictions, maintained inconsistently with the GATT, as soon as possible. Most industrialized countries maintaining such restrictions agreed that they would achieve the target date of 31 December 1965.

Point (iii): Duty-free entry for tropical products

Duty-free entry into the industrialized countries shall be granted to tropical products by 31 December 1963

The Committee noted that the Sub-Group of the Special Group on Trade in Tropical Products had examined this proposal in depth with regard to some products, and that the Special Group would meet later in April 1963 to prepare a submission to Ministers. It was therefore agreed that further action on the item would be taken in the light of any directives by Ministers.

Point (iv): Elimination of tariffs on primary products

Industrialized countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less-developed countries.

Industrialized countries indicated that they could agree to work towards the elimination, or where this was not possible, at least toward the substantial reduction of tariffs on these products. While not ruling out earlier action, these countries indicated that they expected these products to be the subject of tariff reductions within the framework of the proposed tariff negotiations.

Point (v): Reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries

Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years.

The industrialized countries noted that this proposal was on the same lines as the working hypothesis of a 50 per cent linear tariff cut which had been adopted in the Working Party on Procedures for Tariff Reduction at its meeting from 18-29 March 1963. The industrialized countries indicated that, while not precluding action in advance of the tariff negotiations, they would be prepared to ensure, as far as possible, that products covered by the proposal would be included in their offer lists in the proposed tariff negotiations and not be excepted from such negotiations.

Point (vi): Progressive reduction of internal fiscal charges and revenue duties

Industrialized countries shall progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965.

While most industrialized countries indicated that they would not have difficulty in accepting this proposal and urged appropriate joint action in this field, others indicated that acceptance of the proposal continued to give them major difficulty. In view of the lack of agreement in this question the Committee considers that Ministers should be asked to give this problem special consideration.

Point (vii): Reporting procedures

Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries.

The proposal was accepted.

2. In drawing up the record of the views expressed on the individual points, representatives of industrialized countries had further in mind, that, as stated by the sponsoring countries, acceptance of the proposed programme of action would be without prejudice to the rights and obligations of contracting parties under the provisions of the General Agreement, under arrangements negotiated within the

framework of GATT, or covered by international commodity agreements. It was further understood that, where action under the programme would affect the interests of third countries, as under preferential arrangements, action by countries granting such preferences would depend, inter alia, on the consent of the trade partners concerned. Finally, it was the understanding of the Committee that the programme of action related to the products covered by Lists I to III examined by the Committee and those examined by the Special Group on Tropical Products, with limited exceptions where, for the products concerned, action of the type envisaged under the different headings could not be expected to benefit the less-developed countries. The Committee agreed that the programme of action, if adopted, might subsequently be extended to an enlarged list of products to be agreed upon.

3. Ministers are invited to examine, with a view to reaching decisions and to facilitating further action, points (i) and (ii) and (iv) to (vii) in the above programme.

4. Moreover, Ministers may wish to consider, in particular:

- (a) agreement on elimination of quantitative restrictions on products in respect of which some industrialized countries have indicated difficulty in meeting the target date of 31 December 1965;
- (b) agreement on action to suspend or reduce tariffs on products of interest to less-developed countries wherever possible in advance of multilateral tariff negotiations;

and also the following points which are submitted and stressed by a number of delegations:

- (c) agreement on accelerating implementation of tariff cuts on products of interest to less-developed countries which are agreed in the course of multilateral GATT negotiations;
- (d) acceptance of the principles that products of particular interest to less-developed countries will not appear in the list of items excluded from the scope of tariff concessions.

B. POINT (iii) OF THE ACTION PROGRAMME - DUTY-FREE ENTRY FOR TROPICAL PRODUCTS

5. A special group on trade in tropical products has considered ways of overcoming difficulties confronting less-developed countries exporting bananas, cocoa, coffee, tea, vegetable oilseeds and oils and tropical timber. The discussions in the Special Group took fully into account the fact that most Ministers agreed at their ministerial meeting in November 1961 that the proposal put forward by Nigeria for duty-free entry for tropical products should be given careful consideration. The recommendations of the Special Group submitted to Ministers are set out below:

General recommendations

- (i) All representatives other than those of the EEC and the States associated with the Community suggested that the Ministers should be invited:
- (a) to endorse the general objective of free access to markets for tropical products, in view of the great importance of these products to the foreign exchange earnings and economic development of many less-developed countries;
  - (b) to agree that the instability of prices and inadequacy of earnings are the principal problems affecting producers of tropical products;
  - (c) to agree that, in the interval before action is taken to remove the existing trade barriers, there should be a "standstill" and governments should refrain as far as possible from any measures which might represent an intensification or extension of these barriers. If, in fact, a government felt that it had to take any measures of this kind, it should have prior consultations with the exporting countries mainly interested in trade in the product concerned;
  - (d) to give special attention to the problem of revenue duties and internal charges, with particular regard to the difficulties which have delayed the implementation of the relevant part of the Ministerial Declaration of November 1961 and to the steps which need to be taken to speed up such implementation;
  - (e) to decide that, where this has not already been done by prior action - and the desirability of such action is recognized - barriers to trade and restraints on consumption of tropical products should be dealt with in the context of the forthcoming GATT trade negotiations.
- (ii) As is indicated in paragraph 10 of the Special Group's report (L/2001), the EEC and States associated with the Community were unable to support the inclusion of general recommendations and reserved the position of their delegations. Representatives of States associated with the Community stated that their delegations supported the removal of revenue duties and internal charges. The States associated with the EEC and the Community itself stated their belief that the

general and primary objective was to increase the export earnings of the less-developed countries in order to promote their economic development by all appropriate means. Freedom of access to markets for tropical products was only one of these means. Such freedom would be truly effective only to the extent that all the prerequisites to its full effectiveness had been completely achieved in all these countries. In the meantime such freedom should only be implemented gradually, to the extent compatible with the existing situation and the specific needs of some of the countries concerned, in order not to hinder their economic development on a sound and balanced basis, until such time as their full integration into the world economy could be effected without harmful consequences.

- (iii) The representatives in the Special Group, other than those of the EEC and the States associated with the Community, sympathized with these considerations, but believed that the recommendations put forward in paragraph (i) above could be implemented in a manner which took these considerations duly into account.

Recommendations on individual products<sup>1</sup>

Cocoa

- (iv) All representatives in the Special Group, other than those of the EEC and the States associated with the Community, suggested that Ministers should be invited:
- (a) to endorse the commodity agreement approach to cocoa and to recommend that an international agreement should be negotiated speedily with the aim, inter alia, of stabilizing prices at remunerative and equitable levels and increasing the export earnings of producing countries so as to facilitate their economic development;
  - (b) to recommend that internal charges and other non-tariff barriers in respect of raw and semi-processed cocoa should be removed wherever possible by the end of 1963;
  - (c) to recommend that the removal of tariffs in respect of raw and semi-processed cocoa should be accomplished in the context of a cocoa agreement which was otherwise satisfactory to the principal producing countries.

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<sup>1</sup>The conclusions on individual products reached in the Sub-Group of the Special Group on Trade in Tropical Products are annexed.

- (v) The representatives of the Community and of the associated States stated that the work of the Sub-Group had shown that the basic question was the price problem. In their opinion it was not desirable to make this problem more difficult by linking it with other problems of less importance, as the report by the Sub-Group had shown. They suggested that, in the circumstances, the Special Group should recommend that the Ministers confirm their intention to co-operate positively in order to reach an International Cocoa Agreement so as to ensure equitable prices at remunerative levels for producers.

Coffee

- (vi) The Special Group suggested that the Ministers should be invited to confirm the intention of their governments to apply in an efficacious manner the International Coffee Agreement and to recommend that the governments signatories to this Agreement collaborate in a positive manner in the Coffee Council within the foreseen time-limits with a view to the efficacious application of the Agreement so that coffee prices are established and maintained at an equitable level, and so that the trade in and consumption of this product are developed.
- (vii) All representatives in the Special Group other than those of the EEC and the States associated with the Community suggested that the Ministers should also be invited:
- (a) to recommend that tariffs, internal charges and other non-tariff barriers in respect of coffee should be removed, wherever possible, by the end of 1963;
  - (b) to recognize that the proposed GATT trade negotiations would give an opportunity to eliminate all remaining barriers affecting trade in coffee.

Bananas

- (viii) The Special Group on Trade in Tropical Products has recognized that further study in collaboration with the FAO of the question of trade in bananas is necessary, and the fact that arrangements for this work will be put in hand could be brought to the attention of the Ministers for their information. However, it is suggested that the Ministers should be invited to agree that each consuming country should consider possibilities to increase the consumption of bananas.

- (ix) The representatives in the Special Group other than those of the EEC and of the States associated with the Community considered that the Ministers should also be invited to agree that, while the study referred to above was in progress, there should be a "standstill" and governments should refrain from any measures which might represent an intensification or extension of trade barriers and should make an effort to enlarge their markets for bananas on a universal basis.

Tropical oilseeds and oils

- (x) The Special Group on Trade in Tropical Products has recognized that further study of the question of trade in tropical oilseeds and oils is necessary, and the fact that arrangements for this work will be put in hand could be brought to the attention of Ministers for their information.
- (xi) The representatives of the Special Group other than those of the EEC and the States associated with the Community suggested that the Ministers should be invited:
- (a) to agree that governments should consider the desirability of including the problems of tropical oilseeds and oils in the framework of the GATT trade negotiations and in international discussions on internal agricultural price and production policies;
  - (b) to agree that governments should, in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers.
- (xii) The States associated with the EEC and the Community itself stated that the studies referred to in paragraph (x) should relate in particular to conditions of competition in respect of fats and oils from the tropical and temperate zones. It should be reaffirmed that the final objective of such studies is to maintain and increase the export earnings of the developing producer countries. Pending the completion of such studies, the Group should recommend that governments should, in framing their agricultural policies, where these policies affect tropical oilseeds and oils, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products.

Tea

- (xiii) It is suggested that the Ministers should be invited to agree that the customs duty on tea should be removed with the least possible delay and, if practicable, before the end of 1963. The Ministers should also be requested to recognize the need for ensuring that the removal of the duty is not nullified by increases in internal taxes and to address themselves to the question of reducing and eliminating such taxes.

Tropical timber

- (xiv) It is suggested that, in the case of tropical timber likewise, the Ministers should be invited to agree that the customs duty should be removed with the least possible delay and, if practicable, before the end of 1963.

C. POINT (viii) OF THE ACTION PROGRAMME

6. In connexion with further aspects of the Action Programme, Committee III prepared submissions to Ministers as follows:

In putting forward the seven specific proposals for action the countries sponsoring the action programme pointed out that the gap between the needs of the less-developed countries and their current earnings from exports was so large that even the adoption of the measures outlined above might not be adequate. The less-developed countries therefore urged:

Point (viii): Contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

7. In this connexion it was also pointed out that the industrialized countries should, in framing their policies which affect the pattern of production take account of the need for providing larger outlets for the exports of the less-developed countries. Industrialized countries recognized that, in addition to action along the lines envisaged under points (i) to (vii) above, urgent consideration by the CONTRACTING PARTIES would have to be given to other measures aiming at improving the trading opportunities for less-developed countries if

a sound and lasting solution to their trade and development problems was to be found. The fundamental need of the less-developed countries in the field of trade was to achieve an increase in their export earnings. Under present conditions whereby their export trade was heavily dependent on a limited number of primary products, efforts on the part of the less-developed countries to increase their earnings by a higher volume of exports were often frustrated by declining prices. Discussion in the GATT itself, for example the discussion on commodity problems during the twentieth session, and discussion in other international bodies had shown that unless effective joint action, for instance by way of commodity agreements, were taken, there appeared to be no basis for expecting any substantial favourable change in the level of export prices of primary products relative to prices of manufactured products. It was also accepted that in the longer term there was a vital need for the less-developed countries to diversify and broaden their economies in order to overcome their balance-of-payments problems and achieve higher living standards. The industrialized countries, the Committee agreed, should assist in this process by providing the greatest possible degree of access for processed and manufactured products from the less-developed countries. It was recognized that these were matters of justified concern to less-developed countries.

8. It has been noted that the benefit of tariff reductions on the present basis may not in many instances go to the less-developed countries. Certain suggestions designed to improve the conditions of access for the exports of less-developed countries have been placed before the Committee but have not yet been discussed in detail. Thus it was suggested that the Committee should consider:

- (a) the granting of preferences on selected products by industrialized countries to less-developed countries as a whole; and
- (b) the granting of preferences on selected products by less-developed countries to all other less-developed countries.

9. Ministers are invited to agree:

- (a) that industrialized countries in framing their policies which affect the pattern of production should take full account of the points made in paragraphs 6 and 7;
- (b) that the suggestions for preferences in paragraph 8 to which a number of countries attach particular importance, should be further studied and that the Executive Secretary be instructed to make arrangements for such study to be carried out.

D. OTHER ACTION

10. In connexion with furthering the development plans of less-developed countries it has been suggested in Committee III (paragraph 17, L/1989) that the work of the Committee should be extended, in collaboration with other interested agencies, particularly the lending agencies, through the adoption of concerted and systematic studies of trade and aid relationships in individual less-developed countries aimed at obtaining a clear analysis of export potential, market prospects and any further action that may be required to overcome any difficulties that the studies reveal.

The Council has examined the foregoing suggestion and invites Ministers to approve the proposal.

11. It was also suggested in the Committee (paragraph 19, L/1989) that the authority of GATT in connexion with the work of expanding the trade of less-developed countries should be extended by the creation of a stronger institutional framework which would more adequately reflect the concerns and responsibilities of the CONTRACTING PARTIES in this field. Thus it has been suggested that the provisions of the Agreement might now be extended to make more specific provision for this important sector of the CONTRACTING PARTIES' work by amending the text of the General Agreement. This suggestion has been considered by the Council whose recommendation is as follows:

The Council has been unable to complete its examination of this proposal but requests Ministers to recognize the need for an adequate legal and institutional framework, to enable the CONTRACTING PARTIES to discharge their responsibilities in the field, and to direct appropriate action to this end, for example by the appointment of a working party with instructions to report to the twenty-first session.

ITEM II. ARRANGEMENTS FOR THE REDUCTION OR ELIMINATION OF TARIFFS  
AND OTHER BARRIERS TO TRADE, AND RELATED MATTERS

and

ITEM III. MEASURES FOR ACCESS TO MARKETS FOR AGRICULTURAL AND OTHER  
PRIMARY PRODUCTS

1. These matters have been examined in detail by the Working Party on Procedures for Tariff Reduction established by the CONTRACTING PARTIES for this purpose. In the course of this examination agreement was reached on a number of basic principles as follows:

- (a) That the negotiations should cover all classes of products, industrial and non-industrial, including agricultural and primary products.
- (b) That the negotiations should not be limited to tariffs but should also deal with other measures and practices which affect the value and stability of concessions.
- (c) That with respect to the next round of tariff negotiations it is essential that they be based on some form of across-the-board tariff reductions if they are to accomplish more than the limited results that have been obtained in recent years from item by item negotiations.
- (d) That the widest possible participation was necessary to make the negotiating plan effective.
- (e) That the negotiating plan must admit of only a bare minimum of exceptions, necessitated by reasons of overriding national interest. In any case, such exceptions should be subject to confrontation and justification.
- (f) That in the negotiating conference it must be open to each country to request additional concessions or to modify its own offers where this is necessary to obtain a balance of advantages between it and the other countries participating. It would be a matter of joint endeavour by all parties participating in the negotiations to negotiate for a sufficient basis of reciprocity to maintain the fullest measure of tariff reductions.
- (g) That a problem of reciprocity, to be dealt with at a later stage, could arise in the case of countries the general incidence of whose tariff was unquestionably lower than that of other countries.
- (h) That in the negotiations every effort should be made to reduce barriers to exports of less-developed countries but that the developed countries cannot expect to receive reciprocity from less-developed countries.

- (i) That, if a negotiating conference on these lines is to be held in 1964, Ministers should be asked to decide now on a date for the convening of the negotiating conference and to establish machinery through which, in the interim, the further refinement of negotiating rules and the examination of special problems can take place.

2. In addition, the Working Party endeavoured to elaborate the above principles. On some topics agreement was reached, on others there remains disagreement, and some remain to be examined in detail. The area of agreement and disagreement is indicated in the following submissions.

- (i) The across-the-board approach. During its second session the Working Party adopted as a working hypothesis a plan of linear tariff reductions based on equal reductions of 50 per cent and staged over a maximum of five years. Subject to the position of certain countries, referred to in(ii) below, there was a wide measure of support for the adoption of this plan. During the third meeting of the Working Party an alternative plan was put forward which was intended to achieve a reduction in the present disparity between different tariff levels on individual products along with the linear reduction of tariffs. Under this plan tariffs would not be reduced by 50 per cent of their existing levels but by, say, 50 per cent of the extent to which they exceeded a target ad valorem rate which would be the same for all contracting parties other than less-developed countries but would be different for the main commodity groups; that is, there might be, say, free duty for raw materials, say, 5 per cent for semi-manufactured products and, say, 10 per cent for finished products. The proposal included the suggestion that under this plan there would, in principle, be no need for exceptions. There remained an important area of disagreement as regards the basis for the across-the-board approach.
- (ii) Countries with special problems. Certain countries pointed out that, while they expected that they would wish to participate in any future tariff negotiation and to offer important concessions for their trading partners and to pay fully for all benefits received, they would be unlikely, because of their economic structures and the nature of their trade, to obtain reciprocity under an across-the-board plan and that it would be appropriate for them to formulate their initial offers accordingly. It was agreed that this situation would have to be further considered when completing arrangements for the negotiations. It was observed by the representatives of agricultural exporting countries that they had not, in their opinion, been accorded the rights to which they were entitled under the General Agreement. In their view any existing imbalance which had resulted from this situation would need to be redressed or taken into account some way if they were to consider making further concessions.

- (iii) Non-tariff barriers. It was generally agreed that there should be an examination during the negotiations of appropriate means of providing that the value of tariff reductions would not be nullified or impaired by measures other than the tariff. Consideration should also be given to the possible need to review the application of certain provisions of the General Agreement, in particular Articles XIX and XXVIII, or the procedures thereunder, with a view to maintaining, to the largest extent possible, the stability of the new tariff reductions.
- (iv) Exceptions. While as indicated above, there was general agreement that exceptions should be kept to a minimum, there was not agreement as to the best method of achieving this. One proposal the Working Party had before them was that the exceptions from a country's initial offers should not exceed a certain percentage of its imports, combined with a percentage limitation on exceptions in any one SITC section. Some other members felt that any quantitative maximum on exceptions would inevitably tend to be filled. Some members also felt that exceptions should be based on common criteria.
- (v) Agriculture. (a) It had been recognized by Ministers in their Conclusions adopted in November 1961 that there should be negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities. The conclusion of the negotiations would depend on a satisfactory resolution of the problems in all fields and the balance of advantage would be assessed on the results finally obtained from the negotiations as a whole. There was wide agreement that agriculture presented special problems and that for certain agricultural products, for example cereals and meats, commodity arrangements would be required and that the negotiation for the removal of trade barriers should take place in the context of the negotiation of such arrangements. There was further substantial agreement that machinery should be established at an early date within the framework of the Trade Negotiations Committee to consider, in the first instance, which products should be dealt with through commodity arrangements and which by other methods. Meanwhile, the Ministers would also be invited to decide that the Groups on Cereals and Meats should henceforth operate within the framework of this Committee and should meet promptly to work out a basis for commodity arrangements on these products. In connexion with the foregoing, the Working Party had before it an additional proposal, on which agreement was not reached, that the Commodity Groups should, in the first instance, work out interim arrangements which would prevent any increase in effective trade barriers during the period while comprehensive commodity arrangements are being negotiated.

- (b) For agricultural commodities for which commodity arrangements were not appropriate the procedures for negotiations were not settled. The Working Party had before it a proposal that these products be divided into two classes: (i) those agricultural products for which tariffs represent the only obstacle to trade would be included in the plan for linear tariff reductions, with the same percentage cuts as applied to other products, (ii) those agricultural products subject to barriers other than tariffs would be the subject of concessions which would afford a reduction in the level of protection comparable to the linear reduction plan adopted as a general rule. In some instances, such concessions might involve a combination of fixed tariffs and other measures.
- (c) As regards the proposal in the preceding paragraph, it was alternatively suggested that, having regard to the difficulties involved in reducing the protection for agricultural products, the aim should be, in general terms, to offer concessions which would afford advantage comparable to that sought in the general negotiations; it would be essential to conclude arrangements which, having regard to trade in a previous representative period, would ensure for agricultural exporters opportunities for access which would be fair and acceptable in the light of the target set for the linear reduction on non-agricultural tariffs. Some other countries, while agreeing with the general principle in this paragraph, pointed out that reference to a previous representative period in this context would be relevant only where there had been access which permitted a reasonable flow of trade in such a period and that, in any case, other considerations might need to be taken into account.
- (vi) Participation of less-developed countries. The less-developed countries represented in the Working Party stressed that owing to various reasons which had been recognized by the contracting parties, inter alia the need to promote their economic development, their ability to reduce their tariffs was limited. For these reasons they considered that they were not at present in a position to make a contribution especially by way of a reduction of tariffs. They pointed out that in so far as the concessions granted afforded the less-developed countries better export possibilities, that improvement would bring about an increase in their imports. It was in that direction that the corresponding advantages for the developed countries would be found. That would logically imply that, as a matter of principle, the export products of interest to the less-developed countries would not be included in the exceptions lists of

participating countries. While other members of the Working Party recognized that the less-developed countries could not be expected to contribute in the same manner as developed countries, it did not solve the question of the extent and nature of their participation. There was wide agreement that participation of these countries should be viewed first and foremost from the standpoint of their development needs. The Working Party had before it the following proposal, on which no agreement was reached. Under this proposal, each less-developed country would agree to subject its own commercial policies to an examination and consultation process with a view to determining whether any aspect of its commercial policies, including individual tariffs, should be altered in the interest of its own economic development and the economic development of other less-developed countries.

- (vii) Procedures. It was agreed that Ministers be invited to establish a trade negotiations committee. It would make the necessary plans for the carrying out of the negotiations with a view to bringing them to a final conclusion during the course of 1964. It would be understood that the Trade Negotiations Committee would establish such subsidiary bodies as might be required to carry out its task of overall supervision of the negotiations.

3. Without prejudice to the submissions of the Council under Item I of the Agenda, Ministers are invited to decide on the principles set out in paragraph 1 (above) and to reach decisions on points covered in paragraph 2 (above).

4. In relation to Item II and as noted in paragraph 2:(v) above, the Working Party gave attention to the need for negotiations on agriculture. It agreed that the conclusion of the negotiations would depend on a satisfactory resolution of the problems in all fields and that the balance of advantage would be assessed on the results finally obtained from the negotiations as a whole. The Working Party made certain observations as to the aim and the techniques to be adopted in the negotiations on agriculture.

Ministers may wish to take note of these observations and of any others that might be made, and to formulate directives.

5. There have been wide-ranging discussions on international trade in primary products in the CONTRACTING PARTIES in recent years and extensive consultations on agricultural policies and their effects on trade have been carried out in Committee II. It has been suggested to the Council that Ministers may wish to consider further action to give effect to the objectives of the General Agreement as they relate to trade in primary products; such consideration would include the level and stability of prices received by exporters and the effects of export subsidies on international trade.

ANNEXConclusions on Individual Products Reached in the Sub-Group  
of the Special Group on Trade in Tropical Products during  
the Meeting held from 18-26 March 1963COCOA

- (i) The Sub-Group recognized that any action taken to deal with the problems that arise in trade in cocoa would have to embrace several elements, some of which could appropriately be dealt with in the negotiations for an international cocoa agreement.
- (ii) There was agreement in the Sub-Group that the important aim was to increase the export earnings of the producing countries so as to facilitate their economic development while providing adequate supplies to consumers at equitable prices.
- (iii) Price falls had in recent years had the effect of decreasing the export earnings of producing countries despite the fact that they had exported increased quantities. The establishment of a satisfactory, equitable price level would necessitate the conclusion of an international cocoa agreement.
- (iv) The Sub-Group recognized that a price policy of this sort might require producing countries to exercise control as regards levels of production and supply. At the same time any such control of production and supply must be counter-balanced by efforts to secure increased cocoa consumption in importing countries. In this connexion, it was generally agreed that, while the trade restraining effect of low import duties on cocoa beans was very modest, the removal of internal taxes could have the effect of increasing consumption. There was a difference of view within the Sub-Group as to the extent of the increase that might be expected.
- (v) The Sub-Group recognized that preferential arrangements had, in the past, only given rise to problems of a marginal character. Concern was, however, expressed by some representatives as regards the effects when the common external tariff of the EEC came fully into effect. While these representatives recognized that the EEC proposed to make a considerable effort through the reduction of the common external tariff by 40 per cent, they expressed the need for further progress. It was agreed that, if an international cocoa agreement was formulated on the right lines, preferences would lose most of the little importance they at present possessed.

(vi) The Sub-Group agreed that the question of access to the developed countries for processed cocoa products manufactured in less-developed countries was an important problem needing serious attention. It was recognized that the development of semi-processing industries in the producing countries would enable these countries to increase their export earnings and to diversify their economies. At present the high level of duties on semi-processed products tended to discourage the development of such industries. The Sub-Group agreed that, if it unfortunately proved to be impossible to negotiate an international cocoa agreement providing for the progressive elimination of taxes and duties on processed cocoa products as well as on raw cocoa, these important questions could appropriately be dealt with in the forthcoming GATT Trade Negotiations.

#### COFFEE

(i) The Sub-Group was in agreement that the existence of two distinct market systems had to be recognized and it was the view of the Sub-Group that the desirable objective was the reconciliation of these two marketing systems with the elimination of regional inequalities.

(ii) The Sub-Group considered that such a reconciliation could be facilitated on the one hand by an efficacious implementation of the Coffee Agreement which might conceivably lead to a maintenance of prices at an equitable level and, on the other hand, through the medium of the Convention concluded between the EEC and associated States which will make it possible gradually to decrease sheltered prices to the level of prices in the world market.

(iii) The Sub-Group noted the statements of representatives of the EEC and of the associated States that the provisions of the Convention between them represented the extent to which the Community and the associated States could go for the time being.

(iv) The Sub-Group noted the view expressed by some representatives that a reduction in prices for producers now enjoying premium prices in sheltered markets should be offset by increases in economic aid, in particular from the importing countries benefiting from the lowering of prices.

(v) The Sub-Group also noted the view expressed by other representatives that it should be possible to make further progress towards increased trade and consumption. In the view of some representatives quantitative restrictions would have to be recognized for the time being as an unavoidable part of a dual-price system. However, many representatives felt with reference to paragraph 47 of the Coffee Agreement that concerted action should be taken to reduce or remove obstacles to trade and

consumption, and tariffs and internal charges in particular. If prior action had not otherwise been taken - and the urgency attached to this question by many countries was fully recognized in the Sub-Group - such action could appropriately be taken on a unilateral basis by the industrial countries in the forthcoming GATT Trade Negotiations. Moreover, with respect to internal charges, action could be taken at the GATT ministerial meeting to which this question had already been referred by the Special Group.

(vi) It was emphasized by several representatives that, in addition to the fact that a reduction in or abolition of tariffs and internal charges would lead to higher consumption, such policies would be regarded as an important manifestation of the principle that industrial countries should not finance their government expenditure by hampering exports from the less-developed members of the trading community. It was admitted, however, that for many countries, a change of the fiscal structure, such as was necessitated by such a reduction or abolition, would have to be gradual.

(vii) As regards raising consumption, it had, however, also to be recognized that a large part of any increase in consumption would have to result from higher incomes and forming of coffee-drinking habits, also in the producing countries.

#### BANANAS

(i) The Sub-Group stressed the particular character of the banana trade which was largely due to the characteristics of the commodity and the consequential high degree of integration within the trade.

(ii) It was recognized that preferential arrangements, made effective through tariffs, restrictive State-trading practices and, in particular, quantitative restrictions resulted in high import prices and had trade directive effects; in some sheltered markets, however, consumer prices were not excessively high due to the modest trade margins involved.

(iii) There was general agreement that a removal of trade barriers which would lead to a fall in consumer prices would bring about an increase in banana consumption, although there were differences of view as to the extent of such increase.

(iv) The Sub-Group recognized the importance of sheltered access to some of the producing countries concerned and the adverse effects on these countries' export earnings from bananas that might result from the removal of all measures providing for sheltered access, especially in the case of marginal producers.

(v) The Sub-Group also recognized the difficulties of the non-sheltered exporters and their serious concern about the effects of existing preferences and of any extension of preferences.

(vi) There was agreement in the Sub-Group that there was a considerable lack of knowledge about many aspects of the banana trade and industry, including such matters as price elasticities, elasticities of substitution of other fruits, organization and costs of production, producer prices, transport and marketing as well as data on wages, social charges, wholesale and retail prices, etc. The Sub-Group would therefore recommend that studies on these problems should be undertaken. Such studies, which would require the collaboration both of governments and the banana industry, could, in the view of the Sub-Group, appropriately be undertaken jointly by the GATT and the FAO secretariats. The GATT secretariat will submit to the Special Group a possible programme of further studies.

(vii) The Sub-Group recommended to the Special Group that the discussion of this question of trade in bananas should be carried forward on a continuing basis.

#### TROPICAL OILSEEDS AND OILS

(i) The Sub-Group felt that a consideration of the problems confronting exports of tropical oils and oilseeds was particularly hampered by their complexity. Although a great amount of agreement existed on certain aspects of the problems none of these aspects could be considered in isolation. It was, therefore, not possible at this stage to put forward proposals for a specific course of action and the Sub-Group felt that further studies in depth of the problems involved were required.

(ii) There was a general consensus of opinion that the price of tropical oils and oilseeds was an important matter for the exporting countries. However, a commodity agreement approach to strengthen the price of these products would not constitute a solution which would be applicable in practice because of the immediate substitutability by other tropical oils, by temperate zone vegetable oils and oilseeds and by animal fats or fish oils.

(iii) The Sub-Group recognized that, while the removal of preferential arrangements would have an adverse effect on countries benefiting from preferences, a solution to the problems referred to above should be sought which would be satisfactory to all less-developed countries producing these commodities. If a solution was to be found in terms of a reduction or elimination of duties and other import barriers, and hence in a removal of preferences, such a solution had to incorporate appropriate safeguards for countries depending on preferential arrangements. An appeal was made that pending a solution along these lines, nothing should be done to intensify and extend present preferential arrangements to the prejudice of non-sheltered supplying less-developed countries.

(iv) It was felt that promotion of trade between the less-developed countries themselves - by inter-regional arrangements or otherwise - might contribute to a solution of the problem.

(v) A number of representatives suggested that a solution of the problems would be facilitated if industrialized countries ceased to differentiate in their import policies between vegetable oilseeds and oils.

(vi) The Sub-Group agreed that developments in production and exports of temperate zone vegetable oilseeds and oils and of animal fats were of primary importance to the less-developed countries supplying tropical oilseeds and oils. The general prospects for exports of tropical oilseeds and oils did not appear to be favourable. The Sub-Group agreed that consideration should be given to the question of including the problems of tropical oils and oilseeds in the framework of general trade negotiations and in international discussions on internal agricultural price and production policies.

(vii) It was recommended that industrialized countries, in framing their agricultural policies should, where these policies affected tropical oils and oilseeds, duly take into account the predominant importance attached by less-developed countries to maintaining and increasing their exports of these products unhampered by trade barriers.

#### TEA

(i) There was wide support in the Sub-Group for the proposal for duty-free entry for tea and it was agreed to recommend to the Special Group on Trade in Tropical Products that it should pursue this proposal.

(ii) With respect to internal charges, action could be taken at the GATT ministerial meeting to which this question had already been referred by the Special Group.

#### TROPICAL TIMBER

There was general support in the Sub-Group for the proposal for duty-free entry for tropical timber and it was agreed to recommend to the Special Group on Trade in Tropical Products that it should pursue this proposal.