

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Special Group on Trade in  
Tropical Products

REPORT OF THE CHAIRMAN OF THE SPECIAL GROUP  
ON TRADE IN TROPICAL PRODUCTS  
TO THE COMMITTEE ON TRADE AND DEVELOPMENT

1. At the thirteenth session of the Committee on Trade and Development, in February 1969, it was agreed that the Special Group on Trade in Tropical Products should be asked to take up on a priority basis outstanding problems relating to groundnut oil and certain other vegetable oils of particular export interest to developing countries with a view to ascertaining certain specific points relevant to the Group's work programme (these points are set out in COM.TD/65, page 2). The Special Group accordingly convened on 27 May 1969. In his capacity as Chairman of the Special Group, the Director-General has been asked to report on its behalf on the proceedings of that meeting.
2. The Group had before it two documents prepared by the secretariat. One of these papers (SGTP/11) contained a review of the world oilseeds and vegetable oils situation and of problems of access to markets for tropical oilseeds and oils, with special reference to competition with, and substitution by, temperate-zone oilseeds and oils as well as animal fats. The main element which emerged from the review was that whereas tariff on oilseeds was not a major barrier to trade, vegetable oils faced tariff barriers of significant proportions. These products were also affected by quantitative import restrictions in certain industrial countries. Production of oilseeds and oils had increased at a faster rate in developed countries and in the Eastern trading area than in developing countries. Growth in the exports of developing countries had also been considerably smaller than those in the other two groups of countries. In another paper (SGTP/12) the Group was informed of the deliberations in the other organs of GATT, notably the Agriculture Committee, and in other organizations, notably the Food and Agriculture Organization. It was noted that the FAO study group on oilseeds and oils, in a recent report, had noted with satisfaction that initiatives to reduce tariffs and other obstacles to trade in oilseeds, vegetable oils and fats were being taken up in GATT. In the course of discussion the attention of the Group was drawn also to an UNCTAD Secretariat paper reviewing current international action with respect to individual commodities (TD/B/C.1/61 and Add.3), which gave an outline of the problems recently examined by the FAO study group, including problems of trade liberalization, compensatory arrangements to cover shortfalls in export earnings of developing countries from oilseeds, fats and oils, and the possibility of internationally financed food aid involving oils and fats. It was noted that the executive heads of UNCTAD and FAO would shortly be discussing the various problems relating to the establishment of an Intergovernmental Consultative Committee on Oilseeds, Oils and Fats.

3. Having reviewed the activities in the Agriculture Committee as well as those in UNCTAD and FAO, the Group proceeded to examine the particular questions referred to it by the Committee on Trade and Development, namely, to what extent problems affecting groundnut oil, palm oil and other tropical oils and oilseeds of particular interest to developing countries could be distinguished from those affecting temperate-zone oils and oilseeds and whether some aspects of those problems could be singled out for independent and speedy action outside the agreed work programme of the Agriculture Committee. In the course of discussion, most members expressed the view that the secretariat paper in SGTP/11 provided a faithful account of the current situation in the trade in this sector and of the problems faced by developing countries exporting those products. There was general recognition of the extent and severity of the problems facing developing countries exporting oilseeds and vegetable oils.

4. In the view of certain developing countries, even though there was a degree of substitutability between different kinds of vegetable oils, the problems of particular relevance to the tropical oilseeds and oils could be identified and action that would improve the position of the developing countries exporting those oilseeds and oils taken, without waiting for solutions for the whole of the oils and fats sector. The tariff and non-tariff barriers affecting imports of tropical oils were sufficiently known and there was no reason why steps to reduce or remove such barriers with a view to increasing access to the markets in industrial countries could not be undertaken with respect to these specific products. These countries recognized the value of the work being pursued in the Agriculture Committee, but considered that, in view of its preoccupation with a wide range of products, many of them of great importance to developed countries, the Agriculture Committee might not be in a position to give the urgent and immediate attention to tropical products that the current problems faced by developing countries warranted. These countries, therefore, proposed that the Special Group should recommend independent action for the liberalization of the tropical oilseeds and oils in question. In this context, it was further proposed by a delegation:

- (i) that the Special Group should, at this meeting, take note of the findings embodied in the secretariat paper in SGTP/11, especially those relating to the urgency of the problems faced by developing countries exporting tropical oils and the damaging effect of the differential duties applied to tropical oilseeds and oils on their efforts to diversify and develop their economies;
- (ii) that, while recognition should be given to the competence of the Agriculture Committee in dealing with the problems affecting oilseeds and oils and in finding long-term solutions in the general context of agricultural problems, developed countries should, in the meantime, be invited to give immediate consideration to action to reduce and remove trade barriers affecting tropical oils; they should be asked to report to the next meeting of the Special Group, to be held immediately after the summer recess, on any action taken; and

- (iii) that the Committee on Trade and Development should, on the basis of the Special Group's report after that meeting, arrange for negotiations with a view to bringing about the desired measures of liberalization within its competence in implementation of point 7 of the Conclusions of the twenty-fifth session.

5. The developed countries represented at the meeting stressed the complex nature of the inter-related problems affecting oilseeds, oils and fats in general and the difficulties in devising solutions for these problems with respect to particular products in the sector. In the view of some of these countries, a settlement of the wider issues of production and price policies in the oils and fats sector as a whole was needed to permit trade liberalization; it would be extremely difficult to take action in respect of seeds and oils of tropical origin before the situation in respect of production and trade in fats and oils could be seen as a whole and solutions had been found for the underlying problems.

6. Certain developed countries pointed out that trade liberalization in this sector was important not only for developing countries, but also for developed countries. They also suggested that efforts should be made to explore the possibilities of lowering the trade barriers maintained by developing countries themselves, especially with regard to imports of oils from other developing countries. The increase in trade among, and consumption in, developing countries would not only be beneficial from the point of view of international economic relations and economic development, but would also contribute to the well-being and health of the people in those countries. The representatives of certain developing countries accepted the desirability of raising the levels of consumption in these products in developing countries but emphasized the need to overcome the financial and other obstacles in the way of such liberalization. It was precisely for these reasons, in their view, that the current proposal for an internationally financed food aid programme with respect to vegetable oils merited serious consideration. The representative of Nigeria considered that the success achieved in the Kennedy Round with respect to grains had conclusively demonstrated the CONTRACTING PARTIES' competence and ability to lay the foundations for any such scheme.

7. The following points emerged from the discussion:

- (a) the Group took note of the problems of access to markets for tropical oilseeds and vegetable oils and of the concern expressed by the developing countries exporters of these oilseeds and oils over recent and current trends in trade in these products;

- (b) the attention of governments should be invited to the view advanced in the meeting that they consider the possibility of taking action in respect of certain specific problems relating to tariff barriers and quantitative restrictions applying to imports of these products mentioned in the secretariat studies and in the course of the discussion. The Group also noted the views expressed by certain importing countries regarding the difficulties in taking action at present with respect to these particular commodities independently of the overall programme being carried out in the Agriculture Committee; and
- (c) the attention of the Agriculture Committee should be drawn to the importance attached by contracting parties to an early examination of these issues in that Committee, having regard to the special problems that existed for developing countries exporting those oilseeds and oils. In its examination of the problems in this sector and in the search for solutions for these problems the Committee should bear in mind the interest of the developing countries in increasing their exports of oilseeds and vegetable oils which, in many cases, represented a high proportion of their total export earnings.