

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SGTP/17/Add.2  
17 July 1970

Limited Distribution

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Special Group on Trade  
in Tropical Products

IMPORT DUTIES AND INTERNAL CHARGES ON  
TROPICAL PRODUCTS

Addendum

1. Reference is made in paragraph 10(i) of SGTP/17 to the Working Party on Border Tax Adjustments. At its meeting from 6 to 8 July 1970 the Working Party considered, inter alia, questions of border tax adjustments on products of special interest to developing countries and the best way to deal with these questions.
2. With regard to the forty-four products<sup>1</sup> of interest to developing countries, for which information on border taxes was collected by the Working Party, three items - tea (BTN 09.02), soluble coffee (21.02) and black pepper (09.04) - are included in the product groups to be given priority consideration by the Special Group on Trade in Tropical Products.
3. The following were among the points mentioned during the meeting by representatives of developing countries and developed countries respectively. The text may not entirely cover the points raised; a full record of the discussion that took place in the Working Party is being prepared by the secretariat for circulation in due course.
4. Developing countries
  - (i) Although the information so far available was not adequate for analyzing this issue to the fullest extent, there appeared to be instances where certain products imported from developing countries are subject to unreasonable differential border tax adjustment treatment. The differential tax treatment could be eliminated by a downward adjustment of the tax on one product of a developing country to the lower tax rate applied to another comparable product.
  - (ii) Certain products of interest to developing countries are subject to high levels of indirect taxation. These high levels of indirect taxation should be reduced.
  - (iii) Changes in tax system, e.g. from a cascade to a TVA system, had sometimes resulted in higher indirect taxes. It was suggested that in these cases, taxes should be restored to their original lower levels.
  - (iv) Tropical products imported from developing countries but not produced by developed countries should be exempt from internal taxes to comply with the relevant GATT Articles and to ensure trade neutrality. Reference was also made to the

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<sup>1</sup>Listed in Spec(68)97 and Add.1

Ministerial Conclusions of May 1963 which provided for the reduction and elimination of internal charges and revenue duties on products wholly or mainly produced in developing countries.

(v) It would be administratively possible to exempt from indirect tax in developed countries products produced and exported by developing countries. Moreover, this should not present any great difficulty given the relatively short list of products of interest to developing countries.

#### 5. Developed countries

(i) Where it was considered that unreasonably different rates of tax were imposed on like products, such problems could be considered on a product-by-product and case-by-case basis. With regard to the difference in tax rates applicable to similar products, this was attributable in the country concerned to the differing degree of commercialization of the product.

(ii) Selective taxes may be imposed for a number of reasons, including health or budgetary reasons. In some instances, specific selective taxes have remained unchanged for many years and their impact on consumption has become less important because of changes in real money values.

(iii) Tropical products are not necessarily subject to discriminatory indirect taxation. There is, for example, in one country a high tax on mineral water which is also a beverage product.

(iv) The application of different rates of indirect taxation is actually being applied by some countries using the TVA. It is therefore technically feasible, although difficult to administer.

(v) The conditions of Article III of the General Agreement could not be interpreted as forbidding the application of taxes to products not domestically produced. These conditions aimed at preventing protection being given to national production by means of internal taxes. However, it was pointed out that further examination of the interpretation of the relevant rules of Article III could be useful.

(vi) Exemption of internal taxes on products of interest to developing countries would imply manipulation of the fiscal system for commercial purposes. This would create a dangerous precedent and would be contrary to the rules and basic principles of the GATT.

(vii) Some countries recalled that they had not subscribed to the obligations of the 1963 Ministerial Conclusions, in particular those relating to taxes on products imported mainly from developing countries.