

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SPECIAL GROUP ON TRADE IN TROPICAL PRODUCTS

RECORD OF DISCUSSIONS AT MEETING OF THE SUB-GROUP ESTABLISHED BY THE SPECIAL GROUP HELD FROM 3-6 DECEMBER 1962

INTRODUCTION

1. The purpose of the Sub-Group's meeting was to discuss the work already done by the secretariat and to give the secretariat directives for its further work in connexion with the Sub-Group's terms of reference. Certain documents - W(62)1 and W(62)2 and Spec(62)337 and Add.1 - had been distributed to members of the Sub-Group.
2. The Chairman informed the Sub-Group that he had been informed that the overseas States associated with the European Economic Community, which had been invited to participate in the work of the Group, were unable to send representatives to the present meeting but expected to collaborate fully in 1963.
3. The Sub-Group examined the proposed outline of the totality of the work to be done by the secretariat (pages 1 and 2 of Spec(62)337) and the notes on individual commodities prepared by the secretariat (Spec(62)337).

OUTLINE OF TOTALITY OF WORK TO BE DONE BY THE SECRETARIAT

- A. Description of the barriers to trade and preferential arrangements existing at present
4. The Sub-Group had before it a Note submitted by the Government of Ceylon (Spec(62)339) suggesting that the Sub-Group should concentrate on examining the problems of countries which considered that they would suffer hardship from the removal of preferences. It was the hope of the Government of Ceylon that the Special Group could meet in February to consider the report of the Sub-Group and prepare a final report for the ministerial meeting in the Spring.
5. The representative of Brazil was also concerned with the time factor. In his view the terms of reference of the Sub-Group did not call for comprehensive studies. The notes which had been prepared by the secretariat in document Spec(62)337 gave rise to concern that much more work was being contemplated than was necessary. The work should be kept within reasonable bounds. What the less-developed countries were seeking were proposals for action and a new decisive element in the situation was the meeting of Ministers to be held early in 1963. The delegation of Brazil would

suggest the following guidelines: (a) the studies should remain in the form of short notes; (b) arbitrary positions and disputed points should not be pursued in the studies; (c) whenever possible reference should be made to existing studies by the GATT, by other international organizations and by experts; (d) the conclusions are the important thing and these could preferably be summarized in table form. The main object of the work should be to estimate qualitatively the effects of the removal of sheltered access on previously sheltered countries so that the industrialized countries could decide on alternative measures of assistance, the burden of which would not be borne by other less-developed countries. This work needed to be done in good time to enable the Special Group to make its proposals and governments to consider these proposals. The exact measurement of what those countries without sheltered access would gain by the removal of preferences was not wanted. Regular aid, or the setting up of some compensatory financing arrangements as suggested in the proposal put forward to the Special Group in document Spec(62)154 by Nigeria and Brazil was what was necessary and the Sub-Group's work would not be completed until proposals of this sort were forthcoming.

6. Speaking on behalf of the European Economic Community, the representative of Italy said that the governments of the member States of the Community had not yet been able to complete their study of the documentation made available to the Sub-Group. In those circumstances, the delegation of the Community could not at that juncture take a stand in regard to the documentation. The spokesman for the Community recalled, in addition, that the problems referred to the Sub-Group for study were of particular interest to the associated African and Malagasy States, whose representatives had not yet been able to take part in its work. Nevertheless, the representative of the Community said that the members of the EEC delegation considered, after a first reading of the documentation, that the secretariat's proposals were in the right direction and already constituted a valuable starting-point for the Sub-Group's future work. The representative of the United States considered that there was no choice but to go ahead on the basis of the existing terms of reference.

7. The representative of Nigeria, referring to the paper (Spec(62)339) submitted by the delegation of Ceylon, said that, as regards tea and tropical timber, it appeared that there might be no problem over the removal of protective barriers and preferential systems with regard to those two products. The position of coffee and cocoa depended a great deal on the results of commodity agreements that were already negotiated or in the process of being negotiated. The work of the Sub-Group could then be concentrated on oilseeds and vegetable oils which raised problems that went far beyond mere preferential systems.

8. The representative of the United Kingdom suggested that, at this stage, discussion in abstract terms of the priorities to be adopted did not seem very profitable and the best course might be to embark on the consideration of papers prepared by the secretariat.

9. In summing up this part of the discussion, the Chairman said that there appeared to be concern that unnecessary work would be undertaken and cause undue

delay in the production of results. There need not be concern on this as the secretariat would undertake to complete its further studies by February 1963. He suggested that the Sub-Group should indicate which studies it wished to be undertaken. As regards the documents before the Sub-Group, the commodity notes attached to Spec(62)337 were intended only to show methods of work and were by no means complete. The Sub-Group was not expected to pass judgment on them but merely to comment on the approach and working methods used. With regard to the statistical documents (W(62)1 and 2), which were a collection of basic facts, delegations could submit their comments and proposed amendments to those documents either during or after the present meeting. The secretariat would in any case itself take account of any modifications in the barriers to trade listed in document W(62)2.

B. Effects of a removal of all barriers to trade and preferential arrangements on world trade for each product

10. The representative of India was doubtful about the depth of the further studies referred to in Spec(62)337. He agreed that what had to be looked at was the change in the volume and value of world exports that would result from the elimination of preferences. In his view, it was likely that unit values and volume of exports would increase if trade barriers were removed. The problem was not so much one of discrimination or of redistributing benefits but of maximizing benefits without damaging the economies of countries previously dependent on sheltered markets. It was also necessary to consider what would happen in a particular market if sheltered access were replaced by liberal entry on a multilateral and non-discriminatory basis. The problems might be less serious if elimination of barriers took place not only on sheltered markets but on all markets. One form of compensation for exporting countries dependent on sheltered markets could be, not merely the increase in demand occurring in the particular market where such privileges were enjoyed, but in other markets where tariffs might be reduced. He hoped the final document would take these points into account.

11. The Chairman assured the representative of India that what was sought was to maximize benefits to all countries involved, taking into account not only benefits that would be derived from the removal of preferential arrangements but the improvements that might take place from the lowering of all trade barriers.

12. The representative of the EEC, in a reference to price fluctuations, asked whether the secretariat could estimate the probable size of such fluctuations and the effects they had had on the exports of the countries concerned.

13. The Sub-Group considered the commodities which should be covered by the secretariat's studies. The representative of the United States considered that bananas, coffee, oilseeds and vegetable oils should be included but thought that detailed work on tea and tropical timber was unnecessary since it appeared likely that duties on these products might be reduced to zero in the event of agreement between the EEC and the United Kingdom. In the event of such agreement, the United States would re-examine its existing duties on tropical woods. It was essential that the GATT should proceed with work in relation to the removal of

barriers to trade in coffee. The International Coffee Agreement specifically referred to the importance of the removal of such obstacles. In preparing the study on bananas, he thought it desirable to call on the services of banana experts from certain non-contracting parties, for example, from Ecuador. The OAS might also assist in such a study. The oilseeds problem was complex and some developments in world agricultural policy created further difficulties. While the United States' practices in this area have sometimes been criticized, the United States was prepared to discuss the problems of the producers of oils and oilseeds in tropical areas.

14. In reply to the United States representative, the Chairman explained that the secretariat was in touch with non-member countries and had working relations of some standing with the OAS. Further, the FAO had given assurances that it would give full support and help with the work being undertaken.

15. The representative of Brazil strongly supported the inclusion of coffee and thought that a study on cocoa, as well as studies on bananas, should also be undertaken.

16. The representative of the United Kingdom noted that Committee III had a full discussion at its recent meeting of the forum in which the question of internal taxes should be considered and had decided that it would be preferable for this to take place in Committee III rather than in the Group on Trade in Tropical Products. The representatives of India, the United States and Brazil considered, however, that the removal of internal taxes had to be taken into consideration as any measure which might have a bearing on international trade in the commodities concerned came within the scope of the Sub-Group's terms of reference. There was a danger that placing limitations on the studies would have the effect of reducing the possibilities for reaching solutions.

17. In summing up the discussion on Section B of the Outline of Work, the Chairman said that it had been agreed that the studies would cover the question of internal taxes. As requested, the factual part of the study would contain information on the question of fluctuations in prices and the adverse effects of these fluctuations on the export earnings of the producing countries concerned. As regards the commodities to be covered by the studies, there appeared to be agreement on the inclusion of coffee, cocoa, oilseeds and vegetable oils, and bananas. Representatives from Latin American countries not members of the GATT would be invited to participate in the work on bananas. The representative of India had pointed out that there would be no problem if preferential arrangements on tea were dismantled but, if tea were excluded at this stage, trade barriers in respect of this commodity could, if necessary, be considered by the Sub-Group at a later stage. The representative of Nigeria had indicated that there appeared to be no problem on tropical timber and, in line with the suggestion from the representative of the United States, the Sub-Group had agreed to hold the study on tropical timber in suspense until the outcome of other negotiations was known.

18. The observer for Israel requested that the Sub-Group should consider the inclusion of a study on citrus fruits but the feeling of the Sub-Group was that, in

the first instance, studies should be carried out only on the commodities mentioned in the terms of reference and that Israel could raise the matter of citrus fruits at a later stage.

19. At the request of the representative of the United Kingdom, it was agreed to add a sub-paragraph (iii) to Section B to read: "(iii) the situation for each commodity on individual sheltered markets".

C. Importance of preferential arrangements in the context of the economic needs of selected countries

20. In introducing this section of the work to be done by the secretariat the Chairman said that it would be necessary to consider the scope and nature of the country studies proposed and which countries should be studied. It was not the intention to go into too much detail.

21. The representative of the European Economic Community said that it was assumed that the country studies would be carried out with the concurrence and co-operation of the countries concerned.

22. The representative of the United States said that there was a chance in this section to relate trade problems with development assistance programmes. The GATT work could be linked with that done by the OECD, the International Bank and other organizations concerned with development programmes. He noted that the spokesman for the EEC "warmly supported" this general concept at the June meeting of the Tropical Products Group. While all countries would benefit from the removal of restrictions some might not benefit as much as others, and some might even encounter new problems. He thought the secretariat should concentrate on Somalia and the Ivory Coast and study the impact of the removal of barriers not only on trade and the balance of payments but also the broader economic effects, to include effects on budgets and producers' incomes. It was essential to obtain the agreement of a country to be studied in depth and he was encouraged by the assurances of the Chairman that expert co-operation would be forthcoming. The United States Government continued to attach great importance to the efforts to achieve free entry for tropical products. He hoped that at the next meeting of the Sub-Group delegations would be prepared to face up to the necessity of proposing courses of action.

23. The representative of the United Kingdom indicated that, if the Sub-Group decided that they wished to include the Windward Islands among the countries to be studied, his Government would, of course, be ready to co-operate but would wish to know more about the implications before embarking on such a study. He wondered what the United States representative had meant in his reference to budgetary implications.

24. The representative of the United States said that some developing countries depended largely for their budgets on export taxes levied on products sold profitably in sheltered markets. If prices were reduced to the level of world market prices that might cause difficulty, as such countries would have to find other sources for their budgetary requirements. The representative of the United Kingdom said that there were in fact no export taxes on bananas in the West Indies, so that this particular issue did not arise there. Nevertheless, any reduction in export earnings would have budgetary repercussions.

25. The representative of Nigeria suggested the inclusion of studies on Senegal and Nigeria, provided the time-limit of January 1963 was not exceeded. He pointed out that Somalia was concerned almost exclusively with bananas, the Ivory Coast with cocoa, Senegal with oilseeds and vegetable oils, whereas Nigeria exported several commodities. Changes in export earnings might have effects not only on Nigeria as a whole but also on its constituent regions.

26. The representative of Ghana asked to have Ghana included among the countries to be studied.

27. The Chairman said that if the list were extended to five countries instead of only two, some country studies could be prepared by February and the rest not until the end of February. Any delay on these country studies would not, however, delay the completion of the work under Section B.

28. With regard to the future meetings of the Committee the Chairman pointed out that the Council had the task of establishing the date and agenda for the ministerial meeting and of putting in hand the necessary preparatory work. The Council was likely to meet in the near future. The Chairman could inform the Council of the status of the Sub-Group's work so that the Council could take a decision on future meetings of the Sub-Group.

29. Following the above discussion on the studies, the representative of Nigeria pointed out that the proposal of free entry went beyond tariffs into the field of revenue and fiscal charges. It was essential, however, as Nigeria had already pointed out, that implementation of any solutions in any one aspect or sector should not be held up by action pending in any other.

30. The Chairman pointed out that the studies which the secretariat was undertaking would have to cover all the relevant aspects of international trade for each commodity. While the studies would have to deal with all trade barriers and the effects of their removal separately, there was, in some cases, an interrelationship between one barrier and another. He suggested that consideration of the points raised by the representative of Nigeria should be delayed until the Sub-Group came to discuss point (f) of its terms of reference. The Chairman said it would be fully recognized that progress in one sector should not be held up by lack of progress in another.

RECORD OF DISCUSSION BY THE SUB-GROUP
ON DOCUMENT SPEC(62)337

Note by the Secretariat

31. Three notes by the secretariat - on bananas, coffee, vegetable seeds and oils - were distributed to members of the Sub-Group in document Spec(62)337.

32. The Sub-Group examined these notes purely from the point of view of the secretariat's approach and working methods and was not asked to express judgment on, or accept any commitment in respect of, any tentative conclusions contained in the notes. These conclusions were in any case essentially of a preliminary nature and were intended purely for illustrative purposes.

33. It was understood that the comments made by delegations were of a preliminary nature and that delegations would be free to submit further comments later to the secretariat in writing if they so wished. Such comments should be received by the secretariat by 15 January 1963.

A. Secretariat note on oilseeds and vegetable oils (pages 16-21, Spec(62)337)

34. The following points were raised by members of the Sub-Group and will be taken into account by the secretariat in the further work to be done on this study.

- (i) In the early part of the paper, oilseeds and oils should be dealt with separately, so that the problems relating to each of them could be brought out more clearly.
- (ii) There should be included in document W(62)1 statistics showing (a) world exports of tropical oilseeds and vegetable oils and world exports of soyabeans and oil and cottonseed and oil (b) world exports of animal fats.
- (iii) It would be useful if in document W(62)2 the ad valorem equivalent of specific duties could be also given. Where necessary, the co-operation of governments should be sought in this connexion.
- (iv) The point was made that it was very doubtful whether it was sound to proceed on the assumption that Asian and African countries might cease to be net exporters of oilseeds and vegetable oils. India's development plans, for example, provided for a sustained increase in production and the development of exports, if necessary by imposing restraint on domestic consumption. There was the further consideration that less-developed countries would find it difficult to make available foreign exchange for imports of vegetable oils.

- (v) The secretariat paper should examine to what extent the problems which arise in connexion with duty-free entry on the widest possible basis were due to the need for the maintenance of preferences and how far they were due to the desire of governments to protect their domestic industries. These two issues should be clearly separated and considered in the paper.
- (vi) The secretariat should consider to what extent the development of trends should be looked at over a longer period than the 1950's alone.
- (vii) In the last paragraph of page 17 percentage figures showing developments in trade in soyabeans and oil and cottonseed and oil should be given in the same way as they are given in the case of tropical oilseeds and oils.
- (viii) It would be useful to introduce into the text of the paper simple tables setting out the supply position for oilseeds and vegetable oils during the early 1950's and in recent years.
- (ix) Following the second sentence on page 19 it would be useful to have a summary of the findings of Committee II of the effects on the trade in oilseeds and vegetable oils of agricultural support measures.
- (x) In connexion with the last sentence of the third paragraph on page 18, an attempt should be made to bring out the reasons for the decline in United Kingdom imports of groundnuts and groundnut oil in the second half of the 1950's.

B. Secretariat note on coffee (pages 10-15 of Spec(62)337)

35. The following points were raised by members of the Sub-Group and will be taken into account by the secretariat in its further work on this study.

- (i) Tables should be elaborated to enable a comparison to be made easily of the various quantitative estimates already made in the past by the GATT secretariat and other organizations of the effects on trade of a removal of duties and internal taxes.
- (ii) There should be annexed to the secretariat paper a brief description of the provisions of the International Coffee Agreement.
- (iii) There should be included in the tables relating to coffee contained in document W(62)1 figures on per caput consumption in importing countries.

- (iv) There should be some account of developments in prices in recent years with particular reference to the effects of differences in price developments of Robusta and Arabica coffees on the producing countries concerned.
- (v) Account should be taken of the fact that, over and above the provisions of the International Coffee Agreement, there would have to be considerable action in the field of production and supply control if the possibility envisaged in the last sentence of the first paragraph on page 11 was to become a fact.
- (vi) It should be considered in the paper whether a reduction in internal taxes might not be accompanied by a change in trade margins.
- (vii) More attention should be paid in the paper to the possibilities for increased consumption in Eastern Europe.

C. Secretariat note on bananas (pages 4-9 of Spec(62)337)

36. The following points were raised by members of the Sub-Group and will be taken into account by the secretariat in its further work on this study.

- (i) There should be some description of the nature of the industry, for example, costs of transport, capital requirements for handling, degree of concentration in distribution networks, etc.
- (ii) Some information should be included concerning conditions of production, for example wages, prices, paid to producers, etc.
- (iii) Mention should be made of barriers to trade other than preferences, for example operation of government monopolies, administration of sanitary regulations, etc.
- (iv) There should be some description of the various types of bananas and consumer tastes in import markets; account should also be taken of the differing conditions of production and transport of the various types of bananas and the consequent price relationships.
- (v) There should be reference to the fluctuations in production which can result from the short period of gestation of bananas, the effect of climatic conditions and disease, etc.
- (vi) The reference to "preferential agreements" in the first line of page 6 should be redrafted as there are no intergovernmental "preferential agreements" affecting trade in bananas as far as the United Kingdom is concerned.

Note: If there is a similar paper on cocoa, this should follow the lines of the paper on coffee.