

GENERAL AGREEMENT ON TARIFFS AND TRADE

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DISCUSSION IN THE FAO GROUP ON COCONUT AND COCONUT PRODUCTS

The fifth session of the FAO Group on Coconut and Coconut Products, held in Rome from 9-18 September 1963, requested that the Director-General of the FAO should bring to the attention of the CONTRACTING PARTIES the discussions which took place on two of the Group's agenda items and on one of the studies prepared by the FAO secretariat for that session.

The first item in question refers to the effects of price support policies for competing oilseeds and other fats on international trade in copra and coconut oil. The second refers to access to markets of coconut oil exports from the developing countries and the problems raised by the differential tariffs which exist for copra and coconut oil in most industrialized countries.

There are herewith distributed, for the information of contracting parties, extracts from the report of the Group dealing with these two subjects, together with a copy of the study, prepared by the FAO secretariat, on United States support policies for soybean.

EXTRACTS FROM REPORT OF FIFTH SESSION,
FAO GROUP ON COCONUT AND COCONUT PRODUCTS

Effects of price support policies for competing oilseeds and other fats

22. At its last session the Group had asked the secretariat to revise and complete its preliminary paper on the Effects of the United States Price-Support Programme for Soybeans on International Trade in Copra. In presenting the revised study (CCP Coconut 63/3) the Secretary drew attention to the judgment reached in the study, that it appeared that the very large expansion of soybean exports from the United States, which had been partly brought about by the domestic price-support policy, might well have had some price depressing effect on the world fats and oils markets. Any direct displacement of coconut oil by soybean oil, however, had been very limited. The conclusions reached in the study were in the nature of judgments which could not be quantified precisely or proved statistically. A more intimate knowledge of the markets based on information not at present available to the secretariat would be necessary for the compilation of a more comprehensive study.

23. In the discussion, there was a general agreement from delegations of coconut producing countries with the conclusions of the secretariat. The delegate of Ceylon expressed his apprehension that a continued extension of United States programmes for soybeans and soybean oil might have severe consequences for the export earnings of coconut producing countries. While it might be true that the displacement of copra and coconut oil exports had been quantitatively small, the main issue was really the impact on the prices of coconut products and on the earnings of producers. A further and more complete investigation of the whole subject was considered essential by Ceylon to enable that country to re-evaluate its programme of development. The Federation of Malaya delegate stressed that though there was certainly no deliberate intent on the part of the United States to disrupt the international markets for coconut products, the United States soybean programme did, in his view, to a certain degree displace and compete with copra and coconut oil. The harm, however, could have been greater. He suggested that the United States review its policy on the operation of Public Law 480 so as to minimize its detrimental effects on coconut markets; to eliminate developed countries - and particularly traditional coconut markets - from Public Law 480 programmes; and to adjust the support to soybean price so as not to provide undue incentives to an increase in production. These views and those of the delegation from Ceylon were supported by the delegations for the Philippines and Thailand. The delegate of Indonesia explained the peculiar position of his country, which this year is a recipient of soybean oil under Public Law 480, owing to difficulties in intra-island transport of copra and to the lack of foreign currency. He suggested that countries exporting coconut products should approach the United States directly when they expect harmful effects from that country's disposal policy.

24. The United States delegates had some reservation about the conclusions of the report. Soybean production on a large scale in the United States had probably lowered the price of coconut products, but it was very unlikely that the United States support programme had been the major influence on expansion of soybean output in recent years. It reflected rather a considerably expanding demand for protein concentrates to support a growing livestock and poultry population in the United States and Europe. Public Law 480 contracts for edible oils were concluded only after a detailed examination of the needs of the applying country; the United States insisted that usual imports of that country be maintained, and it furthermore tried to consult with interested third countries to minimize adverse effects. The United States policy guaranteed orderly marketing which prevented the highly undesirable practice of dumping and its consequent depressing influence on prices of fats and oils. The production of soybeans was expected to increase further in coming years in response to the expanding demand for animal feeds. Under the feedgrains programme, there was, however, this year an inducement to farmers not to expand their acreage under soybean in the sense that certain payments for reducing feedgrains acreage were conditional upon these areas not being planted to specified crops, including soybean.

25. The delegate of the United Kingdom recognized the link in developing countries between the level of export earnings and the speed of development of national economies. Support policies in the United States and other developed countries could have an effect on world prices, and in framing their policies these countries should take into account the need of developing countries to increase their export earnings. The United Kingdom had already taken some initiative in the GATT on this problem. The Group agreed with his suggestion that the attention of the CONTRACTING PARTIES to the GATT should be drawn to the secretariat paper and to the comments made by the various delegations.

26. The discussions on this subject had led the Group to conclude that price supports and other national policy measures for competing edible fats and oils would continue to lead to serious problems for exporters of coconut oil. The Group therefore considered it important to keep this field under close review and asked the secretariat to undertake for the next session a supplementary study bringing up to date the information contained in document CCF/Coconut/63/3, as well as an analysis of any other major developments in national support policies for competing fats and oils.

Import policies and problems

27. The Group discussed the three agenda items bearing on this subject: Import Tariffs on Coconut Oil; Sixth FAO Regional Conference for Asia and the Far East, Resolution 2/62 (Access to Markets); and Recent International Policy Developments and Proposals.

28. The producing countries explained their problems. The logical stages in the development of their coconut industries are from production of raw materials to processed and semi-processed products. To be able to follow these stages, producing countries must have access for such products to markets in industrialized countries. Currently, in most of these countries, there is tariff discrimination against a semi-processed product such as coconut oil in favour of the raw material copra. This directly retarded industrial development in developing countries with important coconut industries and adversely affected their export earnings. For example, oil crushed and traded within the EEC has a tariff advantage over oil imported from non-associated producing countries and, under present plans, this advantage will progressively increase. If recent proposals made by the Commission materialize, the associated African States will have a guaranteed privileged position in the EEC market. This would encourage expansion of their present small output.

29. The Executive Secretary of ECARE had addressed to the EEC a request to revise tariffs on coconut oil. The gist of the answer from the European Commission, as conveyed to the Group by the representative of the Philippines, was that the copra production potential of the associated African and Malagasy States was limited and their exports negligible; the granting of a moderate tariff preference in respect of coconut oil was not likely to affect traditional patterns of trade and those associated States would benefit only marginally from the common customs tariff applied to this product.

30. The producing countries appreciated that importing countries could not liquidate their crushing plants but they did say that the developing countries should be allowed to compete on equal terms in their markets. Only if they could sell such products as coconut oil could producers expand their economies and become better customers for the exports of industrialized countries.

31. Representatives of the Netherlands and France first noted that there was a common policy on such matters and that their countries could not take unilateral action. Negotiations of tariffs would take place in the GATT in 1964. There was little now to report since the position was outlined at previous sessions of the Group. The most important fact was that the future common tariff on copra would be nil while the duty on coconut oil would be only 10 per cent. This was not an extraordinary duty by any criterion. The growing preference for coconut oil traded between EEC countries was a logical consequence of economic union. However, they did recognize that the differential tariff for copra and coconut oil represented an economic problem for the producing countries which wanted to develop further their countries' industries and that this problem should be explored. There should be more documentation and more discussion before conclusions were reached.

32. In various cases, such as Australia, coconut oil carried no import duty. The same was true for oil imported by certain countries e.g. the United Kingdom and the United States from sources which at present benefited from preferential trading arrangements. Thus the processing industry in the developing countries benefiting from preferential treatment competed freely with plants in these importing countries.

33. The Group was told that discriminatory duties against coconut oil in Latin American countries were imposed only to protect employment in their processing industries, which was necessary in developing countries.

34. The Group noted that the tariff question was one aspect of the wider economic problem of the international location of the oilseed crushing industry and it was therefore glad to learn that FAO hoped to include a study of this subject in its 1964-65 work programme.

35. Since it was recognized by both importing and exporting countries that a problem existed in relation to tariffs applying to trade in coconut oil, the Group requested the Director-General of FAO to bring to the attention of the CONTRACTING PARTIES to the GATT the views expressed at this session on access to markets of coconut oil exports from developing countries.