

GENERAL AGREEMENT ON TARIFFS AND TRADE

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FUTURE ACTION ON TROPICAL PRODUCTS

In connexion with the discussion of preparatory work for the multilateral trade negotiations at the twenty-third session of the Committee on Trade and Development, the United States delegation has submitted the following suggestions concerning tropical products.

The United States has long supported recommendations in the GATT and other fora that countries maintaining barriers to imports of tropical products, including selective taxes, should remove them as soon as possible. Unfortunately, such recommendations have proved ineffective and appear likely to remain so unless they are made part of a new initiative in the context of general trade negotiations.

Any such initiative must come to grips with the problem of preferential access and the loss of preferences for some countries. Existing tariffs on basic tropical products and some processed products are maintained by several developed countries in support of preferential arrangements giving duty-free access to certain developing countries. Paragraph 15 of SGTP/26 reports that tariff reductions on these products were limited in the Kennedy Round because "the existing preferential suppliers were not satisfied that they would secure adequate compensation for the loss of preferential benefits in certain markets through more liberal conditions of access to other markets".

In order to come to grips with this problem next year, some advance work will be necessary. My delegation suggests that the secretariat might start with some studies of the trade position of preferential and non-preferential suppliers. These studies might be divided into two parts: the first would show, for appropriate developed importing countries, the percentage of each tropical product entering at preferential and other rates. The second would provide, for each pertinent developing country, the percentage of its exports of each tropical product subject to preferential and other rates.

It is believed that such studies could be assembled on the basis of presently available information. The results would indicate the dependence of certain developing countries on preferential treatment and the possibilities of finding compensation for the loss of preferences in other markets.

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These indications would vary not only from country to country but from product to product. The importance of preferences might be very great for the exporters of product X from a given country, while the producers of product Y would not be seriously affected by an extension of benefits to all suppliers.

This study might well suggest that the producers of specific tropical products in certain countries would be seriously affected by the loss of preferences. Under these circumstances, the preference-giving and preference-receiving countries might consider whether the continued subsidization of such relatively inefficient production is in the interest of either. They might well conclude that the transfer of resources involved should take the form of direct aid to modernize production methods so that local producers would be competitive without preferential treatment. Alternatively, aid might be used to shift local resources into some other area where the developing country would be more efficient and more competitive.

In any case, further specific information and analysis is needed, and it seems that this is the type of information and analysis that could be useful in the interests of some of the developing countries in connexion with the trade negotiations expected to begin next year.

As a final comment, paragraph 14 of SGTP/26 poses a question as to whether price stabilization agreements might facilitate elimination of discriminatory tariffs and quantitative restrictions, or other action to reduce barriers to imports and consumption. Experience with the Coffee Agreement casts doubt on this theory in the United States view. The agreement which emerged this past weekend from the UN Cocoa Conference may be a new test case. However, in view of the resistance in the Conference to really meaningful provisions for the removal of import barriers, the United States delegation is not very optimistic in this instance.