

GENERAL AGREEMENT ON TARIFFS AND TRADE

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TROPICAL PRODUCTS - BACKGROUND NOTE

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1. For the convenience of delegations, this note provides a synoptic picture of certain salient points emerging from the material in COM.TD/W/189 and addenda. It does not present an exhaustive summary of all the points which may be identified from the information supplied.

Trade flows

2. The tabulations in COM.TD/W/189 concerning trade flows at most-favoured-nation and preferential rates of duty help to identify certain features of trading patterns for the tropical products examined. For the industrial countries as a whole covered in the document, some 85 per cent of imports of these products in 1970 entered at most-favoured-nation rates (including 52 per cent at duty-free levels) and 15 per cent at preferential rates. The bulk of trade is in unprocessed tropical products (for example, about 87 per cent of trade in bananas in 1970 was conducted with the industrial countries on a most-favoured-nation basis).

3. For a number of vegetable oils, preferential trade predominates, accounting for 60 to 85 per cent of total imports of these items into the countries shown. With respect to other semi-processed and processed products, such as coffee and cocoa products, where imports were generally relatively small in 1970, preferential trade accounted for the minor part of total trade. For example, 99 per cent of trade in roasted coffee and 96 per cent of trade in extracts and essences of coffee took place on a most-favoured-nation basis. The same general picture emerges for most cocoa products and tea extracts where the major share of trade in these items was at most-favoured-nation tariff levels.

4. Tables B and C of COM.TD/W/189 illustrate the importance of certain tropical products in the total trade of individual developing countries with the industrialized countries, both at most-favoured-nation and preferential rates of duty. As an example of the former, it may be seen that 70 per cent of total imports by the industrialized countries from Ethiopia in 1970 was accounted for by green coffee on a most-favoured-nation basis (Table 2.B). In the context of preferential trade, the tabulations indicate that in 1970 imports of groundnut oil by the EEC from Senegal accounted for almost 38 per cent of total imports from that country by the industrialized countries shown (Table 13.C). The tables also provide information on the relative importance of trade in the tropical products examined at most-favoured-nation and preferential rates of duty for individual developing countries. With regard to preferential trade,

almost all banana exports in 1970 from a number of countries (including e.g. Somalia, Jamaica and Ivory Coast) were supplied to markets granting preferential access. Similarly with regard to coffee beans 97 per cent of exports from Togo, 78 per cent from Zaire, and 59 per cent from the Ivory Coast were supplied to preferential markets. The same situation arises with respect to exports of vegetable oils and cocoa beans by certain developing countries enjoying preferential access.

5. The material on commodity projections to 1980 in COM.TD/W/189/Add.1, indicates, inter alia, that for certain tropical products, such as tea and vegetable oils, there is expected to be a significant increase in demand in the developing countries over the next few years.

6. The tariff information provided in COM.TD/W/189 indicates that in many cases, through tariff concessions (and suspensions), duties in certain countries on a number of items no longer exist or are at generally quite low levels. It will be seen that through the process of tariff harmonization by the acceding countries with the common external tariff of the EEC some changes in rates of duty will occur. For example, most-favoured-nation duties on such items as vegetable oilseeds will be reduced to zero in the United Kingdom, while duties on certain other items imported by the United Kingdom, such as cocoa beans, will be increased. The tabulations also indicate that in respect of some items, e.g. bananas, import duties remain at relatively high levels in certain markets. Only a few tropical products are covered by the Generalized System of Preferences.

7. The data on trade flows in COM.TD/W/189 indicate a sharp decline in exports according to the degree of processing of the product concerned. While it has been pointed out that, in certain cases, there may be technical reasons for the low export level, it is noticeable that the small volume of exports of the processed product is often associated with a significant degree of tariff escalation. Furthermore, the conclusions summarized in COM.TD/W/189/Add.2 in respect of studies conducted on effective protection, give some orders of magnitude for the effective protection provided to the value-added process in the importing country by the nominal tariffs appearing in national customs tariff schedules.

Variable import levies or import taxes

8. The tabulations annexed to COM.TD/W/189 indicate a few instances where such measures are utilized by importing countries generally within the broader framework of national agricultural policies. In the cases shown, import tariffs are usually nil or negligible.

Internal revenue charges

9. Details of internal revenue charges applied to the products examined in COM.TD/W/189 are shown in the tabulations annexed to that document. With regard to taxes of general application, they vary at one extreme from zero-rating for

most foodstuffs (including tropical products) in the United Kingdom, to relatively high rates applied by some countries at the other. In some cases, selective taxes with a relatively high ad valorem incidence are also applied to certain tropical items.

Import restrictions

10. Although the number of quantitative import restrictions applied to tropical products has been greatly reduced in recent years, the tabulations annexed to COM.TD/W/189 indicate that in some countries such measures continue to be applied to items examined in that document. Some of these restraints have been among those introduced earlier with respect to balance-of-payments reasons under Article XII of the General Agreement or have been justified under Article XI:2(c). It has been stated that some other restrictions have been motivated for the purpose of assisting particular developing countries.

Other non-tariff measures

11. A few such measures (mainly in the fields of packaging and labelling and health and sanitary regulations) have been indicated in COM.TD/W/189 on the basis of notifications contained in the inventory of non-tariff barriers.

Pricing

12. The index of export prices for selected tropical products contained in document COM.TD/W/189 indicates, in some cases, significant price instability and, in other cases an erosion over the period of the study, of prices both in actual and real terms. More recent price developments continue to demonstrate the price fluctuations which occur in respect of these items.

13. As to the tropical products examined in COM.TD/W/189, the renegotiation of the International Coffee Agreement remains under consideration and an International Cocoa Agreement has been recently concluded under the auspices of UNCTAD. The informal arrangement on tea appears so far to have had only a mildly moderating influence on the long-term erosion of tea prices experienced for almost two decades.

14. Whilst it was observed during the discussions on techniques and modalities in the Working Group of the Agriculture Committee that in respect of international stabilization arrangements there were certain difficulties in negotiating and applying this technique, many members indicated that such an approach could be used in the negotiations. It has been stated that Article XXXVIII of the General Agreement provides for joint action in appropriate cases by the CONTRACTING PARTIES in this regard.