

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

CPC/W/58

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Special Distribution

Preferential Arrangements Among Developing Countries Negotiated in GATT

FIVE-YEAR REVIEW

Note by the Secretariat

1. Paragraph 5 of the Protocol states, inter alia, that not later than the end of the fifth year from the entry into force of the Protocol Relating to Trade Negotiations Among Developing Countries, the Committee of Participating Countries (CPC) shall undertake a major review of the arrangements under the Protocol to determine whether they should be modified, enlarged or terminated. The Committee of Participating Countries initiated the process of review of the arrangement at its nineteenth meeting held on 30 January 1978.
2. Recalling recent discussions by the Committee on the question of enlargement of the Protocol and the review of the arrangements carried out in connexion with the annual reports submitted to the CONTRACTING PARTIES to the General Agreement, members of the Committee who spoke on this item at the last meeting, felt that there was no question of terminating the arrangement. Possibilities for enlargement were currently under consideration, and technical work relating to this matter was being carried out by the secretariat. It was suggested that if any member had proposals to make concerning possible modifications to the Protocol, these could also be discussed by the Committee.
3. In taking note of the preliminary comments made by members, the Committee agreed to revert to the question of the five-year review of the arrangement at its next meeting, having as background a note by the secretariat summarizing the main developments since the Protocol entered into force and drawing attention to any comments or suggestions made by members which could be relevant to the five-year review.

4. For convenience, the main points of relevance have been brought together under the following headings:

- I. The Protocol
- II. Accessions
- III. Status of ratifications
- IV. Regional arrangements
- V. Committee of Participating Countries
- VI. Schedules of concessions
- VII. Consultations
- VIII. Rules of Origin
- IX. Special meetings of the Committee of Participating Countries
- X. Enlargement
- XI. Economic co-operation among developing countries
- XII. Concluding remarks

I. The Protocol

5. The background and objectives of the Protocol Relating to Trade Negotiations Among Developing Countries and some of the issues that arose during its negotiation and have since arisen in the course of its operation are summarized in document CPC/W/35.

II. Accessions

6. The Committee has agreed that requests for accession would be considered on a case-by-case basis, having regard to the provisions of paragraph 14 of the Protocol. To the time of preparing this note, the Committee of Participating Countries had approved requests by Paraguay and Bangladesh to accede to the Protocol without carrying out negotiations. The Protocols of Accession of Paraguay and Bangladesh have been circulated in documents CPC/29 and CPC/35 respectively. Following the conclusion of tariff negotiations between Romania and interested participating countries, the Committee approved the accession of Romania to the Protocol. The Protocol for the Accession of Romania has been circulated in document CPC/43. A number of other countries have expressed interest in the Protocol and have been provided with background information on various matters including the benefits which could accrue to them through the schedules of concessions and their participation in furthering the work and objectives of the Protocol.

7. A secretariat note outlining possible terms and conditions which might be appropriate where countries apply for accession to the Protocol without negotiations was issued as CPC/W/21. (Some general comments by members on this matter appear in CPC/17, paragraphs 13-15.)

8. A number of relevant points on formalities for accession in the light of experience under the General Agreement and various matters relating to accession procedures under the Protocol have been summarized in documents CPC/W/28 and CPC/W/57, respectively.

III. Status of ratifications

9. Up to the present time, the Protocol Relating to Trade Negotiations Among Developing Countries, which entered into force on 11 February 1973, has been ratified by all the original signatory countries with the exception of the Philippines. A communication relevant to ratification of the Protocol by the Philippines was circulated in CPC(SECRET)2. The Protocol has also entered into force with respect to Bangladesh. Paraguay has signed the Protocol ad referendum pending the completion of its domestic procedures and Romania is expected to complete its ratification procedures in the near future.

10. At an earlier stage of the work of the Committee, the suggestion was made that pending ratification it might perhaps be possible for countries which have not completed ratification procedures to implement the concessions in the Protocol on a de facto basis (CPC/8 paragraph 12).

IV. Regional arrangements

11. In connexion with the Declaration annexed to the Protocol, membership both in the Protocol and in regional economic and trading arrangements among developing countries has not so far resulted in the notification of any problems for participating countries. Thus, participating countries members of such arrangements have not found it necessary to invoke the provisions of the Declaration.

V. Committee of Participating Countries

12. The Committee of Participating Countries provided for in the Protocol was established for the purpose of giving effect to those provisions of the Protocol involving joint action and generally with a view to facilitating the operation and furthering the objectives of the Protocol. In addition to concerning itself at its quarterly meetings with day-to-day issues, it has focussed a great deal of attention on questions relating to enlargement of the Protocol.

13. The provisional rules of procedure of the Committee of Participating Countries adopted at its first meeting were reproduced in document CPC/2. These rules which may be amended, at any time continue to be applied by the Committee.

14. The Annual Reports of the Committee of Participating Countries to the GATT CONTRACTING PARTIES concerning developments in the preceding twelve-month periods have been circulated in documents L/4091 and Addenda, L/4238 and Addenda, L/4412 and Addenda and L/4561 and Addendum. At the various sessions of the CONTRACTING PARTIES and of the GATT Committee on Trade and Development, contracting parties have reviewed developments concerning the operation of the Protocol and generally expressed support and encouragement for the continuation and strengthening of efforts to increase preferential trade exchanges among developing countries in the framework of the Protocol. The Committee on Trade and Development serves as a forum for following developments and making proposals and suggestions in connexion with the expansion of trade among developing countries, which is an important aim of the Protocol.

VI. Schedules of concessions

15. Within the global framework of the Protocol, and taking into account recent negotiations for the accession to the Protocol of Romania, participating countries have exchanged concessions covering some 740 tariff positions or sub-positions in the CCC Nomenclature; approximately 20 per cent of the concessions relate to agricultural products and raw materials and the remainder to processed products and manufactures.

16. Statistical details relating to trade in items covered by the schedules of reporting countries during the period 1974-76 are shown as an addendum to the last annual report of the CPC (L/4561/Add.1). The data available from the same twelve reporting countries indicates that trade in scheduled items increased about six-fold in terms of US dollars between 1972 and 1976 from \$25 million to \$140 million. While welcoming the continuation of the trend towards the expansion of trade in scheduled items since the Protocol entered into force, members of the Committee noted in preparing their 1976 annual report (L/4412) that trade flows with respect to certain scheduled items remained small or negligible. The Committee referred to its intention to examine the matter with a view to identifying ways and means of seeking an acceleration of the expansion of trade in scheduled items to the mutual benefit of participating countries. It was also mentioned that this question might be appropriately taken up in connexion with work concerned with the enlargement of the Protocol.

17. A decision establishing the procedure for rectifications of a purely formal character to the schedules of concessions was adopted at the second meeting of the Committee of Participating Countries (CPC/4). The question of rectifications and modifications of tariff rates and trade régimes, which may have implications for items included in the schedules of

concessions annexed to the Protocol, has been considered by the Committee of Participating Countries where notifications have been submitted by certain participating countries adopting such measures. In these cases, the relevant points have been examined by the Committee to the mutual satisfaction of interested participating countries.

18. No questions have been raised in connexion with the renegotiation or the withdrawal or modification of concessions under paragraphs 7, 8 and 9 of the Protocol.

19. Up to the present, one participating country has invoked paragraph 11 of the Protocol which permits the implementation of measures limiting imports for balance-of-payments reasons. This participating country instituted a temporary prohibition on the import of two items included in its schedule of concessions (CPC/18).

20. Participating countries, so far, have not found it necessary to apply paragraph 13 - emergency action on imports of particular products, 16 - temporary suspension of rights and obligations, or 18 - withholding or withdrawal of concessions.

VII. Consultations

21. The obligation by participating countries to notify and, on request, to consult on measures which have implications for benefits countries may expect to derive from the arrangement was recalled at the seventh meeting of the Committee of Participating Countries (CPC/17 paragraph 18). In this respect, there is no record of consultations being sought pursuant to paragraph 12 of the Protocol by any participating country.

VIII. Rules of origin

22. The secretariat has circulated a consolidated document containing rules of origin, procedures, and documentation requirements applied in connexion with determination and certification of origin in participating countries which is being kept up to date on the basis of notifications by participating countries (CPC/10 and Addenda).

23. As provided for in paragraph 5 of Annex A of the Protocol, the Committee in 1974 undertook a review of the rules of origin applied by participating countries. The Committee noted that participating countries had not encountered any problems in their trading relationships under the Protocol with respect to rules of origin up to that time. The desirability of

considering the harmonization of rules of origin at some future date was stressed by some members who indicated that they would be ready to put forward concrete proposals in this respect in due course. In the light of comments made concerning possible harmonization, the Committee agreed that it would revert to the subject at a later date (CPC/W/12, CPC/W/12/Add.1 and CPC/13 paragraphs 9-11).

24. Following the concern later expressed by a member that some stamps being used by certain participating countries as well as certain bodies certifying and issuing certificates of origin did not always correspond to the information provided in document CPC/10 and Addenda, a number of participating countries notified changes to their lists of certifying bodies and the stamps used since the procedures were originally implemented. In order to ensure that full benefits are obtained from the concessions contained in the schedules annexed to the Protocol, the appropriate authorities in participating countries have been urged to use their best endeavours to see that certificates of origin comply with the arrangements agreed to in the context of the Protocol. Up to now, all participating countries having ratified the Protocol, with the exception of Bangladesh, have provided the information required concerning certification of origin procedures.

IX. Special meetings of the Committee of Participating Countries

25. Special meetings of the Committee of Participating Countries, to which all developing countries were invited, took place in November 1973 and July 1974. At these meetings, representatives of participating countries and representatives of a number of countries not participating in the Protocol, recalled the historical background of the Protocol Relating to Trade Negotiations Among Developing Countries and exchanged views, *inter alia*, on the questions of accession to and possible enlargement of the Protocol (CPC/S/2 and CPC/S/3). Representatives of developing countries not participating in the Protocol were asked to indicate any particular problems their governments might have in relation to the Protocol so that possible approaches to such questions could be considered (CPC/W/11 and CPC/13 paragraphs 7-8). Procedures for accession to the Protocol and the basic procedural steps that would serve to facilitate the process of accession were circulated in CPC/S/1. Other issues raised at the special meetings included the following: special treatment for the least-developed countries; nature, number and value of the concessions which might be made by countries considering accession to the Protocol; the question of compatibility of membership in regional arrangements with acceptance of the Protocol; and a possible work programme aimed at the continued expansion of trade among developing countries on a preferential basis in the framework of the Protocol.

X. Enlargement

26. Paragraph 6 of the Protocol provides that the Committee shall keep under review the possibility of promoting negotiations for additions or enlargements to the schedules of concessions and may at any time sponsor such negotiations.

27. As mentioned earlier, a number of developing countries have indicated interest in the Protocol and have been provided with relevant information by the secretariat. Some of these countries have made use of the procedures for accession contained in CPC/S/1.

28. During the five-year period covered by the review, and taking into account other relevant developments including developments in other international bodies, the Committee has given close consideration to matters relating to the enlargement of the Protocol with a view to the expansion and greater liberalization of trade among developing countries.¹ Noting that there was a general consensus on the importance of a further round of trade negotiations at the appropriate time, open to all interested developing countries, which would cover tariffs and other trade measures in the framework of the Protocol, the Committee agreed to ask the secretariat to initiate the collection of technical data that may be helpful in assessing prospects to this end, having regard to the need for giving priority attention to matters relating to the multilateral trade negotiations. It was expected that the question of timing and other pertinent points in connexion with a new round of trade negotiations among developing countries would be taken up at a later stage in the light of all relevant factors including the conclusions to be drawn from the technical data, developments in the multilateral trade negotiations, etc.

¹Matters taken up in relation to the enlargement of the Protocol have been summarized in documents CPC/W/11, CPC/W/14 and Add.1, CPC/W/16, CPC/W/18, CPC/W/22, CPC/W/32, CPC/W/41 and CPC/W/43; as well as in CPC/1 paragraphs 9-10, CPC/5 paragraph 6, CPC/6 paragraphs 3-6, CPC/8 paragraphs 3-11, CPC/9 paragraphs 3-4, CPC/13 paragraphs 7-8, CPC/17 paragraphs 3-12, CPC/22 paragraphs 4-15, CPC/24 paragraphs 4-16, CPC/30 paragraphs 5-19, CPC/31 paragraphs 4-15, CPC/33 paragraphs 4-19, CPC/36 paragraphs 4-13, CPC/37 paragraphs 3-12, CPC/38 paragraphs 3-11, CPC/40 paragraphs 3-11, CPC/41 paragraphs 3-6 and 9-11, CPC/42 paragraphs 3-4 and 7-8, CPC/44 paragraphs 3-7 and 10-13 and in CPC/S/1, CPC/S/2 and CPC/S/3.

29. Progress reports on the collection of basic data that may be helpful in assessing the prospects of a new round of trade negotiations among developing countries in the framework of the Protocol, including a list of countries having expressed their wish to participate in the preliminary work, have been circulated as CPC/W/45, CPC/W/49, CPC/W/52 and CPC/W/55.

30. In connexion with the expansion of trade among developing countries in the framework of the Protocol, a number of preliminary suggestions concerning negotiations have been made including the possibility of negotiating linear tariff reductions in respect of major categories of developing country imports from other developing countries and the reduction or elimination of non-tariff measures among interested developing countries (CPC/8 paragraphs 6-11 and CPC/30 paragraph 18). A number of points that would need to be considered, at the appropriate time, in connexion with the initiation of a new round of trade negotiations among developing countries appear in CPC/W/32.

XI. Economic Co-operation Among Developing Countries

31. As agreed by the Committee, a paper (CPC/W/35) describing the historical background of the Protocol as well as its objectives, evolution, performance and prospects was circulated to all developing countries. A condensed version of this document was made available to delegations present at the 1976 Mexico City Conference on Economic Co-operation Among Developing Countries. The measures for economic co-operation among developing countries adopted at the Mexico City Conference call, inter alia, for the establishment of a global system of trade preferences among developing countries with the objective of promoting the development of national production and mutual trade. In this connexion, the UNCTAD Secretariat was requested to undertake a detailed study on the various aspects of such a system, covering trade and other matters, taking full account of existing experiences and of the need for co-operation with other related schemes in developing countries and in co-operation with GATT and the regional commissions of the United Nations.

32. An updated version of the secretariat note referred to above was circulated to the Secretariats of regional and sub-regional groupings and other international organizations participating in the Working Party on Trade Expansion and Regional Economic Integration Among Developing Countries held in Geneva in April 1978 pursuant to an invitation arising from the Mexico City Conference. The purpose of the meeting was to draw up for consideration by the Group of 77 guidelines for measures of support for ECDC at the inter-regional level, the establishment of links among developing country groupings, facilitation of participation integration schemes and any machinery required for these purposes.

33. The question of economic co-operation among developing countries has also come up at meetings of the Inter-Agency Group on ECDC established by the ACC Preparatory Committee. Contributions describing, inter alia, relevant activities in the framework of the Protocol have been provided by the secretariat to other international organizations and agencies participating in the work of the Group.

34. Following a request by the UNCTAD Secretariat and taking into account the present functions of the Committee as well as its likely future rôle in connexion with a new round of trade negotiations among developing countries, the Committee instructed the secretariat to invite the UNCTAD Secretariat to its meetings as an observer unless, prior to a particular meeting, consultations indicated that there was a desire on the part of the Committee to meet without the presence of observers (CPC/31 paragraph 2).

XII. Concluding remarks

35. As indicated at the beginning of this note, certain member countries in offering some preliminary comments with respect to the five-year review stated their belief that there was no question of terminating the Protocol. It would appear to be the case that the initial experience of this pioneering effort at inter-regional trade relations among developing countries has demonstrated that such a system can work in favour of the interests of developing countries on the basis of complementarities in their production and trading patterns, taking into account regional and sub-regional trade and economic groupings. Statistics collected by the CPC have shown a significant growth in trade in the scheduled items of reporting countries from very modest levels before the Protocol entered into force. While members had noted that trade in certain scheduled items had shown little or no increase since the Protocol had been implemented, there was a feeling that this was a matter for the Committee to take up at the appropriate time, with a view to identifying any problems that might exist and seeing what might be done to encourage the development of such trade.

36. The Committee of Participating Countries has maintained its regular schedule of quarterly meetings throughout the five-year period under review. In addition to housekeeping matters, the considerable time devoted to enlargement of the Protocol reflects the interest of participating countries in putting the agreement on a more substantial and broad-based footing. The fact that some fifty developing countries, from all regions of the world, are participating in the preliminary technical work to examine the possibilities of a new round of trade negotiations among developing countries, is a further demonstration of the wide-ranging interest in the Protocol by participating and non-participating countries alike.

37. No proposals have so far been made by participating countries for modification of the Protocol. It is understood that even though paragraph 5 of the Protocol specifically mentions the question of determining, inter alia, whether the Protocol should be modified as a result of the five-year review, there is nothing to prevent such proposals being put forward at any time and considered for adoption in accordance with its paragraph 4. It would therefore be up to the Committee to consider any proposals for modification which members might wish to put forward in the light of work currently taking place including that relating to enlargement of the Protocol.

38. In accordance with the provisions of the Protocol and against the background of the information furnished above, the participating countries should now decide whether the arrangements set out in the Protocol should be modified, enlarged or terminated in the light of developments during its initial five years of operation.