

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2141

17 February 1964

Limited Distribution

Original: English

Working Party on Preferences

STATEMENT OF UGANDA

The following statement, drawn up in response to the request contained in GATT/AIR/371, has been received from the Government of Uganda.

General

Stages of development

1. There exist considerable differences in the stages of development of the less-developed countries. This difference is not always reflected by per capita income but becomes obvious when such indicators as absolute manufacturing employment, total number of industries by kind and size, and investment in manufacturing industries are compared. These show roughly the base from which a country has to industrialize. Less-developed countries which are comparatively more industrially advanced than others, are likely to be more competitive in export markets. If stages of development are not recognized the ultimate result could be that the gap in export earnings among certain less-developed countries would increase as fast as the current gap between developed countries and all less-developed countries is now widening. One method of lessening the impact of this process is to have differential preferences so that the least developed countries receive the greatest preferences. Accordingly, we suggest that for the purpose of granting preferences all less-developed countries be divided into two groups taking into account the factors noted above. The least developed group should be granted larger preferences than the more developed, but within each group preferences would be given on a non-discriminatory basis.

Enabling clause

2. There should be a specific clause in the Agreement which provides for the granting of preferences to less-developed countries, but does not forbid the use of discriminatory preferences to adjust for differences in stages of development.

Amending Article I would be the most appropriate method of providing for preferences since it is the one article which now concerns preferences. With regard to the draft amendment proposed by the delegate of India, we suggest that a meaningful compromise would be to accept the first sentence only. The amendment would then meet the above criteria and read:

"Notwithstanding anything contained in this Agreement and without prejudice to the rights of contracting parties in Article I, Paragraphs 2, 3 and 4, contracting parties may accord, with respect to all matters in this Agreement, preferential treatment to products originating in less-developed countries, with a view to promoting the economic development and international trade of less-developed contracting parties."

Recipients

3. We support the view that preferences should only be given among GATT countries on the grounds that the benefits of the Agreement should not be diluted, particularly when it is not difficult or onerous to become a member. If they wish to do so, there should be nothing in the Agreement preventing countries from granting preferences to non-GATT members, but there should be no requirement to this effect.

Preferences Among Less-Developed Countries

4. Regarding the basis on which preferences are to be granted among less-developed countries, we support points i-iii and vi as presented by the United Arab Republic delegate to the Working Party on behalf of some less-developed countries. Point iv should be changed to reflect the stages of development of the various less-developed countries, as noted in paragraph 1. and point v should exempt customs unions and free trade areas.

Preferences Granted by Developed Countries

Products

5. We suggest that preferences should be granted to the products of less-developed countries on an across-the-board basis, with allowance for a limited exception list. This is the method to be used in the Kennedy round and the arguments justifying it apply equally in this case. To revert to the old product-by-product approach, which by its nature is restrictive, is to retrogress and to deliberately lessen the advantages of giving preferences. If preferences are to be effective, they must be granted on as many products as possible.

6. We regard the export incentive effect of preferences on products we do not yet market overseas as being as important, if not more so, than the immediate impact. This has been demonstrated in Uganda in the past.

Margin

7. The margin of preferences, in the first instance, should be the same for all products depending on the stage of development of the country concerned. To try to set a different margin for each product will be so lengthy and cumbersome that the effect of preferences might be delayed for several years. An appeal board could be constituted for exceptions. As to the level of preferences, the least developed countries might be given free entry and the most developed less developed countries split the difference between free entry and the tariff level.

Duration

8. Preferences should be temporary in the sense that as tariffs are reduced to zero, preferences are automatically eliminated.