

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE WORKING PARTY ON TRADE ARRANGEMENTS BETWEEN INDIA, THE UNITED ARAB REPUBLIC AND YUGOSLAVIA

1. The terms of reference of the Working Party were:

"To examine the Trade Expansion and Economic Co-operation Agreement between India, the United Arab Republic and Yugoslavia, signed on 23 December 1967 and set out in L/2980 and Add.1, in the light of all relevant provisions of the General Agreement, having regard to the objectives of the CONTRACTING PARTIES with respect to trade expansion among developing countries and taking into account the discussion in the Council; and to report to the Council."

The Working Party met from 6 to 14 June 1968 under the chairmanship of Ambassador H. Gros Espiell (Uruguay). It had before it the text of the Trade Expansion and Economic Co-operation Agreement (L/2980/Add.1), the communication (L/2980) from the three participating States drawing the contracting parties' attention to the Agreement, and the report of the debate in the Council on 27 and 28 March 1968 (C/M/46).

Opening statement on behalf of the participating States

2. In his opening statement, the full text of which is contained in Annex A, the representative of India, speaking for the three participating States, referred to the opening statement made on behalf of the three countries in the Council as the basic statement of their position (see Annex B). He recalled the recommendation often made to developing countries that they adopt measures of self-help in trade expansion and recapitulated the desire of the three countries to make a contribution towards giving effect to that recommendation. In making a start, the three countries had been motivated by a desire to take practical steps, and the Agreement gave effect to an important objective of the CONTRACTING PARTIES. Further, these negotiations had been based on request lists initially exchanged in the context of the Kennedy Round, and the agreement thus embodied a more intensive effort on their part to complete the negotiations which had been started in the GATT forum but which had not been completed at that time. Moreover, from the very beginning, the three countries had regarded their agreement as part of wider efforts among developing countries in the field of economic co-operation, and for that reason they had kept open the possibility of an extension to other developing countries, on a basis of mutual benefit, of the tariff concessions exchanged among them.

3. After explaining the way in which the Agreement was intended to foster a rational expansion of production and trade in the three countries, the representative of India drew attention to the care that had been devoted to selecting products other than traditional exports of the participating countries with a view to ensuring that the Agreement would to a maximum extent be trade-creating; this approach explained the relatively modest present trade coverage of products included in the Agreement and also would minimize the risk of damage to the trade of any other country. He emphasized moreover, that Article V of the Agreement provided for full and prompt opportunities for consultations if damage should arise; and in this connexion he reiterated the earlier assurances of the three countries, in their communications to the Director-General, that they were ready to consult with any contracting party in any case of practical difficulty.

4. On the question as to which countries were eligible for accession to the Agreement, he emphasized that in the absence of an internationally agreed list of developing countries, the description of eligible developing countries contained in Article IX of the Agreement ("members of the Group of 77") had been adopted as a simple, pragmatic way of indicating the scope for accession, but he assured the Working Party that this would not exclude the possibility of the three countries engaging in similar efforts with other developing countries in the wider framework. In fact, the three countries were participating in the work of the Trade Negotiations Committee for Developing Countries, where request lists were being exchanged with some such countries.

5. As for the compatibility of the Agreement with the provisions of GATT, he suggested that, as a wider scheme would eventually come before the CONTRACTING PARTIES for appropriate action when the Trade Negotiations Committee for Developing Countries completed its work, and as it was the intention of the three countries to integrate the concessions of the present Agreement with the outcome of the negotiations in the Trade Negotiations Committee, the appropriate solution might be for the CONTRACTING PARTIES to reserve their final view about the legal framework until that time.

Discussion

6. Members of the Working Party welcomed the initiative of the three countries in endeavouring to work out new techniques of co-operation among developing countries in the interests of trade expansion. They were encouraged to see that practical effect had been given to the long-standing recommendation that developing countries should devise measures of self-help. They further noted that the Agreement might be regarded as a step towards a wider agreement among developing countries along the lines recommended by the CONTRACTING PARTIES.

7. In the discussion which followed, certain members of the Working Party, whilst appreciating that the Agreement had been kept open to the possibility of wider participation, took exception to the formula contained in Article IX of the Agreement determining which developing countries should be eligible for

accession to the Agreement. They noted that several contracting parties which regarded themselves as developing countries, and which actively participated in the GATT Trade Negotiations Committee for Developing Countries, would be excluded from accession by the formula in the Agreement. The representative of one developing country proposed the inclusion in sub-paragraph 1(a) of the operative part of the draft decision on this Agreement the following sentence: "The participating States recognize the right of all developing countries members of GATT to accede to the Agreement". Some others noted that the assurance given by the three countries that all developing countries might obtain the benefit of the concessions through wider arrangements now being worked out went some way to overcome their concern. These members of the Working Party felt, nevertheless, that the formula chosen was inappropriate in a GATT context and unnecessary in view of the past GATT practice of allowing countries to make their own determination, as it was in their view their inalienable right under international law to do, as to whether they wished to be regarded as developing countries. At best, it was feared, the intention expressed by the three countries to integrate the concessions in a wider framework offered a rather roundabout and uncertain possibility to countries not members of the group mentioned in Article IX.

8. The three countries, in reply to the points raised above, referred again to paragraph 9 of their statement (see Annex A), which reads as follows:

"The fact that the scheme is open to others will be seen from Article IX of the Agreement, under which the three countries have undertaken to take prompt and appropriate action to bring about accession to the Agreement upon request by any developing country, member of the Group of 77. There is no internationally-agreed list of developing countries. It is not our purpose to attempt definitions or classifications. In the circumstances, the three countries have chosen a simple and pragmatic way of indicating the scope for accession to the Agreement. We would, however, wish to point out that this does not exclude the possibility of three countries engaging in similar efforts with other developing countries in wider framework. In fact at present the three countries are already participating in the work of the Trade Negotiations Committee of Developing Countries established in GATT, in which other countries, including those which are not members of the Group of 77 are also participating. Request lists have been exchanged with some such countries. It is the desire of the three countries to explore the possibilities of expanding the scope of the special tariff concessions exchanged under the Agreement. It is their intention to integrate these concessions eventually into an overall arrangement which might emerge as a consequence of multilateral negotiations in the Committee. Paragraph 2 of Article X of the Agreement specifically makes provision to that effect."

9. In referring to other Articles of the Tripartite Agreement, some members of the Working Party noted in particular that Article V of the Tripartite Agreement, while providing for consultations with developing countries, made no such provision for consultations with developed contracting parties; under

Article XXII of GATT all contracting parties had a right to consultation. One member noted that Article VIII of the Tripartite Agreement raised questions bearing on the non-discriminatory obligations of the GATT with respect to non-tariff measures. The representatives of the three countries in reply pointed out that in their communication to the Director-General (L/2980) their governments had already conveyed their readiness to enter into consultations with any contracting party experiencing any practical difficulty due to the implementation of the Agreement. In any case it was their view that the provisions of their Agreement could not be construed as affecting any right of any contracting party under the provisions of the General Agreement.

10. Some members of the Working Party expressed concern as to whether, apart from strictly legal considerations, it was in the interests of the developing countries themselves to begin a process which might lead to a fragmentation of trade and to the creation of a new network of special trade relationships that might in the end prove restrictive and divisive. They felt that this subject warranted further discussion in the wider interest of trade expansion and economic co-operation, possibly in some GATT body specially devoted to the problems of developing countries. The representatives of the three countries in reply stated that their Agreement was a practical step in the direction of positive efforts for trade expansion and economic co-operation among developing countries and in their view the best way of avoiding a situation such as that described above was for developing countries to evolve the multilateral arrangements envisaged in the work of the Trade Negotiations Committee of Developing Countries. In so far as they were concerned, their Governments in their notifications to the Director-General (L/2980) had already conveyed their readiness to participate fully and they were at present actively engaged in the work of the Trade Negotiations Committee.

11. Members of the Working Party also considered that it would be desirable to examine the contribution which the Agreement could make to the economic development of the participating countries and its impact on the trade of other contracting parties. The Working Party requested the secretariat to prepare trade data and facts concerning the treatment accorded by the participating countries to imports of products in the common list of products annexed to the Agreement. Document Spec(68)59 was submitted to the Working Party in response to their request. The representatives of the three countries indicated their readiness to furnish any other relevant information and enter into discussions regarding trade and economic aspects of the Agreement. It was however generally felt that since the Agreement was experimental in nature, it was not possible at present to assess fully its implications for trade of contracting parties. The document was not, in part for these reasons, examined by the Working Party. It was proposed that the Trade and Development Committee consider all the trade, legal and other economic aspects of the Agreement relevant to the work of that Committee. It was also noted that the Trade Negotiations Committee for Developing Countries could have an appropriate rôle in this connexion. It was, however, agreed that it was outside the terms of reference of the Working Party to make any recommendation concerning the allocation of work to these other bodies.

12. Many representatives expressed a willingness to seek a way of affording the three countries an opportunity to give effect to their Agreement. While recognizing the importance of Part IV, several of these representatives considered that it did not override the obligations of other parts of the General Agreement. In their view the Tripartite Agreement was inconsistent with the basic most-favoured-nation provision of Article I of GATT and accordingly some decision of the CONTRACTING PARTIES was required. Further they noted, the Agreement in question not only established new preferences in favour of developing countries, but also confined those preferences to the trade of participating States, to the exclusion of all other developing countries.

13. The representatives of the three countries reiterated that the Agreement was in pursuance of their obligations under Part IV and consistent with the spirit of the General Agreement. Further, the CONTRACTING PARTIES had envisaged special measures being undertaken by developing countries in undertaking practical steps for trade expansion. For their part they would accordingly suggest a decision which, while reserving judgment in regard to the ultimate form of the legal framework in which such arrangements should be viewed, allowed the three countries to proceed with the implementation of the Agreement. They pointed out that in the past the CONTRACTING PARTIES had taken a similar flexible view on numerous occasions.

14. Many members of the Working Party, recognizing that the Agreement was at an early and experimental stage, and that it was not possible at the present time to assess fully the implications of the Agreement in terms of its stated objectives and its effects on the trade of contracting parties, expressed interest in this suggested course of action.

15. In considering the conditions and procedures which should attach to a decision authorizing application of the Agreement, members of the Working Party noted that they would want assurances concerning the willingness of the participating States to consult in the event of injury to trade of non-participating contracting parties. They also attached importance to the inclusion of provisions for periodic review of the operation of the Agreement, noting in particular that they would wish to have an opportunity to consult in advance concerning any proposed extension in the scope of the Agreement or any other modifications. In some circumstances such consultations might lead to the need to review the decision. Further, they believed that the decision should permit review of the question whether to extend or terminate the authorization, or to modify its terms, periodically after an initial short period which would allow time for work to be advanced on the multilateral arrangements now under study. The representatives of the three countries, while indicating their willingness to keep the CONTRACTING PARTIES informed of modifications in the scope of the provisions of the Agreement, stated that the procedures in that regard would have to take into account the nature of negotiations involved in extending the scope of the

Agreement to other developing countries. As regards the duration of the period of the decision, past experience in GATT had shown that multilateral negotiations would require sufficient time for completion. In any case, their Agreement was valid for a period of five years unless modified or extended.

16. In the light of this discussion, the Working Party prepared the decision contained in Annex C. As it had been pointed out that Part IV of the General Agreement had not been accepted by all contracting parties, it was recognized that the reference to Part IV in the second paragraph of the preamble could not create any new obligations for countries which have not accepted Part IV. The representative of the United States said that in the view of his Government the draft decision appended to this report was intended to meet the requirements of Article XXV:5 of the General Agreement. The representative of Cuba reserved the position of his delegation on the draft decision. The Working Party recommends the draft decision to the Council for appropriate action.

Annex A

STATEMENT BY THE REPRESENTATIVE OF INDIA TO THE
WORKING PARTY ON 6 JUNE 1968

1. On 19 February 1968, the representatives of the Governments of India, the United Arab Republic and Yugoslavia, addressed to the Director-General a communication on the subject of trade expansion and economic co-operation agreement signed by the three countries on 23 December 1967 (documents L/2980 and L/2980/Add.1). At the instance of the three countries, the Agreement was placed on the Agenda of the Council meeting held on 27 and 28 March 1968. Minutes of the Council meeting containing the gist of the joint statement made on behalf of the three countries and the discussions in the Council are contained in document C/M/46 dated 5 April 1968. We believe it would be useful for the deliberations of this Working Party to have before it the full text of the joint statement and we are making it available to the members.
2. We are aware that the Agreement has evoked great interest both among developed and developing countries. We look forward to participating in this Working Party in the hope that the members will look upon this Agreement as an effort on the part of the three countries to undertake a practical scheme of trade expansion and economic co-operation. There is already a growing recognition for importance to developing countries of increasing trade exchanges with each other. Indeed, the subject of trade expansion and economic co-operation among developing countries has been engaging the minds of the contracting parties for the last several years and more particularly since the adoption of the new Part IV of the General Agreement. The subject has been discussed and examined in depth in GATT by the Committee on Trade and Development, in UNCTAD and in other international organizations. Many concepts are being evolved and various techniques for undertaking trade expansion and economic co-operation schemes among developing countries have been identified. Consideration has also been given to measures which developed countries could adopt for constructively assisting these efforts of developing countries. In this regard, very recently in the Second UNCTAD a Concerted Declaration was adopted. In this background, the Agreement represents a pioneering though modest effort on the part of the three countries. In doing so, the three countries have been motivated by a desire to take practical steps to expand the area of co-operation and undertake joint endeavours to develop mutually beneficial patterns of trade and development and thus contributing to the development of international trade and to the achievement of objectives of the General Agreement. In this connexion, attention is invited to the Preamble to this Agreement and more specifically to Article I thereof.

3. From the very beginning, the three countries had considered their efforts as a part of wider efforts among developing countries in the field of trade expansion and economic co-operation. They had, therefore, kept in view the possibilities of extending tariff concessions exchanged between the three to other developing countries on a basis of mutual benefit. Further, the negotiations for exchange of tariff concessions were based on the request lists that had been initially exchanged in the context of participation of the three countries in the Kennedy Round. The Agreement thus embodies the results of a more intensive effort on their part to complete the negotiations which had been started in GATT.

4. Some of the salient features of the Agreement are:

(i) It provides for exchange of tariff preferences (referred to as special tariff concessions) on a Common List of products in Annexure I to the Agreement.

(ii) The special tariff concessions would be by way of 50 per cent reduction in the most-favoured-nation rate i.e. the standard rate of customs duties in force. The reduction will take place in two stages: the first equivalent to 40 per cent of the most-favoured-nation rate of customs duties has taken effect from 1 April 1968. It will be further reduced by 10 per cent on 1 April 1969.

(iii) Necessary rules of Origin of Goods have been framed (Annexure II to the Agreement) for administering the scheme; and

(iv) The Agreement will remain valid for a period of five years beginning from 1 April 1968. Article XII provides that it may be modified or extended by mutual agreement.

5. There are some other broad features of this Agreement to which attention must be invited. In this regard we would wish to point out that the Agreement is trade creative; it fully takes into account the trade interest of all contracting parties; and it is open to others.

6. We believe that this Agreement will assist in fostering a rational expansion of production and trade in the three countries as a beginning. Products included in the Common List (Annexure I) are mainly those of non-traditional lines of manufacture and most of which are newly featuring in the export trade of these countries. Exchange of tariff concessions in regard to these products should be expected to expose existing domestic production in the three countries to greater competition and thus would contribute to enhancing the efficiency of production and the competitive position of their exports. Further, availability of larger markets for these products would enable in most cases the concerned industries in the three countries to undertake augmentation of their production and better utilization of the existing industrial capacities. There are many products in the Common List which at

present are either not being produced or which do not feature in the export trade of one or two of the three countries. Exchange of tariff concessions in regard to such products and the creation of multi-national markets is expected to stimulate the establishment of new industries and lead to greater diversification and specialization of production and export. In the circumstances, this arrangement will contribute to the economic development of the three countries, increase their import capacities, lead to more efficient utilization of their resources and would enable them in the long run to contribute to a greater degree to growth of international trade. The arrangements under the Agreement are thus trade-productive. And, by subsequent multilateralization, other developing countries can participate in accelerated economic development and trade expansion.

7. The three countries have striven to ensure that while it should contribute to the creation of new and additional trade exchanges between the three, the Agreement should avoid undue injury to the trading interest of third parties. For that reason, products traditionally featuring in the export trade of the three countries were not considered for inclusion in the Common List. This would be evident from the fact that the products included in the Common List account for a low percentage of the present level of trade exchanges among the three countries. Thus, in the year 1965-66, in the case of India, imports of products included in the Common List from Yugoslavia and the United Arab Republic constituted only about 6 per cent of total imports from these countries. Similarly, in the case of Yugoslavia these products constituted about 10 per cent of total imports from India and the United Arab Republic and in the case of the United Arab Republic these accounted for about 6 per cent of total imports from Yugoslavia and India. Further, imports of products in the Common List as compared to total imports from all sources were 7.5 per cent in the case of India, 10.7 per cent in the case of Yugoslavia, and 6.5 per cent in the case of the United Arab Republic.

8. The percentages stated in the above paragraph would also show that the possibility of trade of any contracting party being seriously affected as a result of the implementation of the Agreement is remote. However, Article V of the Agreement provides for full and prompt opportunities for consultations if such damage arises. Further, the three countries, in their communication to the Director-General (document No. L/2980) have already conveyed their readiness to enter into consultations with any contracting party experiencing any practical difficulty attributable to the implementation of this Agreement.

9. The fact that the scheme is open to others will be seen from Article IX of the Agreement, under which the three countries have undertaken to take prompt and appropriate action to bring about accession to the Agreement upon request by any developing country, member of the Group of 77. There is no internationally-agreed list of developing countries. It is not our purpose to attempt definitions or classifications. In the circumstances, the three countries have chosen a simple and pragmatic way of indicating the scope for accession to the Agreement. We would, however, wish to point out that this does not exclude the

possibility of three countries engaging in similar efforts with other developing countries in wider framework. In fact at present the three countries are already participating in the work of the Trade Negotiations Committee of Developing Countries established in GATT, in which other countries, including those which are not members of the Group of 77 are also participating. Request lists have been exchanged with some such countries. It is the desire of the three countries to explore the possibilities of expanding the scope of the special tariff concessions exchanged under the Agreement. It is their intention to integrate these concessions eventually into an overall arrangement which might emerge as a consequence of multilateral negotiations in the Committee. Paragraph 2 of Article X of the Agreement specifically makes provision to that effect.

10. Finally, we would wish to emphasize that the scheme as evolved is in pursuance of our obligations under Part IV of the General Agreement. As stated earlier, it is our intention to eventually integrate our scheme with the outcome of the multilateral negotiations at present in progress in the Trade Negotiations Committee of Developing Countries. As members are aware, any scheme emerging from these multilateral negotiations will be brought before the CONTRACTING PARTIES for appropriate action. At that time, the three countries will also have an opportunity to inform the contracting parties of their efforts to multilateralize the concessions exchanged under their Agreement. It is, therefore, the view of the three delegations that it will be appropriate for the CONTRACTING PARTIES to reserve a final view about the legal framework to the time when the results of the multilateral negotiations come up for consideration. In that context, the three countries will, of course, be guided by the findings and advice of the CONTRACTING PARTIES.

Annex B

STATEMENT BY THE REPRESENTATIVE OF YUGOSLAVIA TO THE COUNCIL
ON 27 MARCH 1968

1. On 19 February 1968 the representatives of the Governments of India, the United Arab Republic and Yugoslavia addressed to the Director-General a communication on the subject of trade expansion and economic co-operation between the three countries. This has been reproduced in GATT documents L/2980 of 23 February 1968 and L/2980/Add.1 of 4 March 1968. I am sure that the representatives assembled here would have carefully studied the documentation referred to above.

2. After this communication was circulated, we have had the benefit of discussions with the Director-General of the GATT as well as with many representatives of the contracting parties who expressed special interest for the Agreement.

3. I believe that it would be useful if I put forward, on behalf of the delegations of the three countries, some major ideas of the Agreement, in particular its relation to the actions taken by the international economic community and to the efforts made within GATT on the line of expansion of economic co-operation among developing countries.

First of all, may I recall that when the GATT was originally drafted and later reviewed, the less-developed countries had touched on the subject of trade co-operation among themselves. But it took several years for the GATT to be seized of this enterprise. The ministerial meeting of May 1963 agreed to set up a working group to study the granting of preferences on selected products by less-developed countries to all other less-developed countries. Thereafter, a discussion in depth took place during the first UNCTAD in the middle of 1964. A recommendation on this subject was passed without dissent. It should be mentioned that in the ground rules for the Kennedy Round the developing countries were asked to make their contribution to its success by seeking ways and means of expanding their mutual trade.

4. It is well known that the GATT was anxious to help the less-developed contracting parties in trade creating efforts and to this end, introduced Part IV on trade and development. Article XXXVII/4 reads as follows:

"Less-developed contracting parties agree to take appropriate action in implementation of the provisions of Part IV for the benefit of the trade of other less-developed contracting parties, in so far as such action is consistent with their individual present and future development, financial and trade needs taking into account past trade developments as well as the trade interests of less-developed contracting parties as a whole."

5. Several discussions have taken place between the developing countries not only during the Kennedy Round but also in the Committee on Trade and Development. For example, the report of the Committee on Trade and Development which was adopted on 5 April 1966 (document L/2614) states:

"The Committee supports the unanimous conclusion reached by the Group that the establishment of preferences among less-developed countries, appropriately administered and subject to the necessary safeguards, can make an important contribution to the expansion of trade among these countries and to the attainment of the objectives of the General Agreement."

6. During the high-level meeting of the CONTRACTING PARTIES which in November 1967 reviewed its work throughout the last two decades, it was heartening to observe that

"the CONTRACTING PARTIES noted with satisfaction the initiative taken by the developing countries to explore, in the light of their obligations at regional and sub-regional levels and evolving international commercial policies, the possibilities of an exchange of tariff and trade concessions directed towards the expansion of their mutual trade".

7. Following this development concrete measures were envisaged by GATT in collaboration with UNCTAD through the setting up of the Trade Negotiations Committee of Developing Countries which began its examination of practical actions leading to promotion of trade among developing countries and already adopted its working plan for the trade negotiations.

8. During the current meetings of the Second UNCTAD which is being held in New Delhi, a separate working group has been in session. The developing countries, which have shown keen interest in this development, were indeed gratified when the developed countries "welcomed the intention of the developing countries to conclude arrangements among themselves aimed at promoting economic growth and expanding their mutual trade".

9. In the light of these developments and in view of the necessity to break new ground the Ministers of economy of India, Yugoslavia and the United Arab Republic met in December 1966. They agreed that practical steps should be taken to establish special tariff concessions within the framework of evolving international commercial policies. As a result of intensive work between the three Governments, the Agreement, which is placed before you, was evolved.

10. The Agreement embodies the results of a more intensive effort on their part to complete the negotiations which had been started a long time ago in the GATT. In fact, these negotiations were based on request lists which had been exchanged in the Kennedy Round of negotiations.

11. In subscribing to this Agreement the three countries have been motivated by the desire to take practical steps leading to more efficient utilization of their resources and to an expansion of mutually beneficial patterns of trade enabling them thus to contribute to the development of international trade. The primary purpose of the Agreement was to create possibilities for potential trade and the commodity lists have been drawn up in such a way that they do not affect the existing trade. Thus the Agreement is of a trade-creating and not of a trade-diversion nature.

12. When drafting the Agreement the three Governments were fully aware of their responsibility not only from the point of view of their economic interest, but also of the impact of such an agreement on international trade, in particular on the economic co-operation among less-developed countries. Consequently, from the very beginning the three parties kept in mind multilateral efforts of less-developed contracting parties towards this aim. In this respect, two provisions of the Agreement are of particular importance. Article IX provides that "the Agreement shall be open for accession by any developing country member of the group of '77'".

Further, it is the intention of the three Governments to seek integration of the results of their efforts within a definitive arrangement among developing countries which might emerge as a consequence of the work on which most of us are engaged in both the GATT and UNCTAD forums. Article X of the Agreement contains specific provisions to that effect.

13. It is our view that the scheme as evolved is in pursuance of our obligations under Part IV of the General Agreement and is closely connected with the work of the Trade Negotiations Committee of the Developing Countries. The scheme is experimental in nature and the extent to which it would lead to expansion of trade among the three countries cannot now be predicted. Indeed, as has been pointed out in the communication which is reproduced in document L/2980, the three Governments firmly believe that the implementation of the Tripartite Agreement will not adversely affect the trade of any contracting party. As is customary in GATT, the Governments concerned have expressed their readiness to enter into consultation with any contracting party which experiences any practical difficulties.

14. May I on behalf of the three delegations express the hope that the methods and solutions incorporated in the Agreement will prove of interest and support to the CONTRACTING PARTIES as a pioneering though modest effort in finding solutions for the difficulties which the developing countries face in the expansion of trade among themselves and for the benefit of the international trade as a whole. We are at the disposal of contracting parties and would furnish any other information that may be required regarding the Agreement and, secondly, for discussing ways and means of widening and, if possible, deepening its scope.

Annex C

DRAFT DECISION

CONSIDERING:

1. That the Governments of India, the United Arab Republic and Yugoslavia have notified the CONTRACTING PARTIES that they have concluded a Trade Expansion and Economic Co-operation Agreement (hereinafter referred to as the "Agreement"), dated 23 December 1967, and effective 1 April 1968, the stated objectives of which are to strengthen mutual economic co-operation, to increase trade exchanges between the three countries (hereinafter referred to as the "participating States") and to contribute to the development of international trade;
2. That a principal aim of the CONTRACTING PARTIES is promotion of the trade and export earnings of developing countries for the furtherance of their economic development and that, in pursuit of this aim, Part IV of the General Agreement is specifically devoted to Trade and Development;
3. That developing countries have been encouraged by the CONTRACTING PARTIES to explore the possibility of negotiating a multilateral exchange of tariff concessions among developing countries, and that the Trade Negotiations Committee of Developing Countries is actively engaged in the preparation of negotiations between these countries directed to this end;
4. That the participating States have drawn attention to their intent:
 - (a) To create to a maximum extent new and additional trade possibilities especially in non-traditional products, and to avoid undue injury to the trading interests of other contracting parties;
 - (b) To seek the extension of the concessions embodied in the Agreement to all other developing countries by appropriate negotiations and to make their best endeavours to integrate these concessions within the framework of multilateral arrangements elaborated within the Trade Negotiations Committee of Developing Countries which will be reported to the CONTRACTING PARTIES for their consideration in due course;
 - (c) To adapt or modify the Agreement as may be appropriate in the event of adoption of a general multilateral scheme of trade and economic co-operation among developing countries;
5. That the participating States have declared their readiness to consult with any contracting party which considers that the operation of this Agreement is impeding the attainment of any benefit which should accrue to it under the General Agreement or is adversely affecting its trade, and to report to the CONTRACTING PARTIES concerning developments under the Agreement;

TAKING NOTE:

That the Agreement accords to certain goods originating in the territories of participating States upon importation into the territories of other participating States advantages with respect to customs duties which are not accorded to like products originating in the territories of other contracting parties, and that the Agreement may be modified or extended by mutual agreement;

AND RECOGNIZING:

That it is not possible at the present time to assess fully the implications of the Agreement in terms of its stated objectives and its effects on the trade of other contracting parties,

THE CONTRACTING PARTIES DECIDE:

1. That notwithstanding the provisions of Article I:1 of the General Agreement, the three participating States may implement the Agreement, subject to the following conditions and procedures:

(a) The participating States shall consult with any contracting party which considers that the operation of this Agreement is impeding the attainment of any benefit which should accrue to it under the General Agreement or is adversely affecting its trade.

(b) The participating States shall report on any proposed modification in the scope or provisions of the Agreement and upon request, afford the CONTRACTING PARTIES adequate opportunity to consult with them before giving effect to any substantial modification.

(c) On the basis of a report by the participating States on the operation of the Agreement, this Decision shall be reviewed at the twenty-sixth session of the CONTRACTING PARTIES with a view to deciding on its extension, modification or termination, as may be appropriate, taking account in particular of progress achieved in the negotiations conducted within the framework of the Trade Negotiations Committee of Developing Countries and of the contribution of the Agreement to the objectives set out above. In case of extension or modification of the Decision, the operation of the Agreement shall be subject to annual review.

2. That this Decision shall not be construed as affecting any right of any contracting party under any provision of the General Agreement.