

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3950

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TRADE ARRANGEMENTS BETWEEN INDIA, THE ARAB REPUBLIC OF EGYPT AND YUGOSLAVIA

Report of Working Party

1. The Working Party was established by the Council at its meeting on 22 March 1973. Its terms of reference, as amended by the Council on 19 October 1973, were as follows:
 - (i) To consult with India, the Arab Republic of Egypt and Yugoslavia, as provided for under paragraph 1(b) of the Decision of 20 February 1970, with respect to the expansion in the product coverage and extension of the Trade Expansion and Economic Co-operation Agreement of 23 December 1967 as amended by the Protocol dated 16 July 1969; and
 - (ii) to carry out the review of the Decision of 20 February 1970 as provided in paragraph 1(c) of the Decision thereof, and to report to the Council with a recommendation as to the extension, modification or termination of the Decision.
2. The Working Party met on 22-23 October 1973 under the chairmanship of Mr. R. Mohler (Federal Republic of Germany).
3. The main documents before the Working Party were the following: Request by the participating States for the extension of the Decision of 20 February 1970 (L/3827); Notification by India on the expansion of the product coverage of the Agreement (L/3933); Reports submitted by the participating States on the operation of the Agreement in 1971-1972 and 1972-1973 (L/3822 and L/3937). The Working Party also had before it statistical information with respect to the additional products to be added to the Common List covered by the Agreement.
4. The representative of the participating States, in an introductory statement¹, said that the Tripartite Agreement between India, Egypt and Yugoslavia which had been in operation for a little over five years was conceived as a modest effort by three developing countries to increase trade exchanges among the participating States and to contribute to the development of international trade and was in response to and in conformity with the numerous exhortations addressed to the developing countries in various international forums to take practical steps for intensifying their mutual economic co-operation. The General Agreement

¹The full text of the statement will be issued as an addendum to this document.

in Part IV recognized the importance of such action. He drew attention to three broad features of the Tripartite Agreement; the trade creative aspect of the Agreement was ensured by including non-traditional items in the Common List of products which qualify for tariff preferences and by excluding products traditionally featuring in the export trade of the three participating States. Full opportunities for consultation were provided to countries whose trade interests may be affected by the operation of the Agreement; until now no consultation had been sought by any country. Thirdly, the Tripartite Agreement was open for accession by other developing countries on the basis of mutual benefit.

5. The representative of the participating States indicated steps taken to multilateralize trade concessions exchanged among them through their inclusion in the Protocol relating to Trade Negotiations among Developing Countries and stressed their most sincere desire of making vigorous efforts for multilateralizing additional items in the Common List in the course of further negotiations. After having given a brief analysis of trade in Common List items during the last five years he stressed that the main benefit of the Tripartite Agreement had been to stimulate industrial production and diversification of trade of the three participating States. The availability of larger markets for non-traditional items had enabled many industries to augment their production and to utilize their existing industrial capacities better. It had also encouraged the establishment of new industries and led to greater diversification and specialization of production and export.

6. Concluding, he drew the attention of the Working Party to the decision of the three participating States to expand the product coverage of the Tripartite Agreement to include twenty-six additional items in the Common List. The details of these items had been furnished in document L/3933. The statistical data circulated had shown that the trade coverage of the twenty-six additional items was insignificant compared to the global trade of the three countries. This modest and pioneering venture on the part of the three developing countries - which had resulted in some benefits for them and had not harmed others - deserved the continued encouragement and support of the CONTRACTING PARTIES. He urged the Working Party to recommend the adoption of a decision authorizing the extension of the Tripartite Agreement until 31 March 1978 and the inclusion of the twenty-six additional products in the Common List. The three countries were ready, on their part, to reiterate the commitments which they had undertaken in the past.

7. Members of the Working Party welcomed the information supplied by the participating States and noted that there were no indications that the Agreement had adversely affected the interests of third countries.

8. One member of the Working Party stated that his government, in line with its general views regarding departures from Article I of GATT, had agreed only reluctantly to the two earlier Decisions concerning the Tripartite Agreement. He questioned the usefulness of this arrangement on account of the geographical remoteness of the participating countries from each other and the lack of evidence that the tariff concessions exchanged

had had any positive effects on their mutual trade. Drawing attention to the statistical data presented by the participating States in their annual reports over the period covered by the Agreement, he pointed to the general downward trend in their mutual trade in the items included in the Common List, and questioned whether a discriminatory scheme which produced such negative results should be encouraged to be continued. He suggested that the Decision of 1970 should be reviewed in relation to the stated objectives of the Tripartite Agreement.

9. The same representative addressed a number of specific questions to the participating States. These concerned the rate of duty reduction for the twenty-six additional items, the level of duty reductions for items multilateralized under the Protocol relating to Trade Negotiations among Developing Countries and the applicability of the Indian Auxiliary Duty to items in the Common List. The representative of the participating States replied that the 50 per cent reduction applied to all items on the Common List including those recently added to it, that the same level of concessions applied to items in the Common List that had been multilateralized with respect to participants in the Protocol among developing countries, and that the Indian Auxiliary Duty was applied also to imports under the Tripartite Agreement.

10. Some other members of the Working Party, while noting that there have been no reports of damage to the trade of third countries, shared the concern expressed about the departure from the provisions of Article I.

11. Some members referred to the importance they attached to the further multilateralization of concessions in the light of the undertakings contained in the earlier Decisions of the CONTRACTING PARTIES. While noting in the report submitted by the three parties to the arrangement (L/3937) that a number of items had already been incorporated in the schedules of concessions of the Protocol relating to Trade Negotiations among Developing Countries, these members expressed the hope that additional items in the Common List would be multilateralized. The hope was also expressed that the parties to the arrangement would bear in mind the principles inscribed in the Tokyo Declaration relating to such matters as reciprocity, mutual advantage and other relevant provisions, in the process of further multilateralization of concessions.

12. Several other members stated that in their view the Agreement was in full conformity with the provisions and spirit of the General Agreement, in particular Article XXXVII. As recalled in the Protocol relating to Trade Negotiations among Developing Countries, the CONTRACTING PARTIES had agreed that the establishment of preferences among these countries could make an important contribution to the trade among developing countries and that such arrangements should be looked at in a constructive and forward-looking spirit. Even though the Agreement covered only a small sector of trade it had had trade creating effects and should be considered as a positive step towards reinforcing co-operation among developing

countries. If the list of items included in the Agreement had been larger or if the Agreement had provided for across-the-board tariff cuts its effects might have been even greater. They also welcomed the willingness of the participating States to extend the concessions to other developing countries and hoped that this might be achieved within the context of the Protocol relating to Trade Negotiations among Developing Countries. These members of the Working Party were prepared to support the extension of the Decision of 20 February 1970 for a period of five years and the expansion of the product coverage of the Agreement, in accordance with the request of the participating States.

13. The representative of the participating States, expressing appreciation of the support the request for extension had received from several members, answered certain criticisms that had been voiced by others. He could not agree that the Tripartite Agreement was inconsistent with the GATT even though it involved a departure from Article I. He agreed that there had been a decline in intra-trade in the Common List items of the three countries; this was due to some special factors which were not directly relevant to the Tripartite Agreement and he felt certain that the situation would improve.

14. In reply to the question as to the basis on which the twenty-six items had been added to the Common List, the representative of the participating States said that the purpose of the extension was to create new and additional trade exchanges between the three countries without causing injury to the interests of third countries. The new items satisfied the same criteria of being non-traditional in character which had been applied before. Some members stated the view that, in adding further items to the Common List, the participating States should give careful consideration to the possibilities for multilateralization.

15. In reply to a request for clarification, the representative of the Arab Republic of Egypt explained that out of a total of ninety-five BTN headings in the Agreement between his country and the EEC, only six were covered by the Tripartite Agreement; eight other headings came partially under both agreements.

16. Some members, while agreeing in principle to the extension of the Decision of February 1970 suggested that such an extension should be for a shorter period than that requested having regard to such factors as the imminence of the multilateral trade negotiations and possible further developments in the context of the Protocol relating to Trade Negotiations among Developing Countries.

17. In response to this suggestion, the representative of the participating States, supported by a number of members of the Working Party, pointed out that a period of five years was necessary in order that there was sufficient time for investment possibilities, production plans and trading patterns in the three countries to respond to the tariff changes. Some members stated that they saw advantage in a five-year period as this coincided with the major review of the Protocol relating to Trade Negotiations among Developing Countries.

18. In this connexion, it was observed that the terms of the Decision of February 1970, on which the draft Decision (annexed) is based, enabled the CONTRACTING PARTIES, in the course of their annual review of the arrangement, to take such decisions regarding the future operation of the Decision as may be appropriate.

19. In regard to the timing of the annual reviews, members generally agreed that these should take place at about the same time as the annual reviews of the operation of the Protocol relating to Trade Negotiations among Developing Countries.

20. In the light of its discussions the Working Party, with one exception, agreed to recommend to the CONTRACTING PARTIES the adoption of the draft decision annexed to this report. One member was prepared to accept an extension for only one year to allow additional time to assess the benefits of the Tripartite Agreement.

ANNEX

Draft Decision

CONSIDERING¹ that the CONTRACTING PARTIES, by the Decision of 14 November 1968¹, agreed that the Governments of India, the Arab Republic of Egypt and Yugoslavia (hereinafter referred to as the "participating States") may implement, subject to specified conditions and procedures, the Trade Expansion and Economic Co-operation Agreement (hereinafter referred to as the "Agreement"), dated 23 December 1967, and effective 1 April 1968;

CONSIDERING FURTHER that the CONTRACTING PARTIES, by the Decision of 20 February 1970², agreed that the participating States may continue, subject to the conditions and procedures set forth in paragraph 1 of that Decision, to implement the Agreement as amended by a Protocol amending the Agreement and constituting an integral part thereof (hereinafter referred to as the "Protocol"), dated 16 July 1969;

CONSIDERING FURTHER that the Decision of 20 February 1970 was intended to expire no later than 31 March 1973;

CONSIDERING FURTHER that the CONTRACTING PARTIES, by the Decision of 22 March 1973³, agreed to extend the validity of the Decision of 20 February 1970 subject to the relevant terms and conditions specified therein, until the end of the twenty-ninth session of the CONTRACTING PARTIES;

NOTING that the participating States have notified the CONTRACTING PARTIES of their agreement to expand the product coverage⁴ and to extend the duration of the Agreement, as amended by the Protocol, until 31 March 1978 and have requested⁵ that the aforesaid Decision of 20 February 1970 be modified accordingly and extended to 31 March 1978;

BEARING IN MIND that the participating States have reiterated their intention to seek the extension of the concessions embodied in the Agreement, as amended by the Protocol, including those relating to products referred to in

¹BISD, Sixteenth Supplement, page 17

²BISD, Seventeenth Supplement, page 21

³L/3832

⁴L/3933

⁵L/3827

document L/3933, to all other developing countries by appropriate negotiations and to make their best endeavours to integrate these concessions within the framework of the Protocol relating to Trade Negotiations among Developing Countries of 8 December 1971; and

NOTING also that the participating States have extended concessions on a number of items covered by the Agreement, as amended, to other developing countries who have acceded to the aforesaid Protocol relating to Trade Negotiations among Developing Countries;

THE CONTRACTING PARTIES decide that, notwithstanding the provisions of Article I:1, the participating States may continue to implement the Agreement, as amended by the Protocol and with the inclusion of the additional products mentioned in document L/3933, subject to the relevant terms and conditions of the Decision of 20 February 1970, until 31 March 1978.