

GENERAL AGREEMENT ON TARIFFS AND TRADE

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

Report of Working Party

Statement by the Representative of India on behalf of the Participating States

1. I have the honour to make this introductory statement on behalf of the delegations of Egypt, Yugoslavia and my own delegation.
2. The Tripartite Agreement between India, Egypt and Yugoslavia has now been in operation for a little over five years. The members of the Working Party are no doubt already aware of its salient features and I need not dwell upon them at length. To recapitulate briefly, the agreement was conceived as a modest effort by three developing countries, and I am quoting from Article I of the Agreement, "to strengthen mutual economic co-operation, to increase trade exchanges among the Participating States and to contribute to the development of international trade". This 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 itself recognizes the importance of such action. In fact the General Agreement makes it incumbent on the developing countries, and now I am quoting from paragraph 4 of Article XXXVII, "to take appropriate action in implementation of the provisions of Part IV for the benefit 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".
3. There are three broad features of the Tripartite Agreement to which I would like to draw the attention of the distinguished members. These are:
 - (i) the Agreement is trade creative;
 - (ii) it fully takes into account the trade interests of all contracting parties; and
 - (iii) it is open to other developing countries.

4. The trade creative aspect of the Agreement has been ensured by including non-traditional items in the Common List of products which qualify for tariff preferences. The objective was to expose the domestic production in the three countries to greater competition and thereby enhance their efficiency and their competitive position in world markets. The Agreement was thus designed to contribute to the economic development of the three countries, increase their import capacities, lead to more efficient utilization of their resources and thus enable them to contribute to a greater degree to the growth of international trade.

5. The trade interests of other contracting parties have been adequately safeguarded by excluding products traditionally featuring in the export trade of the three participating States. This was evident from the data furnished to the CONTRACTING PARTIES on earlier occasions which showed that the products included in the Common List accounted for a very low percentage of the level of trade exchanges among the three countries. It has thus been ensured that the trade interests of other contracting parties would not be adversely affected. Nevertheless, the Tripartite Agreement embodies clear provisions for according full and prompt opportunity for consultations if there is any prospect of such adverse effects.

6. Finally, as I have said, the Tripartite Agreement is open for accession by other developing countries, on the basis of mutual benefit. A provision to this effect has been embodied in Article IX of the Agreement. The three participating States have also repeatedly affirmed their intentions to eventually integrate the Tripartite Arrangements within a broader multilateral framework of special trade arrangements among developing countries so that the benefits can be shared by other developing countries.

7. These broad features of the Tripartite Agreement to which I have just referred have already been scrutinized in detail by the CONTRACTING PARTIES, particularly in relation to the provisions of the General Agreement - and they have come to the conclusion that the trade arrangements embodied in the Tripartite Agreement are in conformity with the provisions as well as the spirit of the General Agreement. These conclusions are embodied in the Decisions of 14 November 1968 and 20 February 1970 whereby the participating States were authorized to implement the Tripartite Agreement subject to certain terms and conditions.

8. In the earlier discussions, there were two main concerns voiced by the contracting parties. These were:

- (i) the implementation of the Tripartite trade arrangements should not harm the interests of other contracting parties; and
- (ii) the scope of these arrangements should be widened so as to benefit other developing countries.

9. These concerns were, of course, quite legitimate. As I have already said, the three participating States had themselves anticipated them and had incorporated appropriate provisions in the Tripartite Agreement to meet such concerns.

We had, therefore, no hesitation in accepting specific commitments on the same lines which were embodied in the Decisions of the CONTRACTING PARTIES to which I have referred. We have thus affirmed our readiness to "consult with any contracting party which considers that the operation of the Tripartite Agreement is impeding the attainment of any benefit which should accrue to it under the General Agreement or is adversely affecting its trade". We have also affirmed our intention "to seek the extension of the concessions embodied in the Tripartite Agreement to all other developing countries by appropriate negotiations" and to make our "best endeavours to integrate these concessions within the framework of multilateral arrangements elaborated within the Trade Negotiations Committee of Developing Countries".

10. I have recapitulated the background briefly, in order to facilitate the task of the Working Party in undertaking a review of the implementation of the Tripartite Agreement. For this purpose the participating States have also distributed detailed data which are before the Working Party. Before I make a few comments on the salient features of the trade among the three countries in the products included in the Common List, I would like to review briefly our fulfilment of the two commitments to which I have referred. As regards the trade interests of other contracting parties, I am happy to say that none of the three participating States have received any request from any other contracting party for consultations, under Article V of the Tripartite Agreement itself or in terms of the Decisions of CONTRACTING PARTIES for any adverse effects on its trade during the five and half years for which the Agreement has been in operation. There is, therefore, clear and unambiguous evidence that the Agreement has not resulted in any harm to any other party. Furthermore, the trade coverage of the items in the Common List continues to be extremely small both in relation to the global trade of the three countries and also in comparison with their imports of these items from other contracting parties. There is, therefore, hardly any scope of damage to other countries.

11. The other matter of special concern to the CONTRACTING PARTIES in the past has been the question of multilateralizing the trade concessions exchanged among the three participating countries. Here again I am happy to report that we have already initiated concrete action towards this end. As mentioned in paragraph 10 of our latest report (document L/3937), we have taken steps for multilateralizing the tariff items included in the Common List during the course of the multilateral negotiations arranged within the Trade Negotiations Committee of Developing Countries. The details of the items so multilateralized are contained in Annex II of the report.

12. We are also fully conscious of the benefits of a further increase, both in the product coverage, as well as in the number of participating countries, in respect of these trade arrangements. I would, therefore, like to place on record the most sincere desire of the participating States of making vigorous efforts for multilateralizing additional items in the Common List in the course of further negotiations. As a matter of fact, at the last meeting of the Committee on Trade Negotiations among Developing Countries, my delegation gave

a concrete manifestation of this desire by making a vigorous plea for the early start of negotiations to expand the scope of the Protocol. We also took the initiative for suggesting a detailed examination of the ways and means of encouraging more countries to join the Protocol - and the distinguished members of the Working Party might be interested to know that a special meeting of the Committee is to be held shortly at which all other developing countries would be invited to consider this matter. It is our hope that this would lead, in due course, to the benefits of our Tripartite trade arrangements being expanded and extended to other developing countries.

13. I turn now to a brief analysis of the trade in the Common List items during the last five years. The detailed trade statistics have been furnished to the Working Party. It is clear from the overall picture which emerges from these figures that the Tripartite Agreement has had a modest impact in creating new and additional opportunities for trade in non-traditional products between the three participating countries and has not caused any harm to the trade of the other contracting parties. For example, Yugoslavia's imports from India of the 77 items initially included in the Common List increased from \$4.6 million in 1968-69 to \$7.2 million in 1972-73. Its imports from India of the 57 items subsequently added to the Common List rose from \$8.4 million in 1969-70 to \$11.5 million in 1970-71.

14. Egypt's imports from India of the original 77 items increased from \$4.5 million in 1968-69 to \$8.4 million in 1970-71 and of the subsequent 57 items from \$6.0 million in 1969-70 to \$13.1 million in 1970-71. Its imports from Yugoslavia of the original 77 items increased from \$0.6 million in 1968-69 to \$1.3 million in 1971-72 and of the subsequent 57 items from \$2.9 million in 1969-70 to \$9.1 million in 1970-71.

15. There has also been an increase in India's imports of some items in the Common List although in respect of some other items there has been a decline. The overall figures of trade in the Common List items show a general decline in the last year or two. This has been due to a variety of factors governing the mutual trade of the three countries which are not directly relevant to the provisions of the Tripartite Agreement and I need not therefore go into them. I can only say that the decline would, in all probability, have been even greater in the absence of the concessions under the Agreement. The participating States are fully conscious of the need for constant efforts for further increasing the trade exchanges among themselves - and the Tripartite Agreement provides for periodical reviews for this purpose. Such reviews have led to the adoption of various measures, including the expansion of product coverage.

16. The main benefit of the Tripartite Agreement has been to stimulate industrial production and thus lead to a diversification of trade of the three participating States. The availability of larger markets for non-traditional items has enabled many industries to augment their production and to utilize their existing industrial capacities better. It has also stimulated the establishment of new industries and led to greater diversification and specialization of production and export. All this has, no doubt, had beneficial effects on world trade.

17. The Tripartite Agreement has undoubtedly had a beneficial effect on India's exports. It has, in particular, enabled us to diversify our exports both to Yugoslavia and Egypt. In the case of Yugoslavia we have been able to start exporting such non-traditional items as dried vegetables, varnishes and lacquers, hard-tools, pumps for liquids and excavating, levelling and tamping machinery, etc. Similarly we have been able to introduce new products in the Egyptian market such as linoleum, pig-iron and cast-iron, railway track material, bolts and nuts, wrought plates, sheets and strips of aluminium, excavating, levelling and tamping machinery, etc. Yugoslavia and Egypt have also been able to diversify their exports similarly.

18. The figures presented by us fully bear out the fact that the trade coverage of the Common List items is extremely small in relation with the global trade of the three countries. For example in 1971-72 India's imports from Yugoslavia and Egypt under preferential tariffs constituted only about 11 per cent of total imports from these countries. Furthermore India's imports of Common List items from Egypt constituted only 1.9 per cent of its global imports of such items in 1970-71, the corresponding figures for 1971-72 and 1972-73 being 0.8 per cent and 0.6 per cent respectively. Similarly our imports of Common List items from Yugoslavia constituted 0.4 per cent of our global imports of such items in 1970-71, 0.2 per cent in 1971-72 and 0.3 per cent in 1972-73. These figures also show that our imports of Common List items from other sources have been rising faster than our imports from Yugoslavia and Egypt. The imports of Yugoslavia and Egypt also show similar trends. The CONTRACTING PARTIES need have no anxiety, therefore, of any possibility of trade diversion.

19. Finally, I would draw 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 26 additional items in the Common List. The details of these items have been furnished in document L/3933. The secretariat has been good enough to circulate statistical details relating to imports of the additional products by each of the three countries from the other two as well as from all sources. These are contained in document Spec(73)49. Similar information on India's imports has also been submitted by my delegation along with an indication of the level of tariffs for each product. We have not yet been able to compare the secretariat figures with our own to check whether there are any discrepancies. However, for the purposes of the examination by the Working Party the picture is quite clear from the figures circulated by the secretariat.

20. Before analyzing the salient features of the trade data relating to the additional items, I would like to say that the same considerations which guided the three Governments in concluding the Agreement originally have also guided them in expanding its scope. In other words the choice of products has been confined to non-traditional items to ensure maximum trade creation and minimum trade diversion.

21. The figures presented by the secretariat clearly show that the trade coverage of the 26 additional items is insignificant compared to the global trade of the three countries. It will be seen, for example, that India's imports of these items from all sources are only 6 per cent of its total imports. The present share of Yugoslavia and Egypt in our total imports of these items is nil and 2.6 per cent respectively. Yugoslavia's imports of the 26 items from all sources are 3 per cent of its total imports - while the share of Egypt and India in its total imports of these items is nil and 0.9 per cent respectively. Similarly Egypt's imports of the 26 items from all sources are 3.3 per cent of its total imports - while the share of India and Yugoslavia in its total imports of these items is 7 per cent and 1 per cent respectively. There is no likelihood, therefore, of any adverse effects on the trade of other contracting parties as a result of this expansion of the product coverage.

22. To conclude, we believe that this modest and pioneering venture on the part of the three developing countries - which has resulted in some benefits for them and has not harmed others - deserves the continued encouragement and support of the CONTRACTING PARTIES. We would, therefore, urge that the Working Party recommend the adoption of a decision authorizing the extension of the Tripartite Agreement until 31 March 1973 and the inclusion of the 26 additional products in the Common List. The three countries are ready, on their part, to reiterate the commitments which they have undertaken in the past.

23. The delegations of Egypt, Yugoslavia and my own delegation await the comments of the Working Party with interest and would endeavour to provide any additional information or clarification which may be sought.