

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/4173

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REPORT OF THE WORKING PARTY ON THE PROVISIONAL ACCESSION OF COLOMBIA

1. On 7 February 1974, the Government of Colombia requested that further consideration be given to its application for provisional accession to the General Agreement submitted at the twenty-fifth session of the CONTRACTING PARTIES in November 1968.¹ It was stated in this connexion that as Colombia was participating in the multilateral trade negotiations, it would be the Government's intention to carry out the tariff negotiations with contracting parties, which normally precede accession under Article XXXIII, within the framework of these negotiations.
2. At a meeting of the Council on 28 March 1974, the representative of Colombia pointed out that changes in the domestic situation of his country and the need to formalize Colombia's participation in LAFTA and in the Andean Common Market had led to a delay in the Colombian authorities going ahead with the process of provisional accession to the General Agreement. In emphasizing that his Government had taken the decision to reactivate its application for provisional accession having in mind the Tokyo Declaration, he stated that his Government expected that the multilateral trade negotiations would secure additional benefits for the international trade of developing countries, including Colombia.
3. The Council decided to set up a Working Party with the following terms of reference:

"To examine the request of the Government of Colombia to accede provisionally to the General Agreement and to submit recommendations to the Council."
4. The Working Party met on 15 and 17 April 1975 under the chairmanship of Dr. P. Tomic (Yugoslavia).²

¹The text of the communication from the Government of Colombia is contained in document L/3997.

²The membership of the Working Party is set out in L/4010.

5. The Working Party had before it a Memorandum on the Foreign Trade Régime of Colombia (L/4039) and the replies submitted by Colombia with respect to the questions submitted by contracting parties (L/4085 and Add.1). The representative of Colombia made available to the Working Party the tariff schedule and the "Free Import List" of Colombia.

6. In an introductory statement the representative of Colombia informed the Working Party of the main objectives of the economic and trade policies of the Colombian Government and supplied information concerning recent changes in the export and import régime of his country. His authorities believed that the commercial policy of Colombia was consistent with the General Agreement. He again stressed the importance attached by Colombia to the multilateral trade negotiations. The statement made by the Colombian representative is reproduced in Annex 1.

7. During the discussion, members of the Working Party commented on the Colombian statement and sought further clarification on a number of points relating to Colombia's economic and commercial policies. The main points brought up in the discussion in the Working Party are set out hereunder in paragraphs 8-16.

8. In response to questions by members of the Working Party concerning the levels of protection provided by the Colombian Tariff, the representative of Colombia indicated that for the broad sections of the BTN (each section covering a number of BTN headings) the arithmetical average of the duties applied were as follows:

section 1 - 29%	section 12 - 58%
" 2 - 24%	" 13 - 40%
" 3 - 18%	" 14 - 39%
" 4 - 50%	" 15 - 32%
" 5 - 13%	" 16 - 28%
" 6 - 20%	" 17 - 43%
" 7 - 37%	" 18 - 31%
" 8 - 45%	" 19 - 49%
" 9 - 41%	" 20 - 49%
" 10 - 30%	" 21 - free
" 11 - 58%	

Taking into account that Colombia was a developing country, his authorities considered that the level of protection was low. Only with respect to two BTN sections did the average level of tariff protection exceed 50 per cent; in most cases it was between 20 and 40 per cent.

9. Some members noted that Colombia applied certain import taxes for the purpose of financing an Export Promotion Fund. In this connexion, the representative of Colombia stated that this tax which, as from 1 October 1975, would be equivalent to 5 per cent of the c.i.f. value of imports, was the only source of

revenue for the promotion of non-traditional exports through the provision of technical assistance, the financing of investments for export purposes, the establishment of warehousing facilities and export credit insurance schemes etc. These activities were essential to the Government's efforts to develop and diversify Colombian exports.

10. Also in response to a question, the representative of Colombia stated that the 40 per cent security payment was aimed at regulating recourse to foreign credits by Colombian importers by requiring them to deposit a minimum percentage of the value of imports at the time of registration of imports or when an import licence was applied for. This action had become necessary in order that the level of imports may reflect the actual availability of external reserves. Article XVIII of the General Agreement permitted contracting parties experiencing such difficulties to take action to safeguard their external financial position and to ensure an adequate level of reserves. In this respect, he added that the import licensing system applied by Colombia was also utilized for this purpose. The representative of the International Monetary Fund confirmed that Colombia faced serious balance-of-payments difficulties and mentioned that in the light of consultations with Colombia in July 1974, the Fund had approved the Colombian restrictions on a temporary basis until 31 July 1975. The Colombian representative indicated that his Government was making serious efforts to liberalize foreign trade as circumstances permitted.

11. Some members of the Working Party requested additional information on the lists of products, the exports of which were suspended, limited or subject to approval by Incomex (Colombian Institute of Foreign Trade), reproduced in the annex to document L/4085/Add.1. The representative of Colombia indicated that in principle all exports were free. However, due to abnormal conditions in 1973/4, the Government had found it necessary to take action to ensure adequate supplies for the domestic market. As a consequence a number of products had been incorporated in these lists. However, by Resolution 003 dated 21 January 1975, the Foreign Trade Council had substantially reduced the above-mentioned restrictions. The up-to-date list of export restrictions would be provided to the secretariat for consultation by interested contracting parties.

12. With reference to measures adopted by Colombia to stimulate exports, the Colombian representative mentioned that the export incentive mechanism known as Certificate on Tax Receipt (CAT) referred to in document L/4039, had been reduced from 15 per cent to 0.1 per cent for most products and to 5 per cent or 7 per cent for a few products.

13. In response to a question relating to bilateral compensation agreements, the representative of Colombia said that Colombia had entered into such agreements with a number of countries, including some centrally-planned economy countries of

Eastern Europe. These agreements did not constitute trade commitments nor were they discriminatory against third parties. In entering into these arrangements, Colombia was seeking to broaden market opportunities for coffee and other main export items. Colombia had also signed a trade and payments agreement with Spain. Trade with such countries under these agreements did not exceed 13 per cent of Colombia's total foreign trade and was not increasing.

14. The representative of Colombia indicated that, at present, Colombia did not have any general rules concerning safeguards and countervailing and anti-dumping duties. As indicated in the answer to question 4 in L/4085/Add.1 (page 3), the National Council on Tariff Policy had the responsibility of establishing official prices on the basis of which ad valorem duties were charged. Even though the provision for establishing such prices was mainly intended to guard against improper invoicing of imports, it might also be utilized in cases of dumping. He explained that the mechanisms established in the Montevideo Treaty and the Cartagena Agreement provided only for the application of safeguards between the member countries. If the Colombian authorities were to contemplate the establishing of specific provisions for the application of anti-dumping or countervailing duties after acceding to GATT, they would no doubt take account of the applicable GATT rules in this area.

15. Some members of the Working Party suggested that Colombia might re-examine its position with respect to the consular invoice authentication tax in the light of the recommendations adopted by the CONTRACTING PARTIES in 1952, 1957 and 1962, based on the provisions of Article VIII of the General Agreement. In this connexion, it was also suggested that Colombia might abolish consular documentation procedures in the country of export. The representative of Colombia stated that the collection, as such, of a consular invoice authentication tax was consistent with the provisions of the General Agreement, although the manner in which this tax was applied might not be entirely consistent with the recommendations adopted by the CONTRACTING PARTIES. The Colombian authorities would be informed of the views expressed in this respect by members of the Working Party.

16. In response to a question, the representative of Colombia said that although as indicated in a reply contained in L/4085/Add.1 (page 13) Colombia maintained certain cargo reservations for national carriers, his country did not practice flag discrimination. Foreign shipping enterprises concluding agreements with Colombian lines were permitted to transport goods included in the cargo reservation provision.

Concluding observations

17. In expressing appreciation for the interest shown by members of the Working Party in the Colombian application for provisional accession, the representative of Colombia stated that his Government was prepared to conduct its foreign trade

policy consistently with the provisions of the General Agreement in accordance with the terms of accession. He expected that in this connexion contracting parties would take into account the special difficulties developing countries such as his own were facing in the field of international trade.

18. Following its examination of the request by the Government of Colombia for provisional accession to the General Agreement, the Working Party recommends that the request be granted. The Working Party has noted the intention of the Government of Colombia to seek full accession to GATT in the context of the multilateral trade negotiations launched at Tokyo in September 1973.

19. Since the Government of Colombia is prepared to base its commercial relations with the contracting parties on the provisions of the General Agreement, including the Protocol of Provisional Application, the Working Party recommends that Colombia be invited without delay to participate in the work of the CONTRACTING PARTIES.

20. A Draft Declaration on provisional accession of Colombia and a Draft Decision for the participation of Colombia in the work of the CONTRACTING PARTIES are annexed. The Working Party recommends that the Draft Declaration be opened for acceptance and that the Draft Decision be adopted. The Working Party recommends that these instruments shall remain in force until the Government of Colombia accedes to the General Agreement, or until 31 December 1976, whichever date is earlier.

ANNEX I

Statement by H.E. Mr. F. Jaramillo,
Representative of Colombia at the Meeting of the
Working Party on 15 April 1975

The economic policy of the Colombian Government is aimed at achieving the following economic and social development objectives:

- Full utilization of production factors,
- Economic growth and better distribution of income,
- Stabilization of domestic prices,
- Re-adjustment of the fiscal situation, and
- Improvement of the balance of payments and of the country's international reserves.

In the context of this last objective it should be pointed out that the Colombian Government intends to make exports the dynamic element for economic development. This should strengthen the country's net foreign exchange reserves and allow a considerable increase in its import capacity which, as the principal studies on Colombia's foreign trade have indicated, is one of the major obstacles to accelerated economic growth.

Despite the fact that prospects for these net foreign exchange reserves are not favourable, the process of import liberalization has suffered no set-backs. In other words, no changes have been made to the list of imports subject to prior licensing and the list of free imports. Furthermore, in the field of tariffs a re-organization is being studied which will take account, inter alia, of commitments under the Cartagena Agreement.

As regards the import régime, the list of products prohibited for import was abolished in 1973.

On the other hand, the list of free imports has increased appreciably in relation to total imports, rising from 18 per cent of total imports under this régime in 1970 to 47 per cent in 1974, while the share of goods included in the prior licensing list fell from 81 per cent in 1970 to 53 per cent in 1974.

As just mentioned, the Colombian Government hopes to make exports the dynamic element for economic development and has accordingly tried to strengthen the Export Promotion Fund to the maximum while adopting an export promotion plan which is more rational and more consistent with the terms of the General Agreement.

The balance of payments and more precisely, the trade balance, reflect Colombia's situation as a developing country, as it relies on exports very largely for its international earnings. This stresses the fact that Colombia has no appreciable foreign exchange earnings apart from those from its export sector.

In 1973, Colombia's net foreign exchange reserves showed the following figures under the current receipts heading:

<u>Receipts</u>	<u>Million US\$</u>
EXPORTS	1,008.7
SERVICES	232.6

This shows the importance of the trade balance for Colombia's general development.

On the other hand, Colombia's share of international trade, in percentage terms which has never been very significant, has steadily declined in recent years, as follows:

1962	0.33%
1964	0.32%
1966	0.25%
1968	0.23%

falling to 0.21 per cent in 1973.

This is a situation that is of great concern to the Colombian Government and will have to be taken into consideration.

Colombia believes in the principle of non-discrimination in the field of its foreign trade and its international economic relations. It shall therefore seek to exchange its products with all countries on equal terms.

In percentage terms, the geographical distribution of Colombia's foreign trade in 1971 was as follows:

	<u>Exports</u>	<u>Imports</u>
United States	37.7	42.1
European Economic Community	24.5	19.5
European Free Trade Association	6.9	10.0
LAFTA	10.5	4.4
Other Latin American Countries	2.4	5.9
COMECON	3.8	3.9
Other countries	14.2	14.2

Colombia's efforts to broaden the geographical scope of its foreign trade should be underlined.

The balance of payments for 1974 showed a deficit of \$114 million on current account and a decline of \$89 million in net reserves. This result is largely due to substantial trade deficits with several countries and economic regions, in particular with developed ones.

These trade deficits with some countries for 1974 were as follows:

	<u>US\$'000</u>
United States	301,092
European Community	28,363
Other European countries	20,244
Japan	123,283

These countries and economic regions accounted for 71 per cent of Colombia's total trade in that year. Imports reached \$1,789 million and exports only \$1,499 million, so that the total trade deficit amounted to \$290 million.

For 1975 the projections for Colombia's balance of payments are not favourable and indeed the indications are that international reserves may decline by an amount between \$217.7 and \$326.7 million.

Another noteworthy factor in connexion with Colombia's economic policy is our country's participation in the Latin American economic integration process. Colombia is at present a member of the Latin American Free-Trade Association - LAFTA - and of the Andean Sub-Regional Group established within the framework of LAFTA.

The commitments undertaken to date within LAFTA basically comprise the grant of concessions of a tariff character to other member countries of the Association on a series of products originating in and coming from the Area; these concessions are negotiated annually between the Contracting Parties on the basis of the most-favoured-nation clause.

Differences in levels of development as between the Montevideo Treaty countries, together with the need for the smaller countries in the area to promote balanced and harmonious development and to accelerate their growth through economic integration led to the establishment of the Andean Sub-Regional Group. This integration process comprises the following main elements:

1. Harmonization of economic and social policies and approximation of national legislation;

2. Joint programming in certain sectors of the sub-regional economy in order to promote greater expansion, specialization and diversification of industrial output; maximum use of resources available in the area; improved productivity and efficient utilization of production factors; use of economies of scale; and equitable distribution of benefits;
3. An automatic programme of trade liberalization;
4. A common external tariff, with as a prior stage the adoption of a common minimum external tariff;
5. Programmes designed to accelerate development of the agricultural sector;
6. Channelling of resources from inside and outside the area in order to finance investments necessary for the integration process;
7. Physical integration; and
8. Preferential treatment in favour of the economically less-developed countries of the sub-region.

Taking into account its overall policies for internal economic development, together with the international economic situation, the government has made a number of changes in the instruments of its commercial policy with a view to greater liberalization of Colombia's trade.

I. New measures in respect of exports

- A. Amendments to Resolution No.056 of November 1973 under which exports of certain products were suspended or made subject to prior approval.

Under Resolution No.003 of the Foreign Trade Council, dated 21 January 1975, the great majority of products the export of which had been suspended in November 1973 were released, and the requirement of prior approval by Incomex was lifted in respect of most of the products concerned.

- B. Reduction of value of the Certificate of Tax Receipt.

As we stated in our memorandum, in respect of exports of products other than petroleum and derivatives thereof, raw cattle hides and coffee, the so-called Certificate of Tax Receipt is granted in an amount corresponding to 15 per cent of the total value of the receipts from the exports concerned; this percentage has now been reduced substantially to 1 per mil. for the majority

of products and 5 per cent and 7 per cent for others; it is applied on a selective basis depending on the nature of the product and its competitive situation in the international market.

C. Reduction of charge on coffee exports

The rate of the ad valorem charge on coffee exports which was established by Legislative Decree No. 444 of 1967 and amounted to 20 per cent in 1974 is to be reduced by one point each year from 1975 until 1978, at which date it will be 16 per cent.

D. New measures to promote non-traditional exports

In order to provide the Export Promotion Fund with additional resources allowing it in particular to grant loans on special terms for export financing, the purchase of inputs for the production of exportable goods and to promote a system of international transport and storage for products, the 1.5 per cent charge on imports has been raised to $3\frac{1}{2}$ per cent as from November 1974 and 5 per cent as from 1 October 1975.

II. Changes in respect of imports

A. Changes in the system of sales taxes

Since November 1974 all imported goods have been subject to the sales tax applied on domestic goods.

B. Tariff treatment of imports by decentralized official bodies

The exemptions from customs duties and supplementary charges to which the decentralized bodies were entitled were eliminated under Decree No. 2367 of 31 October 1974 except for imports by bodies having responsibility for the following services, inter alia: national defence, public health, education, scientific and technological research, telecommunications and public transport.

The Colombian Government considers, therefore, that its foreign trade régime is consistent with the principles of the General Agreement, and that as a developing country it is making every effort to achieve greater economic growth which will allow better standards of living for the Colombian people.

I should like, furthermore, to emphasize once more the importance that Colombia attaches to the multilateral trade negotiations now under way within the framework of GATT and in which we have been participating since the preparatory stage.

Colombia hopes that the result of these multilateral trade negotiations will be satisfactory and will meet the aspirations of the developing countries, and that in the light of that result Colombia will be able to decide to accede definitively to the General Agreement.

ANNEX II

Draft Declaration on the Provisional
Accession of Colombia

Declaration of

The Government of Colombia and the other governments on behalf of which this Declaration has been accepted (the latter governments being hereinafter referred to as the "participating governments") and the European Economic Community,

Considering that the Government of Colombia on 7 February 1974 formally requested that further consideration be given to the application for provisional accession to the General Agreement on Tariffs and Trade (hereinafter referred to as the "General Agreement") submitted at the twenty-fifth session of the CONTRACTING PARTIES in November 1968, and that the Government of Colombia is prepared to conduct the tariff negotiations with contracting parties, which it is considered should precede accession under Article XXXIII, during the multilateral trade negotiations launched at Tokyo in September 1973,

Considering the desirability of Colombia being invited to accede provisionally to the General Agreement as a step towards its eventual accession pursuant to Article XXXIII,

1. Declare that, pending the accession of Colombia to the General Agreement under the provisions of Article XXXIII, which will be preceded by the conclusion of tariff negotiations with contracting parties to the General Agreement within the context of the multilateral trade negotiations, the commercial relations between the participating governments and the European Economic Community and Colombia shall be based upon the General Agreement, subject to the following conditions:

(a) The Government of Colombia shall apply provisionally and subject to the provisions of this Declaration (i) Parts I, III and IV of the General Agreement, and (ii) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Declaration; the obligations incorporated in paragraph 1 of Article I of the General Agreement by reference to Article III thereof and those incorporated in paragraph 2(b) of Article II by reference to Article VI shall be considered as falling within Part II of the General Agreement for the purpose of this paragraph;

(b) While Colombia under the most-favoured-nation provisions of Article I of the General Agreement will receive the benefit of the concessions contained in the schedules annexed to the General Agreement, it shall not have any direct rights with respect to those concessions either under the provisions of Article II or under the provisions of any other Article of the General Agreement;

(c) In each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article X of the General Agreement, refer to the date of that Agreement, the applicable date in respect of Colombia shall be the date of this Declaration;

(d) The provisions of the General Agreement to be applied by Colombia shall be those contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment as rectified, amended, supplemented, or otherwise modified by such instruments as may have become effective by the date of this Declaration.

2. Request the CONTRACTING PARTIES to the General Agreement (hereinafter referred to as the "CONTRACTING PARTIES") to perform such functions as are necessary for the implementation of this Declaration.

3. This Declaration, which has been approved by the CONTRACTING PARTIES by a two-thirds majority, shall be deposited with the Director-General to the CONTRACTING PARTIES. It shall be open for acceptance, by signature or otherwise, by Colombia, by contracting parties to the General Agreement, by any governments which shall have acceded provisionally to the General Agreement and by the European Economic Community.

4. This Declaration shall become effective between Colombia and any participating government and the European Economic Community on the thirtieth day following the day upon which it shall have been accepted on behalf of both Colombia and that government and the European Economic Community; it shall remain in force until the Government of Colombia accedes to the General Agreement under the provisions of Article XXXVIII thereof or until 31 December 1976, whichever date is earlier, unless it has been agreed between Colombia and the participating governments and the European Economic Community to extend its validity to a later date.

5. The Director-General to the CONTRACTING PARTIES shall promptly furnish a certified copy of this Declaration, and a notification of each acceptance thereof, to each government to which this Declaration is open for acceptance and to the European Economic Community.

Done at Geneva one thousand nine hundred and seventy-five
in a single copy in the English, French and Spanish languages, each text being
authentic.

ANNEX III

Draft Decision on the Participation of Colombia
in the Work of the CONTRACTING PARTIES

Decision of

Considering that the Government of Colombia has made a request to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade to accede provisionally to the General Agreement and is prepared to enter into tariff negotiations with contracting parties during the multilateral trade negotiations launched at Tokyo in September 1973,

Considering the desirability of Colombia being invited to accede provisionally to the General Agreement as a step towards its eventual accession pursuant to Article XXXIII,

Desiring that the Government of Colombia, pending its accession, shall be associated with the discussions and deliberations of the CONTRACTING PARTIES,

Noting that a number of contracting parties intend that, pending the accession of Colombia pursuant to Article XXXIII, commercial relations between them and Colombia shall be based upon the provisions of the General Agreement in accordance with the Declaration on the Provisional Accession of Colombia, and

Considering that the said Declaration requests the CONTRACTING PARTIES to perform certain functions comparable in nature to their functions under the General Agreement,

The CONTRACTING PARTIES

Decide:

1. To invite the Government of Colombia to participate in sessions of the CONTRACTING PARTIES and of subsidiary bodies established by the CONTRACTING PARTIES;
2. To accept such functions as are necessary for the operation of the Declaration referred to in the preamble to this Decision;
3. To make arrangements for tariff negotiations between contracting parties and Colombia within the context of the multilateral trade negotiations launched at Tokyo in September 1973;

This Decision shall continue in effect until the accession of Colombia to the General Agreement following tariff negotiations with contracting parties or until 31 December 1976, whichever date is earlier, unless the CONTRACTING PARTIES agree to extend it to a later date.