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GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations
Group "Tariffs"

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SPECIAL AND MORE FAVOURABLE TREATMENT FOR DEVELOPING COUNTRIES

Statement made by the Delegation of the Commission of the
European Communities at the Group "Tariffs" Meeting, December 1976

The Community has already had occasion, at earlier meetings of the Group "Tariffs", to express its views on this problem and last March it made a concrete suggestion (document MTN/TAR/W/17).

We subscribe to the idea that agreement should be reached on the principles of special measures and on special procedures not later than at the time we decide on the tariff-cutting formula and, more generally, that such special procedures should be integrated into a sort of tariff negotiating plan. That plan will not necessarily have to be absolutely precise and rigid in all its elements but we believe that we shall have to work on the assumption of reaching simultaneous agreement on the tariff formula, rules and procedures for dealing with exceptions, and special measures and procedures for negotiations between developed and developing countries. We shall also have to bear in mind the need for parallel progress in the field of non-tariff measures. Finally, it will be for the Group "Agriculture" to study the problem of tariffs applied to agricultural products.

A. Special measures

In our statement of last March, we said that we were in favour of the establishment of a number of principles for measures which would make it possible to ensure special and more favourable treatment for imports originating in the developing countries, and we enumerated some of those measures - to which I shall have occasion to refer later on.

Before beginning detailed examination of the types of measures that were suggested, permit me to explain the spirit in which we believe that the measures should be applied. In our view, they would be measures whose concrete application would have to be studied case by case, in other words, product by product. Clearly, not all the measures can be applied simultaneously to a single product; some of them, indeed, counteract one another.

Among the various measures which were suggested, most lend themselves to application to particular products, but there are some which are of a rather general character, and this will have to be borne in mind in our deliberations.

It goes without saying that in considering the application of these measures, we must give special attention to the particular situation and problems of the least developed among the developing countries, in keeping with paragraph 6 of the Tokyo Declaration.

Obviously, the measures that have thus far been considered do not all have the same importance, the same permanence and the same character. That, of course, is not surprising for we will have to be mindful of the need, to seek in concrete terms the best way, to take into account, in these negotiations, the specific interests of the developing countries, and the techniques may vary depending on the product concerned or the country that is to apply the measure. This means that the mere fact that we included a measure in a list must not be interpreted as an undertaking to apply that measure to a wide range of products. It may happen, in the actual course of the negotiations, that we shall arrive at the conclusion that the measure is applicable to only a small number of products, or even that it is not applicable at all by a particular country. But the most important thing, in our view, is the fact that we shall have jointly examined with the requesting country the possibility of applying the particular measure to the products in which it has an export interest.

In a previous statement, last October, in the Group "Tariffs" we had, for convenience of presentation, grouped the measures into three main categories, which I shall review here, although I am not unaware that there are certain inter-relations between them:

(a) Extent of MFN reductions

Working on the assumption that there will be a tariff-cutting formula stipulating for each initial duty rate either a final rate or a certain percentage of reduction, we can envisage for products of export interest to developing countries:

- either MFN cuts deeper than those which would result from the formula
- or MFN cuts less deep than those resulting from the formula which, for a limited number of products, might go as far as exclusion from the general formula.

This suggestion, which we made at the meeting of March 1976, would, we believe, enable us to take into account, with the necessary flexibility, the interests of the developing countries. Reductions smaller than under the general formula would make it possible in particular to maintain a certain margin of preference under the GSP but one that would be greater than what would remain after the application of the general formula.

The implementation of such a modulation of tariff reductions, which will in effect constitute deviations from the general formula, will of course depend on the form to be taken by that formula.

Secondly, in order to permit better identification of the products of interest to the developing countries with a view to special treatment for them, we can envisage the introduction of new sub-headings in our tariff in appropriate cases.

Various other suggestions have been made in this Group concerning the size of the tariff reductions to be established in favour of developing countries or concerning related problems, and I should like to mention briefly our present thinking on those ideas.

In May 1975, it was suggested that a "differentiator" built into the tariff formula should be applicable to the exports of developing countries. The developing countries would then have a choice between GSP treatment or the MFN differentiated rate.

We have examined that suggestion and we should like to make the following comments:

- in the first place, it would seem difficult to apply: it would first be necessary to determine the value of the differentiator (in terms of an additional percentage of reduction - linear or proportional to the initial tariff level? or in terms of percentage points of tariff rate) and it would then be necessary to build it into the formula, and that seems a priori rather complicated;
- secondly, such a built-in differentiator would not allow negotiating flexibility. It might well happen that, in certain cases, for certain products, it would call for reductions that are too large and in other cases, for reductions that would be too small;
- lastly, it will not result in MFN-based reductions, since if our understanding is correct, it will mean a three-column tariff: the MFN rate, the (MFN) rate applicable to developing countries, and the GSP rate. The developing countries would be able to choose between the second and the third rate. I will have occasion to revert to the idea of a list of preferential concessions for the developing countries. But, even assuming that we agree on that idea, who will choose between the GSP rate and the "special" rate for the developing countries: the individual importer or exporter, the importing or exporting country, or all the developing countries as a group? Under any hypothesis, this would entail numerous administrative complications, and the tendency would presumably be in the direction of abandoning the use of one or the other rate.

We therefore prefer to allow the negotiations as much flexibility as possible by providing for modulations in the extent of the MFN reductions - greater, equal or smaller than those provided for by the general formula.

Another suggestion which has been put forward deals with progressivity of duties linked to the degree of processing, to be eliminated or substantially reduced. In that regard, I should like to make the following remarks:

- this problem, referred to as tariff escalation, has already been largely solved through the GSP, which at least in the case of the Community, provides for zero duties on industrial products;
- to the extent that the problem remains (in particular by reason of quantitative limitations to the benefits of the GSP), tariff escalation would be significantly attenuated by the operation of the tariff-cutting formula. So far as I know, no formula has been proposed which would provide for smaller reductions on finished products than on raw materials - indeed, the contrary is the case;
- one could discourse ad infinitum on the merits of this or that formula for reducing the phenomenon of tariff escalation. Our critical analysis of the abundant literature on this subject leads us, however, to believe that this is a problem that should not be dealt with in the abstracto, for effective protection depends on many factors: the proportion of the added value in the cost of production, which may vary not only from product to product and from country to country, but also in time; relative importance of the various inputs and of the customs duties applicable to them, etc.

In our view, this problem can only be validly dealt with product by product, and the approach we favour would make such treatment possible, on a pragmatic basis.

Lastly, one of the things the developing countries are asking for is that the products of interest to them should be excluded from lists of exceptions. On that subject, we would observe:

- that such a principle would be in contradiction with the possibility of providing for reductions smaller than under the general formula, or even for excluding certain products in order to maintain the margins under the GSP;
- that since we still do not know the form of the general formula, which will obviously affect the nature and extent of any exceptions, and since we do not have the list of products of interest to the developing countries, we find it impossible to enter into such a general commitment in advance;
- that, in any case, such a problem seems to us to be one that should be covered by the rules and procedures applicable to exceptions, which we have not yet taken up as to substance.

(b) A second subject relates to the staging of the reductions in time. Here we base ourselves on the realistic hypothesis that, as in the Kennedy Round, tariff reductions will be staged over a certain period. By the way, such a possibility of staging over a more or less protracted period should enable us to minimize the need to provide for exceptions.

For the products of interest to the developing countries, we can envisage:

- a more rapid staging - possibly going as far as immediate implementation - of concessions on certain products;
- for other products, an implementation spread over a longer period in order to maintain over that period a margin of preference under the GSP.

It is obvious that if, in the case of a certain product, we can avoid an exception by staged implementation, it will be impossible for us to accept immediate implementation.

Lastly, such advance or delayed implementation of concessions can only be established on an MFN basis. That is obvious in the case of concessions staged over a longer period. As regards advance implementation, in view of the fact that nearly all industrial products are included in the GSP we see no possibility of an application on a preferential basis.

(c) A third subject deals with maintenance and improvement of the GSP, and more generally with the idea of concessions on a preferential basis.

At Tokyo, our Ministers recognized the importance of maintaining and improving the GSP.

Maintaining the GSP means first of all its prolongation beyond its present period of application. On that point, the Community has already come out in favour of prolonging its scheme beyond 1980. But this is more of a measure of a general nature not susceptible of application product by product. At least, I do not think that the developing countries desire any partial prolongation of the GSP.

The Community is also prepared to improve its GSP scheme as a contribution to the objectives of the Tokyo Declaration. There have already been improvements since the date of the Declaration - in particular, the very substantial reduction in the number of products subject to tariff quotas, the raising of ceilings, etc. What is more, at the practical level, we are engaged in a considerable effort to inform individual developing countries and their economic operators concerning the characteristics of our scheme and its functioning.

It is our intention to continue to pursue such improvement and, in so doing, to take particular account of the interests of the least-developed among the developing countries, in parallel with the progress we may be able to achieve in the MTN. In concrete terms, this means that in the improvement of our scheme we will take into account, as much as we possibly can, the interests of the developing countries, and at the same time we will take into account, in our tariff negotiations in the framework of the MTN, the existence of the GSP. We are not planning, however, to negotiate improvements in our GSP specifically, product by product, in the framework of these negotiations.

Several developing countries have stressed the need for greater security as regards the GSP, and they believe that it could be attained by binding either preferential margins or preferential rates of duty. The idea has also been put forward of binding preferential concessions in a special schedule.

While we can understand the concern of the developing countries for greater assurance in the operation of the scheme, we must point out:

- that there is already a kind of de facto security, for, ever since 1971, we have on the whole only made improvements to our scheme:
- that we do not consider it possible to strengthen the security of the GSP through a system of bindings, in the GATT sense. To us that would seem to be contrary to the objectives of improving or maintaining the GSP, and more fundamentally to the concept on which our system is based, namely that of continual adjustment and adaptation to the needs of the developing countries which, in essence, are constantly changing.

On the other hand, we do envisage the possibility of offering, when appropriate, to enter into consultation, by ways and means to be determined, with the beneficiaries on specific products in case of withdrawal of preferential advantages. That is the direction in which our thinking is going.

B. Special procedures

Those are the kind of special measures we have in mind. Of course, as I have already said, the concrete application of the measures must be considered in specific terms, product by product. It is obvious that not all of those measures can be applied to a given product. It is no less obvious that they will not be able to cover all products. At some time, therefore, we should have at our disposal lists of products of specific export interest to developing countries, and we should therefore make arrangements for the preparation and circulation of such lists. On that point, we have no preconceived ideas and we are open to any proposal.

C. Non-reciprocity

As we make progress in the definition of special measures and procedures for negotiations between developed and developing countries we shall also have to study the problem of the practical application of non-reciprocity as defined in paragraph 5 of the Tokyo Declaration.

Obviously, we do not expect the developing countries to associate themselves with the application of the tariff-cutting formula.

But, at the same time we expect those countries to make, in the field of tariffs also, a contribution not inconsistent with their individual development, financial and trade needs.

In our opinion, in the tariff area that contribution could take the form of a greater degree of binding of their customs tariffs. Here again we are aware that those countries are not in a position, like developed countries, to offer binding of the major part of their tariffs. A contribution should be possible, however, in the form of a binding whose extent, in terms of number of products and level of duties, could vary depending on the country and product concerned. For example, one could envisage the binding of existing tariff rates, reduced rates or ceiling rates not to be exceeded.

I offer these ideas to the members of the Group for their reflexions, on the understanding that it is not a matter, at the present stage, of making specific decisions on these points and that the contribution of the developing countries to the objectives of the MTN might also bear on other areas of the negotiation.