

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/39/Rev.1

5 January 1967

Limited Distribution

Committee on Trade and Development

Eighth Session

Punta del Este, Uruguay

16-20 January 1967

EXPANSION OF TRADE AMONG DEVELOPING COUNTRIES

Note by the Secretariat

Revision

1. Paragraph 4 of Article XXXVII provides that developing countries should "take appropriate action in the implementation of the provisions of Part IV for the benefit of the trade of other less-developed contracting parties ...". To this end and having regard to certain earlier discussions on this question in GATT, the Committee on Trade and Development has given consideration to a number of proposals relating to the expansion of the mutual trade among developing countries as a means of facilitating the expansion of their export earnings and productivity capacities.

2. At its fifth session in March 1966, the Committee on Trade and Development approved the first report of the Group on the Expansion of Trade Among Developing Countries in which the Group stated its views on the negotiation of concessions among developing countries and enumerated on a number of non-tariff measures for further consideration (cf. COM.TD/D/5 and L/2614, paragraphs 30-34). Since then, work has been pursued along the different lines suggested. The following is a brief description of the current state of this work.

Trade negotiations among developing countries

3. When preparations were being made for the current trade negotiations in GATT and in the course of the actual negotiations, a number of developing countries indicated that they were interested in negotiating concessions in the tariff and other fields with other developing countries. In the reports of the Group on the Expansion of Trade and the Committee on Trade and Development referred to above, the point was made that the establishment of preferences among developing countries, appropriately administered and subject to the necessary safeguards,

could make an important contribution to the expansion of trade among developing countries and to the attainment of the objectives of the General Agreement. It was considered that the establishment of such preferences should most appropriately be the subject of negotiations between developing countries, in which due account would be taken of the different stages of economic development of the negotiating parties. It was further proposed that before an attempt was made to draw up specific legal provisions or formulae in this regard, it would be useful to see what concrete proposals or arrangements might in practice be made or negotiated by developing countries acting within the spirit of Part IV of the General Agreement. The Committee, in approving the Committee's conclusions, agree that developing countries could take advantage of the meetings of the informal group of developing countries in GATT to initiate talks or negotiations.

4. By the middle of the year the informal group of developing countries, in consultation with developing countries which were unable to be represented at its meetings, had considered a set of procedures for the negotiations, and developing countries were asked to state their intention as to participation in these negotiations. One developing country was of the view that trade liberalization among developing countries could best be pursued, at least at the initial stage, within the framework of regional arrangements. Twenty contracting parties indicated their intention to participate. Among these, fourteen have since submitted provisional requests lists. The procedures adopted are flexible enough to enable participation by other developing countries at any time during the period of the negotiations.

5. On the basis of the lists exchanged the developing countries participating in the negotiations have held a series of informal meetings at "governmental experts" level to exchange statistical and other data with a view to drawing up specific lists of requests. It has been agreed that the specific requests lists should be exchanged towards the end of January. When these lists become available, a Committee on Negotiations Among Developing Countries, comprising the governments which have submitted the lists, will be convened to facilitate the negotiations.

6. The procedures of the negotiations envisage that the concessions negotiated might be destined for application either on a most-favoured-nation basis or under preferential arrangements among developing countries. The results of the negotiations, in so far as they relate to concessions to be applied on a most-favoured-nation basis, might be incorporated in the general protocol relating to the Kennedy Round but could also be the subject of a supplementary protocol. The CONTRACTING PARTIES will make arrangements for examining any proposals or arrangements involving preferences which might emerge from the negotiations.

Non-tariff trade barriers

7. The Committee on Trade and Development, at its meeting in June 1966, instructed the Group on Expansion of Trade to resume discussion of the various points relating to non-tariff measures which had been mentioned in the Group's first report, in particular, possible action in respect of non-tariff barriers affecting trade among developing countries. In September 1966, the Group on Expansion of Trade held an exchange of views on certain questions concerning the removal of quantitative restrictions and it was agreed that instead of attempting to draw up specific schemes or formulae for trade liberalization at the present stage, it would be useful to see what could be formulated through discussions among developing countries themselves. It was suggested that such exploratory discussions among developing countries could conveniently be carried out, in the first instance, in the informal group of developing countries in GATT. The informal group is expected to take up the subject at a later date when more detailed material has become available on the use of restrictions by developing countries on products having actual or potential importance in the trade among developing countries.

Other non-tariff measures

8. At its September meeting the Group also discussed certain proposals relating to non-tariff measures which could contribute to the expansion of trade among developing countries. The Group felt that consideration of these matters would also be facilitated if it were preceded by a prior examination of the issues involved in the informal group of developing countries.
9. When the informal group discussed this matter in November 1966, it was suggested by certain members that, among the outstanding points, four might be taken up first. These, set out as (f), (g), (i) and (j) in paragraph 10 of the Group's report in COM.TD/D/3, related to possibilities for the developing countries to use external aid for payments for imports from other developing countries, etc. It was suggested that these points might be the subject of an early discussion in the Group on the Expansion of Trade Among Developing Countries, in which they would have an opportunity of assessing the position of the developed countries.
10. At its last meeting in December 1966, the Group considered that an integrated approach should be adopted in dealing with the whole problem and that the secretariat should prepare a document listing work relating to all aspects of the problem of expansion of trade among developing countries being undertaken in other international organizations including not only the UNCTAD but others such as the International Monetary Fund, International Bank for Reconstruction and Development, United Nations regional economic commissions and the Organisation for Economic Co-operation and Development. On the basis of such information and indications given by governments of the specific problems faced by them, the Group would, at a later meeting, decide on the contribution it can make to the solution of problems in this field, taking account of all relevant factors.

Other work relevant to the expansion of trade among developing countries

11. Under the programme of trade and aid studies, the Committee has completed two country studies, namely on the development plans of Nigeria and Uganda. In each case reference was made to the possibility of expanding exports to other developing countries. Since the completion of these studies increased attention is being paid to the problems of economic and trade co-ordination among neighbouring developing countries. In this context, it is intended, in collaboration with other agencies concerned to study the possibilities of the extension of local and regional markets for new manufacturing industries in such areas as West Africa, as a means of facilitating an expansion of production that would help these countries inter alia to achieve a competitive position on the world markets. This line of work being undertaken in GATT in collaboration with other organizations concerned is discussed in the secretariat note on its technical assistance activities (COM.TD/32, paragraphs 5-10).