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TARIFFS

Statement by the Indian Representative

1. In the past discussions on this subject the developing countries have expressed their apprehension that unless special procedures are evolved to take care of their interests, these countries may not only fail to gain much from the multilateral trade negotiations but in fact may emerge as net losers. Now that Generalized System of Preferences (GSP) has been put into practice, any reductions of tariffs on most-favoured-nation basis would result in an erosion of the benefits which the developing countries have secured under the GSP. We of course do not maintain that such most-favoured-nation reductions should not take place. In fact we welcome the trend towards the liberalization of trade and we recognize and appreciate that both the developed and the developing countries would benefit in the long run from further liberalization of trade. At the same time it must be recognized that there is need for positive measures to ensure net additional benefits for developing countries, taking into account the losses they would suffer as a result of the erosion of GSP.
2. An essential first step towards this end is of course to make the GSP fully operational through its implementation by all preference-giving countries and through substantial improvements in the Schemes which are already in operation. The developing countries put forward specific suggestions for improvements in the GSP at the recent meeting of the Special Committee on Preferences of UNCTAD. These included the extension of the product coverage to all manufactured and semi-manufactured products as well as processed and semi-processed agricultural and primary products in Chapters 1-24 of the BTN, duty-free and quota-free entry, and improvements in safeguard provisions etc. The early implementation of these suggestions is obviously of vital importance for developing countries in the context of the multilateral trade negotiations. If the adverse effects of the negotiations on the GSP are to be minimized, the necessary action would have to be taken well in advance of any tariff cuts that might be agreed upon at the negotiations.
3. In addition to substantial improvements in the GSP, it would also be necessary to provide the developing countries with improved opportunities for their exports, as a result of the multilateral trade negotiations, to offset the losses which they would incur and to ensure that they would secure net additional benefits. To this end it would be necessary to recognize the principle of preferential treatment for developing countries in the conduct of the negotiations. This principle can be given

concrete and practical manifestation during the negotiations in a number of ways. For example, if for exceptional and compelling reasons it is not possible to include any products of particular export interest to developing countries in the GSP, the next best alternative would be to make deeper cuts on these products on most-favoured-nation basis during the negotiations than on other products. Textiles and leather goods, which are generally excluded or severely restricted under the various GSP schemes, are good examples of such products. Tariffs on these products average 30-50 per cent more than the average tariffs on all dutiable products in BTN Chapters 25-99. There is obvious need for deeper tariff cuts on such products. This would be a reversal of what happened in the Kennedy Round when, largely owing to the concentration on products of more interest to developed countries, tariff cuts on products of interest to developing countries, which had higher average tariffs, were on the whole relatively small. If the principle of securing additional benefits for developing countries is not to remain an empty slogan, there must be greater focus this time on products of export interest to developing countries. We would also urge the acceptance of the principle that tariff escalation with the degree of processing on products of export interest to developing countries must be eliminated.

4. Another way in which preferential treatment can be accorded to developing countries in the forthcoming negotiations is through the advance implementation of most-favoured-nation tariff cuts, on a preferential basis, for developing countries. After the Kennedy Round also advance implementation of tariff cuts was agreed in the case of products of special interest to developing countries. However at that time the advance tariff cuts were made on most-favoured-nation basis for all countries. This time we would urge that such advance implementation should be for developing countries only, on a preferential basis.

5. I would like to conclude by offering a few brief comments on the techniques and modalities for the negotiations for the reduction of tariffs. In the application of any techniques and modalities a general consideration which must be borne in mind is the relatively poor bargaining power of the developing countries which arises out of their lack of negotiating experience, their low level of development, their relatively small share in world trade and their limited ability to contribute to the negotiations.

6. Among the techniques which have been suggested in the past, the item-by-item technique offers an opportunity for developing countries to select products for negotiation in which they have special export interest. However, the rigid application of the traditional GATT approach of limiting such negotiations to substantial suppliers can work to the disadvantage of developing countries because of the low base from which they are starting. There is obvious need for some flexibility in this regard. The technique of linear tariff cuts can bring benefits to developing countries in certain cases, for example in the case of products of interest to them which are excluded from GSP. On the other hand, as I have already mentioned the general reduction of tariffs on products included in the GSP can only result in the erosion of its benefits. There may be some

advantages in the proposed techniques for the harmonization of tariffs, for example, through the possible reduction of tariffs on products in BTN Chapters 25-99 which are excluded from most of the schemes of Generalized Preferences. The sector approach also offers interesting possibilities for developing countries provided those sectors of industry which are of substantial export interest to developing countries are not excluded. Such an approach would make it possible to tackle simultaneously all barriers to trade in a particular sector and would also provide an opportunity of dealing with problems of tariff escalation.