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GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

Group "Framework"

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STATEMENT BY THE REPRESENTATIVE OF YUGOSLAVIA ON 21 FEBRUARY 1977

Many thoughts have been given to the improvement, change or reform of the international trade system, since the original GATT was negotiated. In the changing world conditions, the international rules of conduct are permanently under the pressure for changes. At the present time it is suggested that some of the substantial rules in GATT have to be adapted to the reality of today. Our task in this body is to identify rules which have to be established, amended or improved and to start negotiations in this respect. The problem is commercial - not to say economic - but it could be settled only by legal dispositions to be negotiated between us. My Government welcomes this opportunity to engage in negotiations within the disposition of the Tokyo Declaration, namely for the international framework for the conduct of world trade.

The subject we have to negotiate is not new. On many occasions, in the GATT and elsewhere, it was elaborated in detail. Therefore in spite of complexity and variety of contexts we could deal with it with some diligency. The suggestion is to deal only with some of substantial rules of utmost importance for international trade for the years to come. It is not the question of overhauling the whole system of international trade at this stage, but only to improve and adapt some rules needed to legalize, on a more appropriate basis, already existing practices in international trade relations which are proved to be justified and appropriate to the trend of thoughts accepted by international fora, and accepted particularly for the Multilateral Trade Negotiations by our Ministers in Tokyo.

No doubt, for the people not informed and not aware of trends in the world trade, there might be reservations, a kind of suspicion and some degree of nervousness about possible implications on their trade. I am convinced that while the negotiations are proceeding they should realize the benefit of the exercise for the promotion of the reciprocal trade. That is why we hope to have here an open and frank exchange of views and to measure each solution on the basis of mutually beneficial achievements.

The distinguished delegate for Brazil, Ambassador Maciel, has introduced a very concrete suggestion for our consideration, which is no doubt a realistic one as far as developing countries are concerned. If properly legalistically shaped this suggestion might contribute substantially to the strengthening of the rules of GATT and as such might contribute to the further participation of developing countries in the activities of GATT which today is not so intense.

We think that differentiated and more favourable treatment for developing countries has to be accepted as a norm within the sustantial rule of the GATT. Establishing such a rule this treatment becomes legally feasible in all fields of the international trade behaviour. We do not need, at present, to elaborate this concept. But for instance, it means special additional measures for the elimination of barriers affecting their trade, or the possibility of using it when introducing restrictive measures of general character, or a commitment not to introduce new trade restrictive measures, nor to intensify existing ones. It might also mean taking into account the weaker bargaining position of developing countries in dispute settlement.

The Brazilian suggestion covers GSP and preferential arrangements between a developed country and developing countries to be accepted as a rule in the GATT and not to deal with them as an exeption to the rule, as it is the case today. My delegation would like to add that preferential arrangements among developing countries be treated also as an acceptable normal rule of the GATT and not as an exception.

May I remind the Group that the subject of preferential treatment was dealt in the past in the GATT. In 1963-64 within the Committee on the Legal and Institutional Framework of GATT, a number of proposals were submitted as to possible legal and institutional provisions to cover preferences to be granted by developed countries to the developing countries and preferences exchanged among developing countries.

We do not think appropriate to the needs and interests of developing countries the present practice of adopting an ad hoc decision waiving the obligations of Article I:1 to the extent necessary to enable the implementation of the preferences. To treat them as a deviation from the rules of world trade, requiring discretionary sanction is a kind of tutorial arrangement putting developing countries in a submissive position and affecting their economy with uncertainty and their development with the caprice of momentum.

Therefore, we need a clear and precise rule permitting on a normal basis preferences in favour of developing countries by establishing a legal provision, thus requiring no more resort to a waiver.

I want to emphasize the importance of the subject of differentiated treatment as a general rule and its link to preferential treatment. May I, with your permission also say a few words about non-reciprocity, leaving other subjects to be elaborated by other participants.

Traditionally (Article 28 bis.) the general framework for tariff negotiations stipulated the conduct of negotiations on a "reciprocal and mutually advantageous basis". The emphasis has been on reciprocity, starting presumably from an initial position of equality. It means that substantially equivalent concessions should be made when reducing duties, binding rates or accepting additional commitments.

This concept has become less workable in practice of negotiations. The new concept of harmonization has become lately more acceptable as a principle and objective. The tendency is towards achieving a mutually beneficial resulting position rather than towards matching the distances of movement from the initial position.

This change of the general concept of reciprocity must be taken into account when approaching negotiations between developed and developing countries.

What is sought in negotiations between developed and developing countries is a result based on a rational appraisal of mutual benefit in a broader sense. This appraisal should reflect an optimal situation in the trade relations.

Article XXXVII of GATT implied this appraisal and it is also required in all statements of global economic policy

To interpret this optimal situation further, we are reaching a position in which all trade barriers to the export of developing countries should be eliminated or are unacceptable. If any such barrier cannot be removed for compelling reasons, this trade barrier must be regarded as an imposition, a deviation from the required optimal situation and a negative contribution on the part of the developed country in question.

Non-reciprocity is a normal consequence of this optimal approach. We need more precision in the legal disposition on non-reciprocity but also on the contribution to be made, if any. For instance, to evaluate whether all possibilities have been exhausted in special and differential treatment and in respect of additional benefit of the developing countries.

When talking about precision of non-reciprocity we have also to clarify the term commitments "in Article XXXVI with the term concession" to make it clear that commitments do not differ from concessions. This is an extremely important point.

I do not think to deal with the question of principal supplier, substantial supplier and the question of initial negotiating rights where, up to now, developing countries had a weaker position. There are many possibilities to improve this position and proposals should be put forward at the appropriate time from the side of developing countries.

Finally, I would like to give my delegation's support to the Brazilian proposals in respect of safeguards and settlement of disputes which might, I hope be more elaborated by my colleagues from developing countries.