

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Special Distribution

Preferential Arrangements Among Developing Countries Negotiated in GATT

COMMITTEE OF PARTICIPATING COUNTRIES

Summary of Discussion at First Special Meeting held on 16 November 1973

Prepared by the Secretariat

Introduction

1. The Committee of Participating Countries provided for in the Protocol Relating to Trade Negotiations among Developing Countries convened a special meeting on 16 November 1973 under the chairmanship of Mr. L.A. Pereira Souto Maior (Brazil) to which non-participating countries were invited. The purpose of the meeting was to exchange ideas on possible measures for encouraging the accession of other developing countries to the Protocol, expanding the product coverage and considering any related problems. Countries represented at the meeting are listed in the Annex. The UNCTAD secretariat was also represented.
2. The meeting paid tribute to the memory of the late Mr. Gustaf Hortling, Director of the Development Division of GATT. Delegations referred to his untiring work in the secretariat directed towards the attainment of the objectives of developing countries in the commercial policy sphere. His understanding of developing country problems and needs and wise counsel based on long experience in the GATT were among his particular qualities underlined by delegations. The Committee decided to ask the Director-General to convey its condolences to the family of Mr. Hortling.
3. In opening the meeting, the Chairman drew attention to the situation where trade among developing countries constituted a declining proportion of international trade due not only to a variety of historical and institutional factors but also to obstacles in the trade policy field. However, an analysis of production and trade patterns among developing countries suggested that the similarities in production structures did not exclude important complementarities in their economies. These complementarities were particularly evident among developing countries in different geographical regions.
4. In recalling that stress had been laid in GATT and other international fora on the need for economic co-operation and expansion of trade among developing countries, he outlined developments in GATT since the Kennedy Round which had resulted in the

exchange of concessions on some 500 tariff positions or sub-positions among sixteen developing countries both members and non-members of GATT. The CONTRACTING PARTIES had, in 1971, adopted a Decision permitting the implementation of the Protocol Relating to Trade Negotiations among Developing Countries which embodied the schedules of concessions negotiated. The Protocol itself had entered into force in February 1973.

5. Among other things, the Protocol provided for further negotiations between developing countries so as to allow for an increase in the number of items under concession and of countries participating in the arrangement. In inviting discussion on these aspects and related matters, the Chairman pointed out that in the context of the current concessions exchanged among sixteen developing countries, it had been possible to take into account regional commitments by means of a special Declaration in the Protocol. Furthermore, to enable participating countries to take advantage of the concessions, the International Trade Centre has, on the request of the Committee, undertaken a programme of market studies designed to provide information so that the required marketing efforts can be made. It was also apparent that the attention of developing countries in the forthcoming period will be focussed on the multilateral trade negotiations and a number of countries will have delegations with negotiating experience in Geneva. Thus, advantage could be taken of this situation in order to explore an expanded exchange of concessions among developing countries.

General remarks

6. Representatives of a number of participating countries, in expressing their full support for the Protocol, noted that it constituted an instrument of self-help and mutual benefit which should contribute to their economic development through the expansion of trade among developing countries. They reiterated their commitment as provided in the Protocol to encourage the accession of additional developing countries and to expand the product coverage on the basis of provisions in the Protocol and through the adoption of special procedures, if necessary. One of these representatives indicated his government's willingness to consider sympathetically any applications for accession to the Protocol made by the least developed among developing countries without asking for any reciprocal concessions.

7. The representatives of countries not parties to the Protocol expressed appreciation for the comprehensive background documentation which had been provided for the meeting and confirmed the interest of their governments in the creation and expansion of trade among developing countries. The representative of one of these countries pointed out that in recent years his country's trade with developing countries had increased at a faster rate than total trade. His country was in the process of establishing an experimental customs tariff and hoped to be in a position to commence negotiations with the participating countries for accession to the Protocol in 1974.

8. In response to a suggestion that the secretariat might undertake a study of the benefits participating countries had derived from the concessions, it was pointed out that it was too early to undertake such a study as the Protocol had

only entered into force in February 1973 and relevant trade statistics are unavailable. However, it was noted that participating countries are required to submit an annual report to the CONTRACTING PARTIES on the operation of the arrangement, the first such report being due in 1974.

The Protocol

9. The representatives of a number of countries not participating in the Protocol recalled that their governments had been interested in the initial round of negotiations but other commitments such as the need to give priority to the negotiation of regional arrangements and technical difficulties had prevented them from acceding.

10. One representative referred to the difficulties his country could have in adhering to the Protocol unless special treatment was given to the least developed among developing countries both in regard to the concessions and commitments contained in the Protocol. Another representative observed that similarities in the patterns of production, the existence of traditional trade links and of special financial arrangements were among the obstacles to the expansion of trade among developing countries. The different levels of development of developing countries were also factors which the participating countries would need to take into account if countries with a limited range of export products were to adhere to the Protocol. In connexion with the above points, it was mentioned by representatives of a number of participating countries that under paragraph 14 of the Protocol relating to accession, the Committee of Participating Countries is required to take the necessary steps to facilitate the accession of a developing country on terms consistent with its present and future development, financial and trade needs, as well as past trade developments. Furthermore, it was noted that the Protocol provided that the Committee may agree that an applicant country may accede to the Protocol on terms agreed with the Committee without negotiations.

11. The representative of a participating country said that her government had signed but not ratified the Protocol because major changes had recently been effected in her country's tariff schedule which had implications for the concessions negotiated with other participating countries. To enable the situation to be reviewed, the secretariat might be asked to prepare details of old and new tariff rates for the items contained in her country's schedule of concessions so that a comparison could be made.

12. Several representatives raised questions relating to the nature, number and value of the concessions which might be made by new countries considering accession to the Protocol. In this connexion, the representative of the secretariat stated that the schedule annexed to the Protocol was not a common list of concessions by all participating countries. Each participating country had given only the concessions appearing in its national schedule. Where concessions were expected of countries acceding to the Protocol, these countries would, in the normal course of events, negotiate with the participating countries whatever concessions they might give consistent with their present and future

development, financial and trade needs as well as past trade developments. Acceding countries would likewise be entitled to benefit from the concessions negotiated by them and also in principle from all the concessions already existing under the Protocol. The representatives of some participating countries indicated that their governments could be expected to be accommodating and understanding with new applicants for they wished to see as many developing countries as possible acceding to the Protocol.

Regional arrangements

13. In reply to questions relating to the compatibility of membership in regional arrangements with acceptance of the Protocol, the representative of the secretariat referred to the special Declaration in the Protocol which states that the implementation of commitments under customs unions or free-trade areas among developing countries shall not be affected by the provisions of paragraph 12 of the Protocol. This paragraph provides for consultation in cases where any participating country considers that another participating country has altered the value of a concession embodied in its schedule or that any benefit accruing to it under the Protocol is being nullified or impaired. However, if in implementing commitments under customs unions or free-trade areas, a party to the Protocol increased a rate of duty bound in the schedules annexed to the Protocol, the provisions of paragraphs 8 and 9 applied. These paragraphs established procedures for the withdrawal or modification of concessions. The Declaration added that it was the intention of the parties to the Protocol participating in customs unions or free-trade areas to use their best endeavours to ensure that such agreements would not, by virtue of their provisions governing treatment of third countries, prevent the implementation of the provisions of the Protocol and the attainment of its objectives. In the course of the negotiation of the Protocol, commitments entered into by the countries parties to regional arrangements who were participating in the negotiations had been taken into account. These had proceeded in the light of information regarding items affected by such arrangements, their duty levels and the developments planned in the schedules of the arrangements. In reply to a further question, the representative of the secretariat said that individual countries which were parties to regional arrangements had found no insurmountable difficulties in accepting the Protocol. Moreover, any group of countries in a position to undertake common commitments with respect to tariff matters or other aspects of commercial policy could jointly negotiate accession to the Protocol.

Consideration of work programme

14. The representative of a participating country, in referring to the working rules adopted by the Trade Negotiations Committee of Developing Countries in 1970 and recalling the objectives of these trade negotiations, suggested that the meeting might consider the following work programme with a view, inter alia, to encouraging additional developing countries to accept the Protocol: (i) The Trade Negotiations Committee of Developing Countries might be re-constituted in order to commence work directed towards the expansion of the number of products included in the Protocol and where possible to increase the preferential margins established

therein; (ii) the secretariat might be asked to study the possibilities for the relaxation of non-tariff barriers (e.g. import restrictions, State trading and government procurement) on a preferential basis for developing countries with respect to a selected list of products which are, or might be, subject to tariff concessions among developing countries. Reference in this connexion was made to the Code for Trade Liberalisation adopted by the OEEC in 1958 which provided for the relaxation of import restrictions among member countries; (iii) interested developing countries might be invited to submit to the Committee of Participating Countries offers and requests relating to concessions and make any other suggestions they would wish to put forward. This representative suggested that such work could be commenced without waiting for the multilateral trade negotiations. Complementary action, where desirable, might need to be considered at a later stage in relation to such matters as industrial collaboration, payments arrangements, etc.

15. Several representatives from countries both participating and not participating in the Protocol expressed interest in the suggestions made and agreed that the Protocol and the Committee of Participating Countries would provide a convenient framework for further action to expand trade among developing countries on a preferential basis.

Procedures

16. Representatives of some countries not participating in the Protocol also requested clarification of the procedures for accession established in paragraph 14 to the Protocol. In this connexion, the representative of the secretariat stated that an interested country should communicate in writing to the Chairman of the Committee of Participating Countries or to the GATT secretariat its interest in exploring the possibility of acceding to the Protocol. The communication would be circulated to all participating countries inviting them to indicate whether or not they would be interested in negotiating concessions with the applicant. If no negotiations were to take place, the terms for accession could be agreed by the Committee of Participating Countries. Otherwise, a time-table for the negotiations would be established in consultation with the interested country. Following the conclusion of negotiations, the Committee would agree on the terms of accession. The secretariat was asked to circulate a note¹ on procedures for accession and steps that would serve to facilitate the process of accession.

Chairman's summing up

17. In his concluding remarks, the Chairman stated that the meeting had been fruitful in that the discussions had made it possible to clarify certain matters relating to the Protocol which had been of concern to a number of non-participating countries. The interest of developing countries in finding ways of increasing trade among themselves had been clearly demonstrated by the questions raised by

¹Issued as CPC/S/1

delegations and the number of countries which had participated in the discussions. It would appear that countries not at present participating in the Protocol may now wish to consider the points discussed and the various suggestions made including, in particular, those relating to procedures for accession. It would seem that those countries expressing interest may wish to communicate their interest to the Chairman of the Committee of Participating Countries on the understanding that such a communication would not commit countries to commence negotiations with participating countries or to accede to the Protocol.

18. The meeting had also taken note of the suggestions that the participating countries might consider possibilities for widening the margin of preferences of existing concessions and expanding the product coverage of the Protocol and that a note might be prepared by the secretariat on the possibility of extending concessions in the non-tariff barrier field.

19. It was agreed that the Committee of Participating Countries should hold a further special meeting on a date to be fixed by the Chairman in consultation with delegations for the purpose of seeing what additional action is required with the objective of expanding trade among developing countries.

ANNEX

Countries Represented at the First Special Meeting of the
Committee of Participating Countries

| | | | |
|--------------------|-------------|-------------|------------|
| Algeria | El Salvador | Jamaica | Romania |
| Bolivia | Ethiopia | Kenya | Singapore |
| Brazil | Ghana | Libya | Spain |
| Cameroon | Greece | Malaysia | Turkey |
| Chile | Guatemala | Malta | Venezuela |
| Colombia | India | Mexico | Viet-Nam |
| Costa Rica | Indonesia | Morocco | Yugoslavia |
| Cuba | Iran | Pakistan | Zaire |
| Dominican Republic | Israel | Peru | |
| Ecuador | Ivory Coast | Philippines | |