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THE PARTICIPATION OF THE DEVELOPING COUNTRIES IN THE 1973
MULTILATERAL TRADE NEGOTIATIONS

For the fourteenth session of CECLA
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INTRODUCTORY NOTE

1. At its thirteenth meeting, held in Bogotá in March 1972, the Special Committee on Latin American Co-ordination (CECLA) considered the position of the developing countries regarding the multilateral trade negotiations due to be initiated in 1973 within GATT. The Special Committee felt that it was essential to ensure the full and effective participation of all the developing countries in those negotiations and requested the ECLA secretariat to prepare a study on the matter in the light of the special conditions and negotiating techniques which would be involved. A preliminary note on the subject was circulated among the members of the Latin American Group at the third session of UNCTAD. The secretariat also collaborated with the representatives of the Latin American countries in the preparation of proposals which were used as the basis for a document later presented as a draft resolution of the Group of 77 (TD/L.61/Rev.1) 1/ and for the final declaration of the Group 2/, which laid down the co-ordinating machinery that will be needed during the preparatory stages of the negotiations.
2. At a special meeting of the Latin American Group (composed of the member countries of CECLA) at the third session of UNCTAD, the Executive Secretary of ECLA was requested to provide the member countries of the Group, before the negotiations actually began, with information on the scope and content of the negotiations and the negotiating strategy to be adopted, as well as to draw up a specific programme of work and action designed to give the Latin American countries the technical advisory assistance which they have always lacked in the past, particularly during the Kennedy Round negotiations.
3. In response to the above and earlier CECLA requests, including the request for a study on the effects of the expansion of the European Common Market on Latin American trade (CECLA Resolution 8/XI), the ECLA secretariat set up a group of high-level government experts, engaged in a personal capacity, to provide advisory assistance in the preparation of the documents to be presented to CECLA in connexion with the 1973 multilateral negotiations. With the collaboration of these experts, the secretariat has drawn up the present preliminary report for the Latin American member countries of CECLA on the multilateral negotiations to be initiated in 1973 (including the negotiations that will be made necessary by the expansion of the EEC) and the position and strategy of the developing countries with regard to these matters, bearing in mind the special interests of the countries of Latin America.

1/ See annex 3.

2/ See annex 4.

Chapter I

GENERAL BACKGROUND

1. The ministerial meeting of GATT (1963)

4. At the close of the ministerial meeting of GATT held in May 1963, the Ministers adopted important conclusions and resolutions for the expansion of trade of developing countries, which constitute a starting point for the interpretation of the process of adjustments in the sphere of international trade which will be the focal point of the forthcoming multilateral negotiations. The "Programme of Action" adopted by GATT on that occasion envisaged, inter alia: (i) the standstill provision; (ii) elimination or relaxation of quantitative restrictions; (iii) duty-free entry for tropical products; (iv) elimination of tariffs on primary products; (v) reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries; (vi) progressive reduction of internal fiscal charges and revenue duties; (vii) procedures for reporting on progress made in the implementation of the foregoing decisions; and (viii) the adoption of other measures designed to facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales. If this Programme of Action had been implemented as originally scheduled, it would have substantially improved conditions for the expansion of trade by the developing countries, but it did not secure the consensus of all the industrialized contracting parties, and there was not even a minimum of de facto implementation of it.

2. Relevant principles adopted at the first and second sessions of UNCTAD

5. At the first and second sessions of UNCTAD an important set of general and special principles was adopted to govern economic relations and international co-operation conducive to development. A number of resolutions concerned with arrangements for concrete measures to secure the fulfilment of these principles were also adopted. Once again, however, the failure - even by developed countries which had fully accepted them - to put many of the principles and measures agreed to into practical effect has led to a clear awareness in the developing countries of the need to strengthen international action designed to secure positive results from these principles. For instance, General Principle Seven adopted at the first session of UNCTAD states categorically that: "Developed countries shall

/progressively reduce

progressively reduce and eliminate barriers and other restrictions that hinder trade and consumption of products from developing countries and take positive measures such as will create and increase markets for the exports of developing countries". General Principle Eight states that: "New preferential concessions, both tariff and non-tariff, should be made to developing countries as a whole and such preferences should not be extended to developed countries". The principles and measures adopted by UNCTAD remain entirely valid, even though they have not been implemented. It is in the framework of the forthcoming trade negotiations that the political will of the developed countries to act in accordance with those principles will be put to the test by the developing countries' co-ordinated action to secure their implementation.

3. The new Part IV of the General Agreement on Tariffs and Trade

6. Part IV of the General Agreement, which should constitute one of the legal arms of the developing countries in trade negotiations within GATT, embodies a number of important aspirations of the developing countries in the field of international trade: the need for a rapid and sustained expansion of their export earnings; the need for efforts designed to ensure that less-developed countries secure a share in the growth of international trade and to ensure access to markets for primary products; diversification of the structure of the economies of the less-developed countries, and the need to give their manufactures and semi-manufactures access to the markets of developed countries.

7. In order to give effect to these objectives, the developed contracting parties undertake, inter alia, to accord high priority to the reduction and elimination of barriers to produce of interest to less-developed contracting parties, to refrain from introducing or increasing tariff or non-tariff barriers on those products, to refrain from imposing new fiscal measures, and to accord high priority to the reduction and elimination of fiscal measures which would hamper the growth of consumption of primary products.

4. Results of the Kennedy Round

8. At the conclusion of the Kennedy Round of trade negotiations within GATT in June 1967, the participating developing countries noted, in a joint declaration, that the contracting parties which participated in the 1964-1967 Trade Conference had recognized that the following problems of major concern to the developing countries had not been solved satisfactorily during the negotiations: advance implementation of concessions in favour of developing countries, reduction or elimination of duties on products of particular export interest to the developing countries, tropical products, commodity agreements,

/compensation for

compensation for loss of preference, and removal of non-tariff barriers. In view of this situation, the developing contracting parties advocated the institution of new negotiations to promote the practical implementation of the conclusions and recommendations adopted at the 1963 and 1964 ministerial meetings and of the provisions of Part IV of the General Agreement. Subsequent trends in trade between the developing and developed countries have tended to justify the concern expressed by the former at the close of the Kennedy Round.

9. A few months after the conclusion of the Kennedy Round of negotiations, the secretariat of UNCTAD produced a document ^{1/} analysing and evaluating the results of those negotiations. This report showed that the tariff reductions achieved applied only to a limited number of products of interest to the developing countries, that very little progress had been recorded in the dismantling of non-tariff barriers, that various sub-committees and working groups originally provided for did not work in practice, and that the concept of the principle supplier had led first to an agreement among the big powers in the form of package deal, while the negotiations with developing countries were carried out virtually on a bilateral basis and in terms of only relative "non-reciprocity", the interpretation of which was decided upon in practice by the developed countries themselves, since they withdrew offers or refused to negotiate with specific developing countries when they considered that they were not obtaining sufficient reciprocity from the latter.

5. Negotiations between developing countries within GATT

10. The December 1971 Protocol placing trade negotiations between developing countries within GATT on a formal basis, in respect of whose implementation the contracting parties granted a waiver of the principle of the unrestricted application of the most-favoured-nation clause, constitutes an important conceptual advance in trade negotiations despite the small scope of the concessions exchanged and the limited number of participating developing countries. It represents the practical implementation of a principle already accepted in UNCTAD and within GATT itself, namely, that concessions or advantages granted by the developing countries among themselves, outside the context of the arrangement covered by Article XXIV of the General Agreement, may not be extended to the developed countries. Furthermore, the extension of concessions to other developing countries is made subject to the acceptance of agreements concluded with the latter on the terms envisaged in the Protocol.

^{1/} See UNCTAD, The Kennedy Round: Estimated Effects on Tariff Barriers (TD/G/Rev.1).

6. The Second United Nations Development Decade

11. The International Development Strategy for the decade 1970-1979 proposes the adoption by both the developed and the developing countries of various measures consistent with the international community's new concept as regards economic and social development.

12. In the sphere of international trade, this new concept provides for the adoption of specific measures such as the conclusion of agreements or arrangements on commodities, the elaboration of an agreement on a set of general principles on pricing policy, the standstill principle, the reduction or elimination of tariff and other barriers to imports of manufactures and semi-manufactures, measures to diversify the economies and exports of the developing countries, measures to solve the problems raised by synthetics and substitutes, and consultations or surplus disposal. Measures are also envisaged for the progressive elimination before 31 December 1972 of non-tariff barriers affecting trade in manufactures and semi-manufactures; the elaboration of a programme for assisting the adaptation and adjustment of industries in developed countries to facilitate the expansion of imports of manufactures from developing countries, and the identification of restrictive business practices affecting the trade of developing countries. In brief, the Strategy established a programme of action for the international community, aimed inter alia at modifying the structure of world trade to benefit the developing countries through measures to be implemented - for the most part - at the beginning of the decade.

7. The 1973 trade negotiations

13. Following the troubled period in the monetary and trade spheres which began with the emergency measures adopted by the United States in August 1971, the major industrialized countries made considerable changes in their exchange parities and agreed to initiate efforts to achieve further progress in the multilateralization and liberalization of international trade relations. On 9 and 11 February 1972, two joint declarations, one by the United States and the European Economic Community, and the other by the United States and Japan, were formulated within GATT, expressing, in virtually identical wording ^{2/}, the need for a comprehensive review of international economic relations with a view to negotiating improvements in the light of the structural changes that have taken place in recent years. The review, it was stated, should cover all elements of trade, including

^{2/} See annex 1.

^{1/} measures which

"measures which impede or distort agricultural, raw material and industrial trade". At the same time, mention was made of the need to give special attention to the problems of developing countries.

14. The two joint declarations (USA/EEC and USA/Japan) are in accord in proposing that the multilateral negotiations advocated should be conducted "on the basis of mutual advantage and mutual commitment with overall reciprocity" and should cover agricultural as well as industrial trade. The declarations both indicate the intention to initiate and support in 1972 and "analysis and evaluation in the GATT of alternative techniques and modalities for multilateral negotiation of long-term problems affecting all elements of world trade", and they state that their signatories will "seek to utilize every opportunity in the GATT for the settlement of trade problems, the removal of which would lessen current trade distortions, and will strive for further progress with respect to those matters now being discussed in the GATT Committee on Trade in Industrial Products and the GATT Agricultural Committee". It is further stated that progress in this field during 1972 could pave the way in GATT for "a new major initiative for dealing with longer-term trade problems".

15. A point of disagreement in the joint United States/European Economic Community declaration is that the Community states that the conclusion of international commodity agreements is one means of achieving the expansion and liberalization of world trade, while the United States takes the opposite view, i.e., that "such agreements do not offer a useful approach to the achievement of these aims". The United States explained later that it held this view only in the case of temperate-zone products.

16. Since other contracting parties are invited to associate themselves with the declarations, the GATT Council, at a meeting held last March, accepted the proposal that multilateral negotiations should be initiated in 1973 and entrusted a special group with the task of making the necessary preparatory study. For their part, the developing member countries of GATT stated that, before they could decide whether to participate in the negotiations, they would have to know precisely what the terms of their participation would be.

17. The United States, the expanded EEC and Japan, as well as the other developed countries that have already agreed to the idea of holding multilateral negotiations within GATT, have emphasized the fundamental objective of overcoming, through the accelerated expansion of their reciprocal trade flows, the problems associated with the growth of the international economy which could result from a rearrangement of the world monetary system along stricter lines. The United States has already

/announced its

announced its intention of achieving an increased trade surplus in its foreign trade; for their part, the other industrialized countries, whose exports were for some months threatened by United States import restrictions, do not wish to unleash a trade war which would not only weaken the very foundations of world trade but also strengthen the autarkic and protectionist tendencies latent in many industrialized countries. One of the most specific objectives of the developed countries in the future multilateral negotiations is to provide for the effective incorporation of agricultural products (particularly temperate-zone products, which were practically ignored in the Kennedy Round), to liberalize still further the trade in industrial products, and to negotiate the elimination of non-tariff restrictions. In the case of temperate-zone agricultural products, it seems clear that broadly based negotiations should touch, inter alia, upon agricultural policies and levels of protection.

18. As is recognized in the above-mentioned joint declarations, the holding of multilateral negotiations, with the participation of as many countries as possible, requires that special attention be devoted to the problems of developing countries.

19. Although it is reasonable to assume that in their negotiations the developed countries will strive to apply to the fullest extent possible certain traditional principles, such as equal treatment and the most-favoured-nation clause, it is equally reasonable to assume that in the set of general objectives of the negotiations to be defined, and in the rules governing reciprocity to be applied, and the techniques, procedures and other basic rules for these negotiations, account should be taken of criteria of equity which would compensate in some degree for the weak position of the developing countries derived from their economic and technological limitations.

8. The Bogotá meeting of CECLA

20. At the thirteenth meeting of CECLA, held in Bogotá in March 1972, the Latin American countries drew attention to a new matter of vital importance to the developing countries: that of multilateral trade negotiations, on which a concrete decision should be reached at the third session of UNCTAD. They also considered that this matter, together with the question of international monetary reform, needed to be dealt with on the broadest possible basis, so as to prevent the developing countries from being in any sense left out of the discussions and any decisions that might be reached on the matters in question in the competent international bodies.

9. The third session of the United Nations Conference
on Trade and Development

21. The subject of multilateral trade negotiations was extensively discussed at the third session of UNCTAD, held in Santiago in April and May 1972, with the active participation of the Latin American countries. A first draft drawn up by the Latin American Group was presented, with slight amendments, as a formal proposal by the Group of 77 (document TD/L.61/Rev.1). This document was discussed in detail in an ad hoc group which presented to the plenary of the Conference a new draft, approved by consensus, embodying the essence of the proposals put forward by the developing countries. The texts of the draft adopted by the Group of 77 and the draft agreed upon by the Conference are attached as annex 3 of the present report. When the resolution on multilateral trade negotiations was approved in plenary session, the Group of 77 issued a declaration in which, as well as reiterating certain fundamental principles that should be borne in mind during such negotiations, they announced their decision to set up a co-ordinating group in Geneva which will serve as a forum for co-ordinating the participation of the developing countries in the preparatory stages of the negotiations, especially with regard to techniques, modalities and basic rules. In the light of the results of this preparatory work, the Group of 77 will then decide on whatever future joint action is considered necessary. The member countries of Group B requested that a joint declaration by their groups on GATT/UNCTAD should also be annexed to the resolution as a reference document. The texts of both documents are reproduced in annex 4.

10. The Co-ordinating Group of the Group of 77

22. The Co-ordinating Group of the Group of 77 on the 1973 multilateral trade negotiations held its inaugural session in Geneva around mid-July. Its President will be the President of the Group of 77 and it will have six vice-presidents, two for each regional group 3/. The Secretary-General of UNCTAD and the Director-General of GATT were the special guests of the Co-ordinating Group, and at different meetings they referred to the action of both organizations to facilitate the participation of the developing countries in the negotiations, co-ordinate their respective activities and co-ordinate the activities of both organizations with the work of the IMF.

3/ The Latin American Group decided that its two vice-presidential posts would rotate among the countries so as to maintain constant representation of one member country and one non-member country of GATT.

With regard to the role of UNCTAD and its permanent machinery, mention was made of the establishment of an inter-disciplinary technical group to provide secretariat support and there was talk of establishing an independent group of experts to advise the developing countries, beginning with a study of aspects of outstanding interest to all such countries, without prejudice to the subsequent treatment of individual requests. The Secretary-General of UNCTAD emphasized the positive elements of different resolutions adopted at the third session of UNCTAD in connexion with the negotiations and the need to apply in the negotiations the principles enshrined in Resolution 82 (III) so that the developing countries might effectively influence their results. He also counselled against haste so that precise conclusions could be reached, in view of the numerous ways in which each of the items of negotiation could be dealt with.

23. The Director-General of GATT, noting the preoccupations of the developing countries with respect to the lack of information on the scope and content of the negotiations and the techniques and modalities that would be applied in them, pointed out that this was a transitional stage which would enable concrete judgements to emerge. He added that the general and specific techniques and modalities for the developing countries should be defined in the different committees and working parties of GATT, and to that end the representatives of those countries should participate more actively in those bodies and make their respective positions heard. There was agreement on the need to set up a Committee on Trade Negotiations, similar to the one which operated during the Kennedy Round, to act as a clearing-house for all these tasks. To help the developing countries participating in the negotiations to formulate their respective national positions, the secretariat of GATT undertook to supply all the available documentation, which may be broken down as follows: (i) general documentation, to which all participating countries, both members and non-members of GATT, will have access; (ii) specific documentation requested by a country or group of countries, which will be restricted to the country or group of countries requesting it. The GATT secretariat pointed out that there existed de facto co-ordination with the UNCTAD secretariat, but gave no details concerning the co-ordination of future work or assistance to the developing countries which request it.

Chapter II

PREPARATORY WORK

1. Action within GATT from the Kennedy Round to the Joint Declarations

24. At the very close of the Kennedy Round of multilateral negotiations (November 1967), GATT put into effect a co-ordinated programme of work aimed at breaking new ground in the liberalization of world trade. To that end, it initiated a comprehensive review of residual barriers, identification of non-tariff barriers, and examination of the principal problems affecting trade in agricultural products, an area in which very little progress has been made within the framework of GATT. This programme, which now goes back four years, consisted basically of the following tasks:

- (i) Study of the tariffs applied by the major developed countries in various sectors, with special regard to the problem of tariff differentials;
- (ii) Identification of non-tariff barriers (standards, licences, restitutions, subsidies, quotas, etc.) and the determination of possible forms of action to deal with those barriers (negotiation on a product-by-product basis, adoption of codes of conduct, agreed principles, etc.);
- (iii) Identification and analysis of the instruments used to protect or encourage agricultural production and of the measures and machinery employed in respect of imports and exports; and
- (iv) Study, on a product-by-product and case-by-case basis, of the restrictions affecting trade in products of special interest to the developing countries.

25. With regard to the particular problems of the developing countries (particularly those problems that were not given due attention during the Kennedy Round), the work done by the Committee on Trade in Industrial Products, the Agriculture Committee and the Committee on Trade and Development, as well as by various special groups (tropical products, fiscal adjustments at the frontier, etc.), and the technical work carried out by GATT covered the following fields:

/(a) Tariffs

- (a) Tariffs and trade: Analysis of the tariffs imposed by the developed countries, examination of their structure by sectors and stages of processing, and tabulation of products of particular interest to developing countries. In this connexion, a list was made of those products subject to high tariffs and duties and/or high tariff differentials in which the developed countries had a large share of trade.
- (b) Non-tariff barriers: Classification of the notifications by contracting parties (quantitative restrictions, government acquisitions, subsidies, minimum support prices, customs valuation practices, standards, licensing, sanitary measures, etc.), and initiation of a discussion in the Committee on Trade in Industrial Products regarding solutions and possible agreements to eliminate or reduce the impact of such barriers on trade. In the course of the discussions, some developing countries took up special positions on such matters as elaboration of codes of conduct, priority reduction of certain restrictions, elimination of duties on licences for products originating in developed countries, quota increases, reduction or elimination of internal duties (particularly when such duties are standardized in the EEC), etc.
- (c) Agricultural products: Identification of the instruments of protection used by the contracting parties, classification of these instruments (production incentives, import regulations, promotion of research activities, sanitary measures, etc.) and consideration in the Agriculture Committee of the approach to be adopted to the procedure to be followed in each case and the standpoint to be taken on the particular interests of the developing countries.

26. In 1971, the "Group of Three" was set up in GATT to hold consultations with the developed contracting parties on existing tariff and non-tariff barriers affecting the trade of developing countries and to make suggestions and recommendations designed to facilitate the implementation of Part IV of the General Agreement. As well as collecting and listing information from each developed country on quantitative restrictions and other non-tariff barriers (restrictive business practices, duties on tropical products, etc.) the group formulated recommendations for removing or reducing such barriers or making them more flexible, either on a general basis or with priority attention to barriers against developing countries. In response to the suggestions and requests of the Group of Three, the GATT secretariat is now preparing, on the basis of the extensive information available, tables

/of the

of the prevailing situation in respect of tariffs (including systems of preferences in favour of the developing countries) and it is producing special reports, for each of the developing member countries, on tariff and non-tariff barriers, agricultural problems and other restrictions applied by developed countries which affect their export trade. This material may help to clarify the interests of the developing countries (beginning with those that are currently members of GATT) in the context of the new programme for the liberalization of international trade.

2. Action within UNCTAD

27. At the second session of UNCTAD, and more particularly at the third session held in Santiago, Chile (April-May 1972), the UNCTAD secretariat presented a set of special studies (sectoral analyses, trade figures, operation of agreements, problems of access, non-tariff barriers, restrictive business practices, etc.) which contain a vast amount of information and elements of judgement and which, if properly selected, marshalled and updated, would be of great value in the developing countries' participation in the forthcoming multilateral trade negotiations. In addition to informal arrangements already in existence, and taking into account resolution 82 (III) the preparatory work of UNCTAD should be properly co-ordinated with the work being done in the GATT, by the conclusion of suitably explicit institutional arrangements between the secretariats of both organizations so as to ensure the achievement of the objectives in the sphere of documentation and assistance to the developing countries envisaged in the relevant resolution adopted at the third session of UNCTAD.

3. Action within GATT from the time of the Joint Declarations

28. In the declarations formulated by a number of developed countries at the meeting of the GATT Council in March 1972 ^{1/}, in which they agreed to initiate and actively support multilateral and comprehensive trade negotiations in 1973, mention is made of the objective of giving special attention to the problems of developing countries. The latter expressed their satisfaction at this initiative, but pointed out that they could not take a decision regarding their full participation in the negotiations until techniques and modalities appropriate to their interests and aspirations were established. In this connexion, certain developing countries raised such matters as the principle that they should not be asked to grant reciprocal

^{1/} See annex 2.

concessions and that no action adversely affecting the advantages accruing to them under the generalized system of preferences should be taken without specific compensation. To sum up, the Council agreed to analyse the techniques and modalities of negotiation and to examine such techniques and modalities as were suitable for the developing countries. This preparatory work is essentially being carried out:

- (a) in an ad hoc working group of the Agriculture Committee;
- (b) in the Committee on Trade in Industrial Products and its different working parties, i.e.:
 - Working party on tariff study, and
 - Working parties 1 to 4 on non-tariff barriers;
- (c) in the Trade and Development Committee, which, in addition to continuing its work of identifying and seeking solutions to the problems of the developing countries, will now also direct the trend of its work towards the multilateral negotiations of 1973.

(1) The agricultural sector

29. The Agriculture Committee undertook to complete its examination of the techniques and modalities of negotiation in the sphere of agriculture by the end of 1972, and entrusted this task to a working group, on the understanding that it should pay special attention to the interests of the developing countries. The group has thus far studied the following aspects:

- direct and indirect techniques for eliminating or limiting aid to exports;
- techniques and modalities of negotiation on customs duties, variable duties and other special charges;
- techniques and modalities in respect of quantitative restrictions;
- health and sanitary regulations, marketing norms and the licensing system;
- techniques and modalities of negotiation on production measures.

30. On beginning its task the special group indicated that, in its view, the best way in which the developing countries could defend their interests would be for their representatives on the group to speak up and express their opinion as each technique or modality was specifically being considered, whenever they considered that a special adaptation of the general rule under discussion was called for.

31. With regard to the elimination of aids to exports, the analysis focused on the advantages and drawbacks of the application of techniques of total or progressive elimination and, in the latter instance, of techniques involving the reduction of subsidies for all products or for specific products (global subsidies, individual subsidies, or subsidies subject to a limit taking account of price differences on the domestic and world markets). Financial techniques, including price clauses and limitation through minimum international prices, were also examined. It was suggested that developing countries should be exempted from the undertaking to eliminate export aids or else be given longer to eliminate such subsidies, while developed countries might make priority reductions of subsidies in respect of products of particular export interest to developing countries.

32. On the subject of customs duties, it was noted that, in the agricultural sphere, such duties usually constitute neither the sole nor even the principal element of protection, and that negotiations for their plain and simple elimination could provoke the use or proliferation of non-tariff barriers. For this reason it was suggested, inter alia, that non-tariff barriers should be replaced by fixed customs duties and that priority should be given to the elimination of duties on agricultural products originating exclusively in developing countries. Most members of the group were in favour of the commodity-by-commodity negotiation technique and of discarding the method of across-the-board reduction. Opinions were also expressed regarding the modalities of negotiation of tariff quotas and techniques for simultaneous action in respect of customs duties and other measures applicable at frontiers.

33. With regard to variable duties, various techniques were analysed based on the idea of the establishment of ad valorem equivalents and involving such solutions as gradual reduction, fixing of ceilings of maximum incidence, duty-free quotas or quotas subject to reduced variable duties (with possible preferential access for developing countries), exemption with minimum prices for the foreign supplier, and differential variable duties depending on the market price and period of application. The EEC considered that variable duties were a new instrument to which the traditional GATT negotiating techniques could not be applied, and the situation could lead to the resurgence of the legal problem - not yet finally resolved - of the compatibility or incompatibility of variable duties with the basic provisions of the General Agreement.

34. With regard to quantitative restrictions, several techniques for reducing their use or eliminating them, were proposed, linked in some cases with the elimination of other measures such as aids to exports.

/The developing

The developing countries drew attention to the need for the elimination of certain discriminatory measures based on the classification of products or countries. This aspect (like the global application of bilateral quotas, maximum price commitments on the part of exporters, etc.) was analysed in the context of techniques designed to achieve the adoption of a code of principles on this matter.

35. On the subject of health and sanitary regulations, it was generally agreed that their susceptibility to multilateral negotiation depended basically on whether they were aimed at providing economic protection; at the same time, it was recognized that progress had frequently been achieved in bilateral negotiations. In the last analysis, the problem should be dealt with in terms of specific cases and products. The establishment of an international code with general guidelines might be envisaged.

36. No substantial progress was made in the analysis of specific techniques and modalities relating to production measures. The examination was focussed on certain hypotheses regarding measures:

- (i) applied to prices;
- (ii) affecting the factors of production;
- (iii) in the field of sales or marketing, and
- (iv) relating to producer income.

37. On the question of surpluses, proposals were made that criteria of responsibility for their creation should be defined and negotiations should be held concerning: (a) undertakings to limit or eliminate export subsidies; (b) agreements on the handling of short-term stocks; (c) donations not affecting the commercial market; (d) increases in consumption; and (e) destruction of goods.

38. With regard to international stabilization agreements, which have the support of the developing countries and of most developed countries, the following objectives were indicated: (a) economic stability; (b) trade promotion, and (c) balanced economic growth. It was generally agreed that future agreements must differ from those already in existence and take account of policies of assistance to production and exports, levels of self-supply and the active participation of the developing countries.

39. With regard to criteria for verifying fulfilment of commitments, it was generally acknowledged that the level of self-supply was important as an index of indirect production commitment or as an index of a range of commitments in respect of particular measures or actions (tariffs, non-tariff barriers, subsidies, etc.).

40. With regard to support policies, the difficulties of measuring levels of support in the present international monetary situation were discussed, together with the disadvantages of or limitations on undertaking overall commitments; the feasibility of applying this technique to specific products and interested countries; the possibility of using it as a means of overseeing the implementation of other techniques; and the difficulty of determining certain elements such as domestic prices and indicative prices.

41. With regard to areas in which codes of conduct could usefully be established, it was pointed out that they are already being considered for some cases of export aids; they could also be applied to certain production measures (support measures, transformation of structures, etc.); that they are of great value as an "umbrella approach" to the problem in sectors where no other viable solutions exist; that the aims should be defined before codes of conduct are actually considered; and that no attempt should be made to use codes of conduct until all efforts to find other solutions have been exhausted.

42. With regard to the combination of techniques, the participants discussed techniques combining export, import and production commitments.

43. At the suggestion of a developing country, the ad hoc working party of the Agriculture Committee invited the GATT secretariat to present a study to be distributed in good time for the next session of the Committee (20 and 21 September 1972), on the implications of the techniques and modalities of future negotiations on agriculture for the developing countries; this study should be similar to the one on industrial products already prepared. The ad hoc group emphasized that the techniques and modalities reviewed up to that point were in no way limiting and that the developing countries could make all the suggestions they might consider relevant so that, in future multilateral negotiations, their particular agricultural interests might be taken into account.

44. The operational procedure of the GATT working groups to date, has been to examine the difficulties and the feasibility of applying techniques and modalities in the negotiations, without necessarily defining preferences,

/and certainly

and certainly without making clear whether the techniques under review will or will not be advocated during the actual negotiations. For this reason, it was surprising that, at the last meeting of the Working Group on Techniques and Modalities of the Agriculture Committee, the United States proposed a method of negotiation in respect of agricultural commodities combining various techniques which have been analysed within GATT. As this is the only scheme proposed so far, it is considered that it deserves special attention from the Latin American countries, with a view to determining as early as possible whether or not the different proposals can be made compatible with the specific interests of the region and of developing countries in general.

(ii) The industrial sector

45. The GATT secretariat prepared a working document on negotiating techniques and modalities for industrial products. This document incorporates most of the techniques in respect of tariff and non-tariff barriers used or advocated in negotiations up to the present and suggests that the situation of the developing countries should be considered when each of the proposed techniques is analysed. This document was subsequently complemented by another which provided a preliminary review of the implications for the developing countries of the different techniques and modalities for the trade negotiations, without going into them in detail, since the Committee on Trade in Industrial Products has only just begun to review the various general formulas.

46. The latter document places special emphasis on the advantages or disadvantages for the Generalized system of Preferences of the various techniques in the field of tariffs, such as negotiation on a commodity-by-commodity basis, the continuation of the reductions which emerged out of the Kennedy Round, the introduction of exemptions from duties, across-the-board reduction, and the harmonization and combination of these techniques. However, it contains a number of gaps, insofar as it does not: (a) consider the effect of tariff reductions on the generalized system of preferences; (b) indicate differences in tariff treatment according to degree of processing; (c) envisage priority action to eliminate restrictions on products of special interest to developing countries, or (d) envisage the elimination by the developed countries of duties or charges on non-competitive products.

47. The main techniques referred to in the field of tariffs are negotiation on a commodity-by-commodity basis and across-the-board reduction, the applicability of which depends largely on the targets the contracting

/parties wish

parties wish to attain, such as: (a) total or substantial elimination of duties; (b) partial elimination with or without harmonization of tariff structures; (c) reduction in proportion to the levels of duties (problem of disparities) or in the light of their protective effect; (d) negotiations for tariff adjustments; (e) scope of exceptions and application of safeguard clauses.

48. Another of the techniques analysed concerns the possibility of bringing national tariffs into line with a model tariff, despite the difficulties involved in defining criteria for establishing the latter. Consideration was also given to the possibility of combining various techniques, such as across-the-board reductions with product exceptions, across-the-board reductions with harmonization measures, etc.

49. With regard to non-tariff barriers, the four groups, which met at least once during the first half of 1972, are working towards solutions subject to the approval of the governments. Two topics to date have achieved a sufficient consensus to be taken up by the national administrations: customs valuations and licensing systems. Progress has been made in the search for solutions to three other problems: export subsidies, import documentation and consular rights, and standardization. Two further topics will be included next October: compensatory duties (closely linked to export subsidies) and quantitative restrictions, which are of special importance to the developing countries. The Committee on Trade in Industrial Products has analysed the advantages and disadvantages of different types of approach to non-tariff problems. However, its examination of the subject has been of a very preliminary nature since, despite the results of the work of the four groups, the possibility of reaching agreement on which of the non-tariff barriers would be dealt with in the negotiations, and how they should be "graded" so as to produce the necessary balance in compensations among developed countries still seems to be distant.

50. Consideration should also be given to the problem of sectoral liberalization, taking account in the negotiations of the whole range of tariff and non-tariff barriers affecting trade in specific sectors.

(iii) The interests of the developing countries

51. It has already been mentioned that the information and suggestions presented by the Group of Three include a number of specific proposals in favour of the trade of developing countries (elimination of discrimination against them, priority reduction of non-tariff barriers, etc.), which should be adequately dealt with in the context of the multilateral negotiations.

/52. Similarly,

52. Similarly, in the course of the preparatory work that recently began on negotiating techniques and modalities in the sphere of agriculture and industrial products, certain developing countries which made statements in the appropriate negotiating bodies of GATT raised problems or special points that are both pertinent and important. In this connexion, it should be clearly established in advance whether the basic rules, techniques and modalities which are to govern the conditions of participation by the developing countries in the multilateral negotiations, should be drawn up and agreed to jointly in a special forum (such as the Committee on Trade and Development), or whether they should be drawn up as a result of special discussion at the same time that the techniques and modalities applicable to the developed countries are worked out. A compromise solution would be to agree on certain fundamental rules in the Committee on Trade and Development and to define more precise techniques and modalities when discussing at the sectoral level or even at the product level each of the elements (mechanisms, policies, measures, procedures, etc.) which, in the last analysis, have to be negotiated.

53. Both in the resolution approved by consensus at the third session of UNCTAD and in the declaration issued by the Group of 77, the developing countries have drawn attention to a set of principles which must be borne in mind along with other principles, when the modalities, techniques and basic rules for the negotiations are formulated with the full participation of those countries. The following are the principles suggested:

- "(a) The developing countries, collectively or individually, shall not suffer, directly or indirectly, adverse or prejudicial effects as a result of these negotiations. On the contrary, the negotiations shall provide the developing countries with additional benefits that represent a substantial and meaningful improvement of their position in international trade, so that they secure an increasing share in the growth in international trade commensurate with the needs of their economic development on the basis of non-reciprocity, non-discrimination and preferential treatment;
- (b) If the preferential advantages enjoyed by developing countries are adversely affected by the results of these negotiations, the developed countries shall take additional measures to compensate the developing countries so affected;

/(c) Developed

- (c) Developed countries should provide more favourable and acceptable conditions of access to the products of developing countries and ensure for these products a larger share of the markets of developed countries, and where appropriate devise measures designed to attain stable, equitable and remunerative prices for their products;
- (d) All developing countries shall be entitled and enabled to participate fully, effectively and continuously in these negotiations in all their stages so that their interests are fully taken into account;
- (e) All the concessions which may be exchanged by developed countries among themselves should automatically be extended to all developing countries;
- (f) Concessions granted by the developed countries to developing countries need not be extended to developed countries;
- (g) In the negotiations among developing countries the tariff and other concessions which they may negotiate among themselves shall not be extended to the developed countries;
- (h) The negotiations should as a matter of priority secure significant concessions for the products of particular interest to least developed countries;
- (i) Utmost priority shall be accorded to the removal of all barriers to the products of export interest to developing countries in the markets of developed countries;
- (j) Concessions agreed upon in the negotiations in favour of developing countries shall be made available to them immediately and will not be phased."

54. Lastly, it should be noted that the GATT secretariat undertook to prepare a special study, by September 1972, on negotiating techniques and modalities in respect of tariff and non-tariff barriers, to enable the developing countries to obtain concrete results from their participation in the negotiations. The Group on Non-Tariff Barriers is shortly to present a report on its work so far to the Committee on Trade in Industrial Products.

55. The Committee on Trade and Development held its twenty-first meeting in mid-July to analyse the second report of the Group of Three, which contains elements of real interest to the developing countries and provides a close-knit synthesis of the trade questions most relevant to them. During the debate, several countries stated their willingness to contribute towards expanding the exports of the developing countries, and even to set up specialized offices in each of them. With regard to the participation of the developing countries in the multilateral negotiations and their present situation in the agencies of GATT, further information on conditions of participation can be found in chapter IV, section A, (Special Problems) of the present report. With reference to the principles, basic rules and techniques and modalities, a debate was opened with the specially noteworthy participation of some developing countries; the debate was characterized by the blatantly negative position of Australia as regards the possibility of considering non-tariff preferences and establishing separate techniques and modalities for the developing countries. There was also clear opposition on the part of the other developed countries to the proposal that the principles presented by the developing countries and contained in UNCTAD Resolution 82 (III) should be converted into special techniques and modalities for those countries. The debate on the third topic, namely, measures of assistance for the transformation of structures, produced no satisfactory results, owing to the unconstructive attitude of the major industrialized countries.

56. The twenty-eighth session of the Contracting Parties of GATT will be held during the first two weeks of November (between 4 and 14 November). Prior to this, all the committees and working parties mentioned above will hold meetings in accordance with a timetable brought up to date at the last meeting of the Council, which is incorporated in annex 6.

Chapter III

NEGOTIATIONS ON THE EXPANSION OF THE EEC

57. One of the results of the admission of four new countries - United Kingdom, Ireland, Norway and Denmark - to membership of the EEC has been the initiation in GATT of a dual process involving, on the one hand, the examination of the compatibility of the Treaty of Accession with article XXIV and, on the other, the preparation of negotiations over paragraph 6 of the same article so as to determine what compensation is due to the Contracting Parties affected by the enlargement of the EEC, particularly following the adoption by the new member countries of its Common External Tariff and agricultural regulations. GATT has accordingly created a Working Group on accession to the European Communities which, at its first meeting, decided it would be advisable to carry out the study of the compatibility of the Treaty with the provisions of the General Agreement prior to its entry into effect on 1 January 1973, from which date the negotiations relating to paragraph 6 of article XXIV are to begin. At subsequent meetings, the Working Group discussed the documentation which the EEC should make available to it in that connexion. Several member countries of the Group would like to know more about the repercussions of the common agricultural policy and especially about the real impact of variable tariffs. The EEC's refusal so far to provide this information suggests that it intends to refuse to negotiate the matter.

58. GATT is also scheduled to examine the compatibility of the provisions of article XXIV with the bilateral agreements regarding the establishment of a free trade area for industrial products between the EEC and those EFTA countries which have not applied for admission (Portugal, Switzerland, Sweden, Austria, Ireland and Finland). By and large, it can be expected that the discussions about the Treaty of Accession and about agreements with the remaining European countries will culminate in the acceptance of the compatibility of such conventions with the provisions of article XXIV of the General Agreement.

59. A more complex and awkward problem would seem to be posed by the negotiations due to begin in January 1973 regarding the requests for compensatory adjustments formulated by other member countries of GATT on account of the change in the previously existing situations.

1. Main aspects of the negotiations

60. The tariff implications of the admission of new countries to membership of the Community can be looked at from the point of view either of industrial products or of agricultural commodities.

61. As far as industrial products are concerned, the progressive and steady removal of tariffs among the new members of the Community will take place in five stages, each of 20 per cent, starting on 1 April 1973 and ending on 1 July 1977. The tariffs of the new members will be brought in line with the Common External Tariff in four phases - 40 per cent on 1 January 1974, 20 per cent on 1 January 1975 and 1976, and 20 per cent on 1 July 1977. In the case of certain products from Commonwealth countries currently benefiting from preferential margins in the United Kingdom, the first tariff cut can be put off until 1 July 1973.

62. In other words, for third countries the start of the process of harmonization of tariffs between the EEC and the new member countries is going to mean a change in the tariff barriers currently being imposed by the new members and a series of varying situations up to the point where the process enters its final phase.

63. By and large, the adoption of the Common External Tariff by the four industrialized countries joining the EEC will entail a slight reduction in their present tariffs. Preliminary estimates in terms of the benefit to trade likely to result from such a reduction mention figures of around 800 to 1,000 million dollars, which could be looked upon as a credit for the enlarged Community in the field of industrial products. However, this estimate must not be taken too literally since the tariff cuts deriving from the harmonization process applied to the new member countries will go hand in hand with a process of import substitution as a result of the intensification of those countries' trade with the rest of the Community. This change in trade flows will affect outside countries, and particularly developing countries, whose ability to compete within the framework of the generalized system of preferences will suffer to an extent that is difficult to assess because of the progressively freer access of the present Community's industrialized products to the markets of the new members and vice versa. These possible negative implications for third countries stemming from the formation of a customs union and the replacement of certain trade flows by others constitute an economic threat that is not covered by the General Agreement, for the procedure laid down in paragraph 6 of article XXIV merely provides for compensatory adjustment, through the negotiation of new concessions or in some cases their withdrawal, for the

/probable effect

probable effect - estimated a priori - of a change in pre-existing situations. Although, generally speaking, this is correct, due account should be taken of the balance between the "creating effects" and "diverting effects" characteristics of these processes which is recognized as desirable in article XXIV, paragraph 4, of the General Agreement. It is stated there that the purpose of a customs union or a free-trade area should be to facilitate trade between the constituent territories "and not to raise barriers to the trade of other contracting parties with such territories". Even if there is no specific barrier, the GATT philosophy concerning this paragraph allows it to be invoked in cases where there has been an evident diversion of trade flows, the more so when they are favoured by changes in the previously existing protection. The "probable impact" could even be determined, or at least estimated, beforehand (article XXIV, paragraph 6).

64. With regard to agricultural commodities coming under the common agricultural policy, the Treaty of Accession stipulates that, from 1 February 1973, the new member countries will apply the common set of regulations in this sector at both the external and the domestic level, which means that they must accept and implement the machinery and instruments of the common agricultural policy. Consequently, the prices in those countries of products subject to market arrangements will have to align themselves with Community prices in six stages during the transitional period ending 31 December 1977.

65. In contrast to the situation regarding industrial products, non-EEC member countries' agricultural commodities will receive less favourable treatment than in the past following the admission of new members. The extension of the common agricultural policy to the latter will create a new set of circumstances for third countries, whose agricultural products will have less easy access to the new members' markets. Above all, a whole new situation will face countries which previously benefited from special trade advantages (frequently consolidated within GATT) which will be affected by the common agricultural policy of the enlarged Community: this will be true, for instance, of Canada's wheat exports to the EEC countries and the United States' maize trade with the United Kingdom, to mention but two of the more outstanding examples. There is also the case of the Commonwealth countries whose preferences in the United Kingdom have been listed as exceptions to article 1 of the General Agreement, consolidated in some cases as tariff levels or, in the case of most products, as preference margins. This difference has given rise to divergent interpretations of the right to compensatory adjustment within GATT for the loss of such advantages. Of the countries affected,

New Zealand will be able to retain its advantages in the United Kingdom market for butter and Cheddar cheese and, possibly, request better treatment for its lamb and mutton exports to the United Kingdom following the latter's admission to the EEC. Generally speaking, it is estimated that the exporting third countries' right to compensation from the enlarged Community in the agricultural sector will amount to around 500 to 600 million dollars in terms of annual trade generated.

2. The implications for Latin America*

66. The admission of new countries to membership in the EEC mainly affects the agricultural commodities sector, which is where the most serious negative effects would be felt. It is particularly worthy of note that, quite apart from the implications of the common external policy 1/ that have already been described on frequent occasions, the adoption of the Common External Tariff by the new members will result in a large number of agricultural products not previously covered by the common agricultural policy being incorporated into a new tariff structure based on duties which, for the most part, are higher than those hitherto levied by the new member countries, especially the United Kingdom. This is particularly true of tropical products (green coffee, for example, carries an ad valorem duty of 2 per cent in the United Kingdom and 7 per cent in the EEC). As to eight other products, some of which are included in the common agricultural policy 2/, it appears that, with the United Kingdom's entry into the Community, tariffs will treble in three cases, double in another, quintuple in another and rise from 0 to 11-12 per cent for the two remaining products. This deterioration in the conditions of access of certain Latin American products following the adoption of the Common External Tariff will be aggravated within the enlarged market by the competition of African countries that are currently members of the Commonwealth 3/.

* For further information, see ECLA, "Impacto en el comercio de América Latina del ingreso del Reino Unido y otros países de Europa a la CEE" (E/CN.12/L.82).

1/ See ECLA, "Latin America and the third session of UNCTAD" (E/CN.12/932), chap. IV.

2/ Canned fish, oranges, bananas, honey, coffee and coffee extract, cocoa butter and tea.

3/ See the following section.

67. The Latin American products most affected by the application of the common agricultural policy to the new EEC members will be beef, imports of which will carry a 20 per cent tariff as well as a variable levy, and cereals. Failing appropriate corrective measures, these duties are bound to push up the price of Latin American products and eventually bring about a swing in United Kingdom imports towards preferred suppliers within the Community. In the case of Latin American meat exports, the progressive adoption of the high Community prices will produce an incentive for domestic production and a probable decline in consumption ^{4/}. A similar situation could arise with Latin America's exports of cereals to the British market, since the tariff franchise from which wheat and rice currently benefit will be replaced by the Community's present variable levies. The EEC preference system will likewise encourage exports of its current surpluses to the new member countries.

3. Extension of preferential areas

68. A number of special situations have arisen over the past few years, or are in the process of developing, in respect of the Community's trade relations with a large number of non-member countries that have requested special ties with the EEC, the effect of which would be a substantial extension of the latter's discriminatory trade area. There is, for example, the question of the creation of a free trade area between the Community and former members of EFTA (Austria, Sweden, Switzerland, Ireland, Finland and Portugal) which was decided on 23 July 1972. The agreements signed on that date in Brussels between the EEC and each of these countries provide for the elimination, over a period of five years, of all tariff and non-tariff barriers in respect of industrial products, except in the case of a few so-called "sensitive" products where tariffs would be lifted rather more slowly. The elimination of customs duties and the reduction of tariff barriers among Western European countries will affect the degree to which developing countries can benefit from the Generalized System of Preferences. Agricultural commodities are not covered by the agreements, except in the case of Portugal, which has obtained concessions for certain products of particular interest to it.

^{4/} See FAO, Working Paper N° 6 (6 December 1971) on the implications of the possible enlargement of the EEC for the agricultural commodity projections for 1970-1980.

69. In recent years, the Community has been establishing a complicated system of preferential trade agreements with Mediterranean countries whose incompatibility with the provisions of the General Agreement on Tariffs and Trade has given rise to severe criticism within GATT. The Community's so-called "Mediterranean policy" is characterized by a tendency towards permanent expansion. It is shortly to be extended to Algeria, Lebanon, Egypt and Cyprus. Other countries like Israel, Spain and Yugoslavia have also requested a review of their existing trade agreements with a view to their adaptation and extension in the light of the new situations arising from the EEC's enlargement. The establishment with those countries of a free trade area incorporating pre-defined programmes for the removal of tariffs would put a stop to GATT's criticism that the current commercial arrangements are incompatible with the provisions of article XXIV.

70. Lastly, another aspect of the extension of the EEC's preferential areas is the possible total or partial incorporation of African members of the Commonwealth which at present benefit from special advantages on the United Kingdom market in respect of a wide range of primary commodities and semi-processed tropical products 5/. Of these countries, Uganda, Tanzania and Kenya have already signed preferential agreements with the EEC based on tariff concessions and quota arrangements for several of their main export products. Three possible formulas have been outlined to cover these countries and other developing countries in the Pacific and Caribbean area: participation in the existing convention of association between the EEC and the Associated African and Malagasy States; conclusion of a special convention of association with reciprocal rights and commitments; or the establishment of special trade agreements. Though it is impossible to say what decision the countries concerned will take, they might well opt for incorporation in the Yaoundé Convention when it comes up for renewal in 1974. While this solution would bring them greater trade advantages and financial and technical assistance from the enlarged EEC, it would at the same time commit them to granting major concessions on the basis of reciprocity. This would tend to accentuate the problem of reverse preferences and affect the possibility of promoting trade among developing countries from different geographical regions through the system of preferences not subject to extension to other countries that has already been accepted by GATT.

5/ Coffee (Kenya, Uganda, Ghana, Nigeria), unprocessed tobacco (Tanzania), bananas (Ghana and Nigeria), groundnuts (Nigeria, Zambia, Tanzania, Uganda) and palm oil (Nigeria).

71. It must always be borne in mind, however, that the negotiations for enlarging the Community are conducted within the legal framework of article XXIV, paragraph 6, of the General Agreement, and, by their very nature, are different from the 1973 multilateral trade negotiations. The separation of these two negotiation processes is of capital importance for the developing countries, particularly the members of GATT, in order to distinguish between the compensatory concessions to which they would be entitled under article XXIV of the General Agreement and the concessions they would wish to obtain in the new round of trade negotiations.

Chapter IV

SPECIAL PROBLEMS

A. Participation of the developing countries

72. In the joint declarations by the United States, the European Economic Community and Japan the desire is expressed that the 1973 multilateral negotiations should involve the active participation of as many countries as possible, and it is stated that "special attention shall be given to the problems of developing countries". The declaration by the Group B countries at the third session of UNCTAD, for its part, indicates that such declarations were made in the spirit of recognizing "the need to ensure effective participation by the developing countries in the forthcoming negotiations in 1973". Pursuing the same line of thought, the developed countries of Group B point out that: (i) many developing countries are at present contracting parties to GATT, thus ensuring their participation in the above-mentioned negotiations. The countries of Group B state their firm intention of taking account of the interests of the developing countries from the outset of the preparation and throughout the negotiations, examining formulas with such countries which would enable them to participate effectively in the negotiations; (ii) those developing countries which are not contracting parties to GATT will, the Group B countries hope, participate in the negotiations and see that their interests would be served by becoming contracting parties to GATT after the conclusion of the negotiations. To that end the Group B countries will request the Contracting Parties to make "adequate arrangements, in practical terms, for their full and active participation in the negotiations".

73. The developing countries have declared, as one of their basic principles for the multilateral negotiations, that "all developing countries shall be entitled to participate fully, effectively and continuously in these negotiations in all their stages so that their interests are fully taken into account", reiterating that they will not commit themselves to take part in the negotiations "until techniques and modalities which will adequately take into account their interests and aspirations are evolved with their full participation". In connexion with the participation of the developing countries, resolution 82 (III) expresses the consensus of all the member countries of UNCTAD to the effect that: "special techniques, modalities and ground rules should be established for the negotiations to ensure that special attention is given to the interests of the developing

/countries; all

countries; all developing countries should be given the opportunity to participate fully, effectively and continuously in the negotiations in all their stages so that their interests are fully taken into account. To this end the Contracting Parties of GATT are invited to make adequate arrangements".

74. In line with a decision adopted by the Council of GATT in June 1972, the Director-General has sent letters to the Foreign Offices of developing countries which are not contracting parties of GATT, inviting them to inform the Council whether or not they would be interested in participating in the trade negotiations, with a view to making the necessary arrangements. So far, only a few developing countries have shown interest in participating in the preparatory stage of the negotiations 1/, which began with the decisions adopted by the GATT Council on 7 March 1972, for as indicated in chapter II, from that moment on several committees and working groups started to examine possibilities and options with regard to techniques and modalities for negotiations regarding the agricultural and manufacturing sectors and tariffs and non-tariff measures. This examination will be of undoubted significance as regards the formal decisions adopted later by the competent GATT bodies with respect to the objectives, elements, instruments and measures to be negotiated and the mechanisms to be used in the different stages. Thus it goes without saying that this preparatory work will have a marked influence on the trend of the negotiations.

75. As regards the full access of developing countries not contracting parties of GATT to the studies undertaken by this organization, it should be noted that the secretariat of GATT has been preparing extensive technical documentation on tariff levels, quantitative restrictions and other non-tariff barriers. This documentation, however, is restricted and, until recently only the Contracting Parties of GATT have had access to it; hence the developing countries which are not contracting parties may not be in a position to identify their own problems and interests accurately until they acquaint themselves with and analyse this extensive documentation - a task which could delay their "effective" participation even after participating in the activities carried out by the various committees and working groups and securing access to the relevant documents. Moreover, at the request of the "Group of Three", the secretariat of GATT has initiated a selective study with a view to providing each developing country which is a Contracting Party of GATT with information about tariff

1/ Replies are known to have been received only from Colombia, El Salvador and Mexico of the Latin American Group, and the Philippines of the Asian Group.

and non-tariff barriers for products of export interest to it. No information of this kind is at present available to the countries which are not contracting parties.

76. The following is the situation with regard to the form of participation of the countries which are not contracting parties of GATT:

- (i) They may attend all meetings of committees or working groups concerned with the elaboration of techniques and modalities for the negotiations, and meetings of the Contracting Parties and the Council dealing with this subject, in the capacity of observers with a right to participate fully in the discussions;
- (ii) They shall have access to all working documents which are issued by such committees or working groups or which may be prepared for discussion in them;
- (iii) The chairman or rapporteurs of the working groups or committees will reflect these countries' views, in accordance with the established practice in GATT.

77. Where a decision is adopted by vote, it should be noted that, from a strictly legal standpoint, a country which is not a contracting party would not be entitled to vote and would therefore be excluded from any decisions adopted in this manner. Nevertheless, mention should be made of a precedent where the Contracting Parties expressly established the following interpretation in the case of Switzerland's provisional accession and the question of its voting rights. They considered that, in view of the wording of the provisions of articles 25 and 32, it was not possible, from a legal standpoint, for Switzerland to be given full voting rights. However, in the normal course of proceedings this was not very important, since the Contracting Parties did not usually adopt decisions by means of a formal vote; the chairman generally interpreted the sense of the meeting and Switzerland would have the same opportunity as the other Contracting Parties to express its views.

78. With respect to both the conditions for participation and the enjoyment of the benefits resulting from these negotiations, distinctions may be made regarding the position of the developing countries not members of GATT according to whether, in asking to be allowed to participate in the negotiations, they express their intention of joining the organization forthwith or of negotiating their accession during the actual period of multilateral negotiation or at the end of it. Those countries which in

/the initial

the initial stages merely express their desire to participate fully and actively in the negotiations without previously undertaking to submit an application for accession may at the end of the negotiations:

(a) decide to accede to GATT as Contracting Parties and thus negotiate their accession, or (b) prefer not to accede, while however sharing in the benefits deriving from the negotiations. In this latter case, the tariff or other concessions which the developing countries might obtain from the developed member countries of GATT would not be covered by the provisions of the General Agreement unless the existing rules were changed. Consequently, if these concessions were withdrawn or not observed by the country which had promised to extend them, the would-be recipient country would have to defend its own interests outside the context of the Agreement assuring the country concerned of the full benefits obtained from the negotiation. This could have important effects if the benefits of the generalized system of preferences were legally consolidated within the context of GATT.

79. It is not necessary to refer to the conditions for the participation of developing countries in all those aspects, directly or indirectly linked to the negotiations, which are dealt with by the permanent machinery of UNCTAD. It goes without saying that not only should the developing countries be able to participate actively and fully in such meetings, but they should also be able to count on special support throughout the negotiations, including relevant specific aspects of the latter, and the negotiations should be kept under periodic review to ensure that the interests of all developing countries will be taken into account in their various stages.

B. The concept of reciprocity in the negotiations

80. The concept (or concepts) of "reciprocity" in the negotiations is bound up with that of the basic principles governing international trade. As even a single concept of reciprocity may admit of variations, it has been deemed useful to include in Annex 5, without prejudice to an analysis elsewhere of the development and relative value of the concepts of reciprocity which will be of significance in the 1973 round of multilateral negotiations, some reflections about the evolution and relative validity of these basic principles upon which, in ECLA's view, the very concept of reciprocity depends.

1. The development of "reciprocity"

(a) The traditional concept

81. The traditional concept of "reciprocity" in international trade negotiations is that the countries should grant mutual concessions of equivalent value. The elements used to measure this equivalence include:

- Loss of customs revenue as a result of tariff reductions. This is an essentially fiscal concept;
- Equal treatment, where reciprocity is measured not only in terms of equal treatment on both sides, but also, in subsequent negotiations, of equal additional concessions;
- Linear reduction of tariffs, which was used in the Kennedy Round, with the addition of mutually comparable exceptions and contributions. This concept, although based on the assumption of an equal stage of development of the negotiating countries in regard to basic techniques, recognizes a certain degree of disparity between developed countries as regards exceptions and contributions. A case in point is the Food Aid Convention, part of the "package deal", which required a complex formula for the definition of the developed countries' contributions;
- The volume of real or potential additional trade;
- Equal interference with domestic production as a result of the concession;
- Equal inputs and/or technological components of additional trade, resulting from the concession;
- Equal labour content in the products included in such additional trade.

(b) The concepts of "reciprocity" used in the General Agreement in relation to developing countries

82. The concepts of reciprocity used in the General Agreement in relation to developing countries were defined in the appropriate paragraphs of the respective statements by the Ministers.

A. In the Dillon Round

In November 1961, the Ministers

"... agreed that, in view of the stage of economic development of the less-developed countries, a more flexible attitude should be taken with respect to the degree of reciprocity to be expected from these countries." 2/

B. At the Ministerial Meeting of May 1963

The Ministers agreed that

"... in the trade negotiations every effort shall be made to reduce barriers to exports of the less-developed countries, but that the developed countries cannot expect to receive reciprocity from the less-developed countries." 3/

C. In the Kennedy Round

In May 1964, the Ministers recalled the pertinent paragraph of the May 1963 resolution and agreed on a concept of relative reciprocity, i.e., that "... the contribution of the less-developed countries to the overall objective of trade liberalization should be considered in the light of the development and trade needs of these countries." 4/

2/ GATT, Basic Instruments and Selected Documents, Tenth Supplement, p. 26, section 2.

3/ GATT, Basic Instruments and Selected Documents, Twelfth Supplement, p. 48.

4/ GATT, Basic Instruments and Selected Documents, Thirteenth Supplement, p. 111, section D. A footnote to this resolution indicates that "Argentina and Brazil accepted this paragraph on the understanding that the phrase 'development and trade needs' covers the requirements of the current financial situation".

The following extract is taken from the report of the President of the Kennedy Round Sub-Committee on the Participation of Less-Developed Countries (document Com.TD/W/37), January 1967:

(3/ cont'd)

83. In actual fact, a different concept of relative reciprocity was used in the Kennedy Round. This concept was suggested by the main negotiator - the United States - and was partly based on national legislative limitations. Thus, the concept of "equal concessions" granted by developed to developing countries is found in the United States Trade Expansion Act and in the authorization of the United Kingdom Parliament. This concept of reciprocity was responsible for the situation whereby the United States and the United Kingdom withdrew certain concessions granted to developing countries because no comparable concessions to those countries were made by the EEC.

4/ (Cont'd)

"The Ministers agreed that the developed countries cannot expect to receive reciprocity from the less developed countries. This decision has since been given legal sanction with the inclusion of the relevant concept in Part IV of the General Agreement. Therefore, the concessions granted by developed countries for products of interest to developing countries will not be balanced against the contribution of the less-developed countries to the overall objectives of trade liberalization: a contribution which it was agreed should be considered in the light of the development, financial and trade needs of these countries. Therefore, it is recognized that the developing countries themselves must decide what contribution they should make. In accordance with the procedure agreed, some participating industrialized countries have suggested measures which the developing countries should take as regards tariff and non-tariff barriers within the context of the negotiations."

The report goes on to say that:

"Certain participating industrialized countries have stated that they may find difficulty in maintaining their present offers if no effort is made by the developing countries. Although there is consensus that the participating developing countries should make only those concessions which are viable from their own point of view and consistent with their economic, financial and development needs, the fact of making such concessions would facilitate the maintenance or improvement of the offers from developed countries with respect to products of interest to developing countries, and would provide a useful opportunity for the developing countries to analyse their levels of protection in the light of their own interest."

84. The concept of reciprocity invoked by the United States for developing countries during the Kennedy Round was also influenced by a political principle governing United States economic aid, whereby donations should preferably involve a measure of sacrifice on the part of the recipient country, even though in some cases such sacrifice may have only a symbolic value. During the discussions of the Trade Negotiations Committee in May 1967 this position was formally stated inasmuch as it was announced that considerable pressure had been brought to bear on the United States delegation to withdraw certain offers in which the developing countries were directly interested. The report states that it had been difficult to withstand those pressure because it had not been possible to demonstrate that the less developed countries concerned had made a serious attempt to offer contributions in the form of tariff reductions consistent with their development needs. Specific offers by developing countries benefiting from the United States' offers, even if made at that late stage of the negotiations, it was stated, could be a factor in influencing the United States Government to maintain its offers 5/.

85. This position prevailed in the Kennedy Round. Of the 23 developing countries which took part in the negotiations, only 14 followed the proposed concepts of reciprocity and the procedures agreed on and consolidated tariffs in return for advantages obtained in the negotiations. Of these, the following are members of CECLA: Argentina, Brazil, Chile, Dominican Republic, Jamaica, Peru and Trinidad and Tobago.

86. The experience gained during the Kennedy Round indicates that two basic concepts of reciprocity were taken into account, i.e., the above-mentioned concept for developed countries and another for developing countries which presents two variants: a certain degree of advantage where the concept of non-reciprocity is applied, and a greater degree of advantage where the developing countries, in their own interest, choose to apply the concept of relative reciprocity. It should be noted that the two variants of the concepts of reciprocity used in negotiations with the developing countries were in keeping with the principle that the objective of negotiations to liberalize trade should be considered in the light of the development needs of developing countries.

5/ Document TN.64/100, p.3, para. 12.

2. The concept of reciprocity and the 1973 GATT round
of trade negotiations

(a) For the developed countries

87. The initial criteria are set forth in the relevant paragraphs of the joint United States-European Economic Community and United States-Japan declarations:

- A. United States-European Community Declaration. The two parties "... recognize the need for proceeding with a comprehensive review of international economic relations with a view to negotiating improvements ... The review shall cover inter alia all elements of trade ... Special attention shall be given to the problems of developing countries".

(This relates to the broad objectives of the negotiation, which would include not only the trade negotiations within the framework of GATT but also the negotiations for reform of the international monetary system and agreements on international economic aid.)

"... undertake to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973 ... with a view to the expansion and ever greater liberalization of world trade and improvement in the standard of living of the people of the world ...".

(This relates to the broad objectives of the trade negotiation in GATT. The traditional principles are found side by side with a sui generis version of the principle of international support for development in the field of trade.)

"... The negotiations shall be conducted on the basis of mutual advantages and mutual commitment with overall reciprocity, and shall cover agricultural as well as industrial trade".

(This relates to the basic principles for the negotiation and to the concept of reciprocity for developed countries. The definition and scope of such reciprocity have not yet been officially established, nor the nature and scope of the term "comprehensive".)

B. United States-Japan Statement

This statement is drafted in the same terms as the United States-European Economic Community Declaration, but some points are clarified, as in the following sentence:

/ "... To this

"... To this end, they also agree in 1972 to analyse and evaluate in the GATT alternative techniques and modalities for multilateral negotiation of long-term problems affecting all elements of world trade".

(This makes it clear that the concept or concepts of reciprocity used do not constitute a technique or modality. It does not, however, explain whether techniques and modalities are different or the same kind of concept.)

Both declarations state that the policy intention is subject to such internal legislative authorization as may be required.

88. With respect to the United States and the European Economic Community, a more accurate interpretation is necessary of the nature and scope of: (a) the overall objectives of the negotiation (i.e., the basic principles of international trade), and (b) the concept of reciprocity put forward by the developed countries in their joint declarations. The decision which the Council of GATT adopted on 7 March 1972 does not clear up these points. The Chairman, recapitulating a wide-ranging discussion, said:

"... The Council has discussed seriously and responsibly the initiative taken by the Contracting Parties which made the two declarations. As might have been anticipated in a matter of such importance, the various representatives, in their statements, underlined different aspects of the question. The countries normally considered in GATT as industrialized and highly developed welcomed the initiative and announced their intention of also committing themselves to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973, subject to such internal authorization as may be required.

Representatives of the developing countries have certainly expressed interest in the terms of the declarations, but have made it quite clear that their association with them will depend on the detailed arrangements for their participation. They need more time and more information, particularly about the techniques and modalities to be devised for the 1973 negotiations.

There was full support for the proposal to seek actively in GATT to solve existing trade problems in 1972 and to analyse and evaluate alternative techniques and procedures for multilateral negotiation of long-term problems. The Council agrees that special attention should be given to the problems of developing countries, including the special arrangements that will be necessary for the participation of these countries."

(b) For the developing countries

89. The reference to special techniques and modalities (the wording used by GATT), and to special techniques, modalities and ground rules (the wording used in resolution TD/L.97 adopted at the third session of UNCTAD) does not cover two points of basic interest to developing countries as a whole: the basic objectives of the negotiations and the concepts of reciprocity which will be used to give them content. In the United States-Japan Statement it would seem that the techniques and modalities do not include the concept of reciprocity, since this is expressly referred to in another paragraph of the same document. Therefore, the developing countries should press for specific wording regarding the basic objectives ^{6/} in keeping with their particular interests and regarding the concept of reciprocity to serve those objectives.

90. A more precise formulation of the concept of reciprocity for developing countries would be in keeping with the idea of the non-reciprocity of concessions. This position is based on the concept of implicit reciprocity, which covers both real implicit reciprocity and reciprocity of concerted action. The traditional or relative concepts of reciprocity do not favour the growth of exports of manufactures and semi-manufactures from developing countries and, consequently, limit the expansion of world trade. The concept of real implicit reciprocity facilitates the expansion of world trade, inter alia, through the growth of the developing countries' capacity to import. The reciprocity of concerted action involves certain efforts, essentially for development, on the part of the developing countries, thus giving them a right to expect that other countries - i.e., developed countries - will grant them concessions and take action within the context of a global strategy ^{7/}.

^{6/} See paragraph 115 and annex 5.

^{7/} "This calls for a global development strategy based on joint and concentrated action by developing and developed countries in all spheres of economic and social life: in industry and agriculture, in trade and finance, in employment and education, in health and housing, in science and technology" (General Assembly resolution 2626 (XXV), preambular paragraph 7). See also chapter I of document TD/B/186 and Corrigena 1 and 2.

C. Relation between the Generalized System of Preferences and the trade negotiations

91. The relation between the 1973 trade negotiations and the Generalized System of Preferences raises several questions, which can be grouped in two categories: (a) the impact of the negotiations on the present system of preferences or on its effects and (b) the possibility of consolidating or broadening the scope of the preferences in the course of the negotiations. Despite the inter-dependence of these two aspects, they can appropriately be considered separately.

1. Impact of the trade negotiations on the Generalized System of Preferences

92. There is a risk that the tariff negotiations taking place between the developed countries may, as a result of new customs tariff reductions, dilute the present preferential advantages enjoyed by the developing countries. It thus seems essential that the developing countries should make an effort to secure the establishment in the preparatory stages of the negotiations of a general rule that the latter must not adversely affect existing margins of preference, i.e., the developed countries must not reduce their tariffs on products included in the system of preferences, or else all reductions must be accompanied by a corresponding reduction in the residual tariff so as to maintain the margin of preference.

93. The system of preferences is bound to be affected either directly or indirectly, however, even if the new rule is accepted by all the countries taking part in the negotiations, so that compensatory measures will have to be taken. The direct effects will be a result of violations of the proposed general rule involving reductions of the margins of preference as a result of the bilateral or multilateral negotiations between developed countries; the indirect effects will be multiple and almost impossible to foresee.

94. Thus, for example, a general tariff reduction may, even if the margin of preference is maintained, improve the competitive possibilities of a specific product in a given market, especially when the elasticity of demand is high and the product is complex to process and has to maintain a certain standard of quality, as is the case with many manufactures included in the present system of preferences; this means that the relative advantage of a developing country vis-à-vis competition from a developed country may be drastically reduced if a given margin of preference drops from, say, 50-25 to 20-10. The expanded European Economic Community,

/moreover, will

moreover, will absorb markets which previously had their own systems of preferences (the United Kingdom and the Scandinavian countries), and trade within the EEC will inevitably be detrimental to the competitive possibilities of the developing countries in these markets, thus indirectly weakening the overall efficiency of the system of preferences.

95. It is therefore necessary to introduce a second general rule into the negotiations, providing for appropriate compensation to be made for direct or indirect losses within the Generalized System of Preferences.

96. Such compensation could take various different forms: (a) the granting of non-tariff preferential treatment for products directly or indirectly affected by the tariff reductions; (b) preferential treatment for products from other branches or new products of the same branch which are of interest to the developing countries, and (c) financial compensation.

97. The first two methods involve an extension of preferences, and will therefore be considered in the next section of this chapter. The third method is outside the scope of the negotiations and introduces financial considerations which go beyond the limits of this provisional report. It will therefore not be dealt with here in detail.

98. Just as important as the above problems is the question of the developed countries which up till now have not put into practice the Generalized System of Preferences adopted by UNCTAD. These countries, among which figures a country of great importance in the world of trade, should be urged to introduce the system of preferences before the trade negotiations begin. They could also negotiate their system of preferences on an asymmetrical basis, using the system as a concession to the developing countries during the negotiations, and thus avoiding the question of compensation for the loss of margins of preference. This would give the countries which have granted preferences grounds for not considering the problem of compensation.

2. Adoption of additional preferences

99. The adoption of additional preferences should be considered as one of the primary aims of the trade negotiations. The arguments in their favour should be that: (a) they are indispensable for the international community to fulfil its commitment to speed up the economic development of the developing countries and eliminate the inequality between rich and poor nations, and (b) that they would constitute a minimum pledge to avoid the deterioration of the present system of preferences during the trade negotiations, as pointed out in the last section.

/100. The

100. The first point might usefully be enlarged upon. The developed countries have pledged themselves within the framework of the Second United Nations Development Decade to take the measures necessary to maintain a certain growth rate in the developing countries, including a minimum goal for the increase of exports. Full recognition has been given in UNCTAD to the fact that preferential treatment is essential if the development countries are to expand and diversify their exports to the markets of the developed countries. Part IV of the General Agreement on Tariffs and Trade also recognizes the need for individual and joint action to further the development of the economies of the developing countries, and in article XXXVI, paragraph 3, states that "there is need for positive efforts designed to ensure that less-developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development". Since it is difficult to conceive of an adequate share in the growth in international trade without preferential treatment, this point will obviously have to be considered in the future trade negotiations.

101. If this premise is adopted, the developing countries taking part in the forthcoming trade negotiations should take as their aim the raising of the level and the broadening of the spectrum of the present system of preferences. In order to raise the level of the system, greater margins of preference should be granted to the developing countries in general; to broaden its spectrum, preferential treatment should be extended to other branches of products, including agricultural products, even when semi-processed, and other measures of protection should be granted with regard to manufactures and semi-manufactures, i.e., in respect of non-tariff barriers.

102. It is suggested that special groups should be set up to study possible techniques and modalities in order to achieve these aims.

103. Various different aspects should be taken into account in the general approach to the adoption of new preferences. With regard to agricultural products, preferential measures should be provided for through the adoption of appropriate mechanisms based on the following:

- (a) Measures to give the developing countries an increased share in the present and future consumption of certain products of special interest to them by ensuring the access to the markets of the developed countries of exports from the developing countries, particularly as regards products in which the latter have a good chance of competing;

/(b) Reduction

- (b) Reduction of barriers to trade in basic commodities, on a preferential basis;
- (c) Adoption of preferential price policies, and
- (d) Adoption of appropriate measures, including economic reconversion, to eliminate protection policies for agricultural products which affect the exports of the developing countries.

104. These are not exhaustive suggestions. They should be reviewed on a more concrete basis, bearing in mind the special features of trade in the different types of product 8/.

105. With regard to industrial products, careful consideration should be given to the possibility of granting non-tariff preferences in addition to increasing the margins of tariff preference and adopting preferential tariffs for new branches of products. The secretariat of GATT has prepared a note (document COM.IND/W/76, 17 May 1972) which was submitted for consideration to the Committee on Trade in Industrial Products. Annexed to this note was a list of non-tariff barriers which could be brought up for negotiation. This list, or any other which might be adopted, should form the basis for considering possible preferential treatment for the developing countries. Of the 29 non-tariff barriers on the list, those which seem a priori to offer immediate fields for the adoption of preferences are:

- (a) Quantitative restrictions;
- (b) Restrictions in connexion with licences;
- (c) Regulations with regard to minimum prices;
- (d) Variable dues;
- (e) Special import regulations;
- (f) Measures regarding the share of the State in trade.

8/ It should be noted that the term "basic commodity" is used here in a sense which goes beyond that of agricultural products, and reference is made to preferences in agriculture in order to keep in line with the distinction GATT makes between industrial and agricultural products.

106. Other measures warranting more careful study may also come to mind, such as measures on some internal duties applied by the EEC. Lastly, consideration should be given to the adoption of measures to suppress or reduce the scope of escape clauses.

107. If the trade negotiations take up the question of additional preferences, the considerable problem of legal repercussions will arise, calling for careful examination by the developing countries. The General Agreement does not contain explicit references to the principle of non-discriminatory and non-reciprocal preferential treatment adopted by UNCTAD. Part IV of the Agreement refers in a provisory manner to the principle of non-reciprocity (article XXXVI, paragraph 8), and recognizes the need for special measures in favour of the developing countries, but makes no mention of a generalized system of preferences for them. This was why GATT had to make a special exception in 1970 in order to establish the Generalized System of Preferences.

108. The evolution of international trade and development policy since 1964, however, has led to broad acceptance of the principle of preferential treatment for the developing countries. It would therefore seem appropriate to consider the possibility of assimilating this principle into the legal framework of GATT on the occasion of the negotiations on additional preferences, should these take place. A new article could be added to Part IV of the General Agreement, establishing an institutional basis for the generalized preferences in favour of the developing countries, which would consolidate these measures and make compulsory, from the legal point of view, the pledges of the developed countries.

109. With reference to what was said in the previous paragraph, it should be pointed out that experience has shown that, however, appropriate it may appear to be, Part IV of the General Agreement has not been sufficient to attain this objective, as can be seen from the treatment of the task of providing an institutional framework within GATT for the Generalized System of Preferences and the protocol on trade negotiations between developing countries. Similarly, it should be borne in mind that the developing countries which participated in the Kennedy Round unsuccessfully tried to incorporate a provision of this type (permissive clause) into the General Agreement. It is therefore important to continue promoting this idea 9/; its success or failure will be reflected largely in the context of the unequal treatment that it is desired to establish in the field of techniques and modalities.

9/ This idea was put forward by the developing countries at the meeting of the GATT Council held in May 1972.

110. This would certainly be an important step on the part of the international community towards recognizing the special situation of the developing countries and towards accepting the need for special measures to speed up their economic development.

111. At the same time, it should be clearly understood that the establishment of a legal basis for the Generalized System of Preferences within GATT by means of a new article in Part IV, or through other legal measures which might be considered at a later date, should not affect in any way the competence of UNCTAD with respect to the Generalized System of Preferences, not affect its role in present or future negotiations on this system.

112. Stress should be laid on the importance of effective co-operation between UNCTAD and GATT for the proper treatment of the topics mentioned above.

D. Relationship with monetary reform

113. The close link between the problems of monetary reform and those of trade and aid for development became clear when the Group of Ten, in December 1971, completed arrangements on parities and monetary behaviour, and at the same time the two main world trading powers announced their intention of implementing without delay several trade agreements (measures connected with the stability of the world cereals market, access to the EEC of citrus fruits, regulation of the tobacco trade, etc.).

114. When the United States, the EEC and Japan declared their intention of initiating and actively supporting multilateral and comprehensive negotiations within the framework of GATT, spokesmen of these countries stated that these negotiations would have a direct relation to and counterpart in monetary matters, thus constituting a political "link" between the two processes. This relationship was recognized by the countries taking part in the Third Session of UNCTAD when they took note, in the resolution on the present international monetary situation, of "the interdependence between problems of trade, development finance and the international monetary system" and pointed out "that decisions taken in any one of these fields will have repercussions on others". The International Monetary Fund, in a recent decision on the setting-up of a committee for the reform of the monetary system (Committee of Twenty), pointed out the inter-dependence between the specific matters with which the Committee will deal and present and future agreements on trade, investment and development finance.

/115. Despite

115. Despite the recognition of the right of the developing countries to take part in the discussion and adoption of action decisions in all questions concerning the international monetary system, these countries have so far been cut off from sharing in the important decisions affecting the development of the world economy, and more especially their own economies. It is likewise obvious that although the international monetary crisis has had a particularly harsh impact on the developing countries, they have had no share in the financial and trade events which precipitated or aggravated this crisis. The recent decision of the United Kingdom to float the pound has resulted in new imbalances and has intensified the need to find solutions to the international monetary situation.

116. Past experience strengthens the conviction that the developing countries should, at every opportunity and on all occasions when these problems are being debated, reaffirm their right to full and continuing participation in the negotiations and decisions. It should be stressed in this respect that the 1973 multilateral trade negotiations must make it possible to overcome some of the main harmful effects of the monetary situation on the developing countries economies - especially the deterioration of their external trade relations due to the fall in the international prices of their main basic export commodities and the rise in the prices of the imports (goods, services, licences, etc.) needed for their economic and technological development.

117. Similarly, it is to be hoped that the restructuring of international monetary and financial relationships (including the creation of additional and long-term liquidity for development) will lead to the creation of appropriate conditions of monetary stability which will allow the trade negotiations to follow a normal path, free from the unknown quantities and risks which could prejudice their success, especially with respect to solving the problems of the developing countries, to which the developed countries have undertaken to give special attention.

Chapter V

PRELIMINARY CONCLUSIONS

1. Scope, content and timing of the Trade Negotiations

118. The 1973 trade negotiations will probably be the most ambitious ever held under the auspices of GATT. The joint declarations of the United States and the EEC and the United States and Japan referred to the "comprehensive nature" of the negotiations to be undertaken and to their all-embracing content, covering all areas of trade, with particular attention to agriculture, which is one of the areas in which least progress has been accomplished in previous GATT trade negotiations, and including a novel and highly important aspect: non-tariff barriers.

119. It is furthermore evident that there is a very close inter-relationship between the forthcoming trade negotiations and the monetary negotiations which are due to start in the IMF. This relationship even extends to the point where it is considered that the negotiations should be linked together, for the purpose of assessing the "overall reciprocity" mentioned by developed countries in their declarations, and consequently the outcome of one may depend on the outcome of the other.

120. There will also be an inevitable inter-relationship between the trade negotiations themselves and the negotiations due to start early in 1973 in GATT on the enlarged European Economic Community.

121. The progress achieved in the latter negotiations, participation in which will be restricted to the contracting parties of GATT, will have a direct bearing on the course of the trade negotiations themselves and will probably affect their scope, content and timing.

122. In the preparation of the position of developing countries, it therefore seems necessary to take into account not only the trade negotiations themselves, but also the relationship between these negotiations and those to be held in GATT regarding the enlarged European Economic Community and in the IMF regarding the world monetary system. In every case, it will be necessary to accord clearly separate treatment to the developing countries in the specific talks of negotiation.

/123. It

123. It is also important to note that the timing of the trade negotiations will depend, at least in part, on the progress made in the other areas of negotiations mentioned above, so that the developing countries must be prepared for unforeseen accelerations or delays in the negotiating calendar. In view of this, the Latin American countries at the regional level and the developing countries as a whole within the Group of 77 might wish to set themselves certain deadlines for the preparation of their basic positions. Since the developed countries have already initiated talks on specific matters to be covered by the trade negotiations, it seems that the most urgent task confronting the Latin American countries and the developing countries as a whole is to define clearly, and as soon as possible, the overall objectives of their participation in the negotiations, and to try to define, on the basis of these objectives, the special ground rules, techniques and modalities which should govern negotiations with them. This task, ideally, should be completed before the end of 1972, and should in no case be left until the developed countries have already started establishing the techniques and modalities for the negotiations among themselves.

2. Elements for the formulation of the negotiating position of the developing countries

124. It would be premature to endeavour to establish, at this early stage, concrete and specific elements of the negotiating position of the developing countries. However, in the light of the considerations contained in the previous sections of the present preliminary report, certain general remarks may be made regarding (a) the objectives and principles that should guide the participation of the developing countries in the trade negotiations, and (b) the special problems which the developing countries will have to face.

(a) Objectives and principles

125. The developed countries stated, in their respective joint declarations regarding the trade negotiations, that "special attention shall be given to the problems of developing countries". Furthermore, the Declaration of the Group B countries at the Third Session of UNCTAD stated, with respect to trade negotiations, that the developed countries "recognize the need to ensure effective participation by the developing countries in the forthcoming negotiations in 1973". Nevertheless, the ambitious scope of these negotiations, coupled with the role they are expected to play in solving the major economic and monetary crises which affect the developed market economy world today, may lead to the creation of a situation where

/the interests

the interests of the developing countries are relegated to a secondary level. This means that unless the developing countries succeed in obtaining, by their own initiative the fullest and most effective participation in these negotiations, they risk not only failing to obtain any advantages from them, but actually suffering serious harm. It is therefore important to ensure that the negotiations between the developed countries do not affect, directly or indirectly, the legitimate interests of the developing countries, and that the recognized need of the latter to expand their trade in order to accelerate their development process is duly taken into account at all levels and in all spheres of the negotiations.

126. Since the main objective of the developed countries in the negotiations is "the expansion and liberalization of world trade", it is considered essential that the negotiations in GATT should also recognize as a basic objective of the developing countries, "the needs of economic development". With regard to this objective, the 1973 trade negotiations should as far as possible seek to meet the needs of the developing countries as defined in the Action Programme for the Second United Nations Development Decade and in UNCTAD, including the special needs of the least developed and land-locked developing countries.

127. In other words, this implies, the adoption, within the context of the trade negotiations, of measures to permit the developing countries to secure a substantial increase in their exports to developed countries and consequently in their share in the growth of international trade.

128. Another objective which would be worthy of consideration in the light of the future evolution of the trade negotiations themselves would be the establishment of an adequate legal framework, within a revised overall structure of world trade relations as governed by GATT, which would contain the special principles, norms and mechanisms required by the developing countries to meet their particular needs.

129. The Group of 77 indicated at the Third Session of UNCTAD the basic principles which should govern the trade negotiations. At the appropriate time, a study should be made of the adaptation to these principles of the special rules, techniques and modalities designed to ensure that special attention is given to the interests of the developing countries.

/(b) Special

(b) Special problems of the developing countries

130. The present report analyses the problems which appear to be of major importance to the developing countries at the present stage of preparation of the trade negotiations. It seems appropriate to summarize here some general conclusions which would serve as a point of departure for the formulation of the position of the developing countries on these issues.

(i) On the participation in the trade negotiations of developing countries which are not members of GATT: Full and effective participation of these countries should be ensured in all stages of the negotiations. This brings out the need to solve certain basic legal questions, including: the question of eventual accession to GATT as an outcome of the negotiations; the legal status which these countries shall be given, particularly in relation to the decisions taken by the contracting parties; the question of participation in certain closed or restricted meetings; and access to restricted or secret documentation.

(ii) On the question of reciprocity: The crucial factor in ensuring a successful outcome of the negotiations with the developing countries will be the translation of the concept of non-reciprocity into practical negotiating terms. The complexity of this question calls for very careful and mature consideration by the developing countries, with a view to formulating a position and obtaining early agreement in GATT on the matter. Some preliminary conclusions on the different aspects of this question appear in chapter IV B of this report (see also annex 5).

(iii) On the question of the generalized system of preferences: The trade negotiations should seek to enlarge both to broaden the spectrum and raise the level of the generalized system of preferences, as one of the most important means of meeting the basic objective of allowing developing countries a growing share in the expansion of world trade. At the same time, preferential margins currently in existence should not be affected, and compensatory measures should be provided for in respect of any exceptions to this rule. The establishment in the General Agreement of a proper legal framework for preferential treatment in favour of the developing countries, as a generalized and non-reciprocal basis, should also be sought, without prejudice to the substantive competence of UNCTAD in this area.

/(iv) On

(iv) On the question of the relationship between the trade negotiations and the monetary reform: It is necessary that the developing countries, in formulating their position regarding the trade negotiations, should take full account of the implications of this inter-relationship and attempt to formulate their position accordingly.

(v) On the question of ground rules, techniques and modalities: It is essential that the negotiations with developing countries should be governed by a special set of rules and mechanisms which take into account those countries' special needs. Although in principle it was considered premature to seek to define such rules and mechanisms in practical terms at the present stage, some preliminary considerations on the matter are contained in Chapter II of the present report 1/. It may also be pointed out that the questions dealt with in points (ii) and (iii) above have a direct and fundamental bearing on the formulation of the ground rules, techniques and modalities of negotiation for the developing countries.

131. Finally, it seems appropriate to raise one question regarding the developing countries in general and the forum of negotiations. Clearly, the legal forum for the trade negotiations will be GATT. This means that all developing countries wishing to participate in these negotiations must be prepared to do so within GATT, although preparatory and negotiating activities can and should take place in other forums, particularly UNCTAD. Both UNCTAD and GATT should take in hand the task of defining or exploring special techniques and modalities for developing countries. Both agencies should tackle the particular problem of products that are neither agricultural nor industrial products, strictly speaking, that is, agricultural products with varying degrees of processing. The special groups referred to in paragraph 102 should be set up in UNCTAD and ECLA. The possibility of using UNCTAD - and not GATT - as a forum should be borne in mind when the time comes, during the general negotiations, to renegotiate the compensations that should be accorded as a result of the strains imposed on the Generalized System of Preferences, without prejudice to subsequent contractual ratification within GATT of the conclusions reached during the negotiations.

1/ See also document E/CN.12/L.86, "Técnicas y modalidades de negociación para países en desarrollo".

3. Need for a strategy for the negotiations

132. In view of the anticipated importance and scope of the trade negotiations to be initiated in GATT early in 1973, and their duration, which must be estimated a priori at not less than two years, it would seem advisable to prepare an overall strategy for Latin America to back up the individual or joint efforts of the countries of the region in defense of their interests.

133. The formulation of the Latin American strategy in the trade field must be in keeping with the aims and goals fixed by the countries of the region with regard to the 1973 multilateral trade negotiations and should also define, as a matter of priority, some specific aspects mentioned in the present report, particularly the conditions for the participation of countries which are not members of GATT, the principles of reciprocity (or of non-reciprocity in the case of the developing countries) which should govern the negotiations, and the ground rules, general and special techniques and modalities for the developing countries.

134. As far as Latin America is concerned, the Special Committee on Latin American Co-ordination (CECLA) constitutes the natural forum for co-ordinating the positions and attitudes of its members with regard to the trade negotiations. As already stated, CECLA has concerned itself ever since its session in Bogotá with problems which will arise in connexion with the participation of the developing countries, and the Latin American countries in particular, in the multilateral negotiations of 1973. It is with this co-ordination in mind and in response to an express request from CECLA and the Latin American Group at the Third Session of UNCTAD that the present report has been prepared. Its preliminary conclusions are to be found in the different chapters, and particular attention has been given to some special problems which are dealt with in chapter IV.

135. The complexity of the 1973 multilateral trade negotiations gives grounds for wondering whether it would not be appropriate to set up national-level "negotiating units" which would give logistic support to all activity (the preparatory and the actual negotiations) and facilitate participation in the negotiations. The existence of these units could speed up the granting of technical assistance to countries requesting it.

136. In a different order of ideas, the Latin American countries might envisage the possibility of using existing or specially established co-ordinating machinery to carry on a bilateral dialogue with the three main developed members of GATT who will take part in the negotiations. In the

case of the United States the use of CECON (the Special Committee for Consultation and Negotiations of the Inter-American Economic and Social Council) would permit consultations and contacts in connexion with various aspects directly or indirectly associated with the negotiations, and the same results could be achieved, in the case of the EEC, by using the system of co-operation which operates at the ambassadorial level between representatives of Latin America, the member countries of the European Communities, and members of the European Commission. As regards Japan, the experience gained in the above systems will certainly have great relevance in the consideration of any joint or individual activities of the Latin American countries vis-à-vis Japan in connexion with the 1973 trade negotiations.

Annex 1

JOINT JAPAN-UNITED STATES STATEMENT ON INTERNATIONAL
ECONOMIC RELATIONS - 9 FEBRUARY 1972

The Director-General has today received from the delegations of Japan and the United States, for transmission to contracting parties, the following joint statement on International Economic Relations.

Japan and the United States today made the following declaration and agreed to communicate the declaration to the Director-General of the GATT for transmittal to the contracting parties. Other contracting parties are invited to associate themselves with this declaration to the extent and at the time which they would deem appropriate.

Japan and the United States recognize the need for proceeding with a comprehensive review of international economic relations with a view to negotiating improvements in it in the light of structural changes which have taken place in recent years. The review shall cover inter alia all elements of trade, including measures which impede or distort agricultural, raw material and industrial trade. Special attention shall be given to the problems of developing countries.

Japan and the United States will seek to utilize every opportunity in the GATT for the settlement of trade problems, the removal of which would lessen current trade distortions, and will strive for further progress with respect to those matters now being discussed in the GATT Committee on Trade in Industrial Products and the GATT Agriculture Committee. Japan and the United States agree that progress in GATT in solving some problems in 1972 could facilitate the way in the GATT for a new major initiative for dealing with longer-term trade problems. To this end, they also agree in 1972 to analyse and evaluate in the GATT alternative techniques and modalities for multilateral negotiation of long-term problems affecting all elements of world trade.

Japan and the United States undertake to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973 (subject to such internal authorization as may be required) with a view to the expansion and liberalization of world trade, improvement in the international framework for the conduct of commercial relations, and improvements in the standard of living of the people of the world. These multilateral negotiations shall be conducted on the basis of mutual advantage and mutual commitment with overall reciprocity, and shall cover agricultural as well as industrial trade. The negotiations should involve active participation of as many countries as possible.

JOINT EUROPEAN COMMUNITY-UNITED STATES
DECLARATION - 11 FEBRUARY 1972

The Director-General has today received from the delegations of the European Community and the United States, for transmission to contracting parties, the following joint declaration.

Within the framework of their negotiations, the United States and the European Community have agreed to communicate the following declaration to the Director-General of the GATT for transmittal to the contracting parties. Other contracting parties are invited to associate themselves with the declaration to the extent and at the moment they would deem appropriate.

The United States and the Community recognize the need for proceeding with a comprehensive review of international economic relations with a view to negotiating improvements in the light of structural changes which have taken place in recent years. The review shall cover inter alia all elements of trade, including measures which impede or distort agricultural, raw material and industrial trade. Special attention shall be given to the problems of developing countries.

The United States and the Community undertake to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973 (subject to such internal authorization as may be required) with a view to the expansion and the ever greater liberalization of world trade and improvement in the standard of living of the people of the world, aims which can be achieved inter alia through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade. The Community states that in appropriate cases the conclusion of international commodity agreements are also one of the means to achieve these aims. The United States states that such agreements do not offer a useful approach to the achievement of these aims.

The negotiations shall be conducted on the basis of mutual advantage and mutual commitment with overall reciprocity, and shall cover agricultural as well as industrial trade. The negotiations should involve active participation of as many countries as possible.

The United States and the Community agree to initiate and support in 1972 an analysis and evaluation in the GATT of alternative techniques and modalities for multilateral negotiation of long-term problems affecting all elements of world trade.

The United States and the Community will seek to utilize every opportunity in the GATT for the settlement of particular trade problems, the removal of which would lessen current frictions, and will strive for further progress with respect to those matters now being discussed in the GATT Committee on Trade in Industrial Products and the GATT Agricultural Committee. They agree that progress in GATT in solving specific problems in 1972 could facilitate the way in the GATT for a new major initiative for dealing with longer-term trade problems.

Annex 2

DECLARATION OF THE COUNCIL OF MINISTERS OF GATT
AT ITS MEETING ON 7 MARCH 1972 1/

Recapitulating the discussions, the Chairman said that the Council had seriously and responsibly considered the initiative taken by the Contracting Parties that had made the two declarations. As was to be expected in relation to such an important matter, different delegations had stressed different aspects of the question. What were normally regarded in GATT as industrialized and highly developed countries had welcomed the initiative and had announced their intention of joining the undertaking to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973, subject to such internal authorization as might be required.

The representatives of the developing countries had certainly expressed interest in the initiatives, but they had also made it quite clear that their association with them would depend on the detailed arrangements established for their participation. They required more time and more information, especially about the techniques and modalities for the 1973 negotiations.

There had been ample support for the proposal that in the course of 1972 solutions to the existing trade problems should be actively sought in GATT and an analysis and evaluation should be undertaken of the various possible techniques and modalities for the multilateral negotiation of long-term problems. The Council agreed that attention should be given to problems affecting the developing countries, including the special arrangements that would be necessary for their participation.

1/ Reproduced in the last three paragraphs of the section of the report of the Council's meeting dealing with item 1 "Declaration on international economic relations".

Annex 3:

DRAFT RESOLUTION ON MULTIALTERAL TRADE NEGOTIATIONS
SUBMITTED BY THE GROUP OF 77 ^{1/}

The United Nations Conference on Trade and Development,

Noting the declarations made by major trading nations to the GATT which recognize the need for a multilateral and comprehensive review of international economic relations which shall cover, inter alia, all elements of trade including measures which impede or distort agricultural raw material and industrial trade,

Further noting the undertakings in these declarations to initiate and actively support multilateral and comprehensive negotiations in 1973 with a view to the expansion and even greater liberalization of world trade and improvement in the standard of living of the people of the world,

Noting that these declarations provide for special attention to be given to the problems of developing countries,

Noting that these negotiations are aimed at liberalizing tariff and non-tariff and other barriers affecting agricultural as well as industrial trade,

Recalling the joint statement by developing countries at the conclusion of the Kennedy Round trade negotiations expressing deep regret that these countries were not able to share, to the same extent, the satisfaction of the developed countries in the achievements from the negotiations, in spite of the commitments made by the developed countries, and that many questions, including the reduction or elimination of duties and of non-tariff barriers, on products of particular interest to them had remained unresolved,

Recognizing the role and the responsibilities assigned to UNCTAD in the General Assembly Resolution 1995 (XIX) and in General Assembly Resolution 2725 (XXV) in regard to the implementation of the International Development Strategy for the Second United Nations Development Decade,

^{1/} UNCTAD III document TD/L.61/Rev.1, 11 May 1972. (Agenda item 8(a).)

Aware of the need to take into account the relevant resolutions of UNCTAD, including the resolution on special measures in favour of the least developed among the developing countries,

Stressing the urgency of resolving the trade and development problems of developing countries,

Noting that in the course of the present year, an analysis and evaluation of the different techniques and modalities of multilateral negotiations of the long-term problems which affect all the elements of world trade would be made,

Noting that while the developing countries have expressed appreciation of the afore-mentioned initiative by the major trading nations, they did not commit themselves to take part in the negotiations until the techniques and modalities, which will adequately take into account their interests and aspirations, are evolved with their full participation,

Aware of the fact that some of the developing countries, especially those that are least developed, do not benefit from existing trade preferential arrangements and that efforts must be made to accommodate their trade interest in these negotiations,

Noting further the declaration of the Group of 77 concerning the forthcoming multilateral trade negotiations,

Recommends that

A. Principles

1. The multilateral trade negotiations shall be governed, inter alia, by the following principles:

(a) The developing countries, collectively or individually, shall not suffer, directly or indirectly, adverse or prejudicial effects as a result of these negotiations. On the contrary, the negotiations shall provide the developing countries with additional benefits that represents a substantial and meaningful improvement of their position in international trade so that they secure an increasing share in the growth in international trade commensurate with the needs of their economic development on the basis of non-reciprocity, non-discrimination and preferential treatment.

(b) If the preferential advantages enjoyed by developing countries are adversely affected by the results of these negotiations, the developed countries shall take additional measures to compensate the developing countries so affected.

(c) Developed countries should provide more favourable and acceptable conditions of access to the products of developing countries and ensure for these products a larger share of the markets of developed countries, and where appropriate devise measures designed to attain stable, equitable and remunerative prices for their products.

(d) All developing countries shall be entitled and enabled to participate fully, effectively and continuously in these negotiations in all stages so that their interests are fully taken into account.

(e) All the concessions which may be exchanged by developed countries among themselves should automatically be extended to all developing countries.

(f) Concessions granted by the developed countries to developing countries need not be extended to developed countries.

(g) In the negotiations among developing countries the tariff and other concessions which they may negotiate among themselves shall not be extended to the developed countries.

(h) The negotiations should as a matter of priority secure significant concessions for the products of particular interest to least developed countries.

(i) Utmost priority shall be accorded to the removal of all barriers to the products of export interests to developing countries in the market of developed countries.

(j) Concessions agreed upon in the negotiations in favour of developing countries shall be made available to them immediately and will not be phased.

B. Participation of developing countries in preparatory work

2. Special techniques, modalities and ground rules shall be established for the negotiations to give effect to the Principles stated in Section A above.

3. All developing countries should be entitled and enabled to participate fully, effectively and continuously in the negotiations in all its stages on the modalities, techniques and ground rules that will govern these trade negotiations so that their interests are fully taken into account.

C. Advance action

4. Action by developed countries to promote the trade of developing countries shall not be delayed in any way by the forthcoming trade negotiations. To this end, all developed countries should implement the relevant Resolutions and Recommendations of UNCTAD within time targets agreed upon in these Resolution and in the International Development Strategy for the Second United Nations Development Decade. In the same manner, the appropriate bodies in UNCTAD, immediately after the third session of the Conference, should continue and intensify the consideration of specific measures with the aim of attaining concrete and significant results in favour of developing countries in the field of trade liberalization and pricing policy.

D. Preparatory arrangements

5. The Secretary-General of UNCTAD is requested to prepare as soon as possible as part of the necessary documentation for these negotiations, a survey of problems of interest to the developing countries in these negotiations, in order to assist the developing countries in their participation during the various stages of these negotiations as well as other necessary studies.

6. The Secretary-General of UNCTAD and Director-General of GATT are requested to establish a mechanism to co-ordinate their activities in assisting the developing countries in their participation during the various stages of these negotiations and in preparing for and facilitating the holding of these negotiations.

7. The GATT Secretariat is requested to make available all the relevant documentation concerning these negotiations to all developing countries.

8. UNDP, in consultation with the Secretary-General of UNCTAD and Director-General of GATT, is requested to provide adequate funds for the establishment of a technical assistance project which will render effective technical assistance and advisory services to all developing countries requesting for them to enable them to participate effectively in these negotiations.

RESOLUTION ADOPTED BY UNCTAD III ON
MULTILATERAL TRADE NEGOTIATIONS 2/

The United Nations Conference on Trade and Development

Noting the declarations made by all developed market-economy countries in which they undertake to initiate and actively support multilateral and comprehensive negotiations in the framework of the General Agreement on Tariffs and Trade beginning in 1973 with a view to the expansion and ever greater liberalization of world trade and improvement in the standard of living of the people of the world,

Noting that these declarations provide for special attention to be given to the problems of developing countries,

Noting that these negotiations are aimed at liberalizing barriers affecting agricultural as well as industrial trade,

Recalling the joint statement by developing countries at the conclusion of the Kennedy Round trade negotiations expressing deep regret that these countries were not able to share, to the same extent, the satisfaction of the participant developed countries in the achievements from the negotiations, and that many questions, including the reduction or elimination of duties and of non-tariff barriers on products of particular interest to them had remained unresolved 3/;

Recognizing the role and responsibilities of UNCTAD in the promotion of international trade, as well as the role assigned to it in regard to the implementation within its competence, of the International Development Strategy for the Second United Nations Development Decade,

Aware of the need to take into account the relevant recommendations and resolutions of UNCTAD, including Conference resolution 62 (III) of 19 May 1972 on special measures in favour of the least developed among the developing countries,

2/ The Conference adopted this resolution (UNCTAD document TD/L.97) without dissent at its 119th plenary meeting on 20 May 1972.

3/ See The Kennedy Round estimated effects on tariff barriers, (United Nations publication, Sales No: E.68.II.D.12), part one, appendix VI.

Considering that any general settlement of international trade problems should take into account the interests of all flows of international trade, in particular those of developing countries,

Stressing the urgency of resolving the trade and development problems of developing countries,

Noting that while the developing countries have expressed appreciation of the aforementioned initiative by the developed market-economy countries they did not commit themselves to taking part in the negotiations until the techniques and modalities, which will adequately take into account their interests and aspirations are evolved with their full participation,

Aware of the fact that some of the developing countries, especially those that are least developed, are not able to take full advantage of existing trade preferential arrangements and that efforts should be made to accommodate their trade interest in these negotiations,

Noting further the declarations of Group B and of the Group of 77 concerning the forthcoming multilateral trade negotiations,

A. Principles put forward by the developing countries

1. Draws attention to the view of the developing countries that the multilateral trade negotiations should be governed inter alia by the following principles:

(a) The developing countries, collectively or individually, shall not suffer, directly or indirectly, adverse or prejudicial effects as a result of these negotiations. On the contrary, the negotiations shall provide the developing countries with additional benefits that represent a substantial and meaningful improvement of their position in international trade so that they secure an increasing share in the growth in international trade commensurate with the needs of their economic development on the basis of non-reciprocity, non-discrimination and preferential treatment;

(b) If the preferential advantages enjoyed by developing countries are adversely affected by the results of these negotiations, the developed countries shall take additional measures to compensate the developing countries so affected;

(c) Developed countries should provide more favourable and acceptable conditions of access to the products of developing countries and ensure for these products a larger share of the markets of developed countries, and devise measures designed to attain stable, equitable and remunerative prices for their products;

(d) All developing countries shall be entitled and enabled to participate fully, effectively and continuously in these negotiations in all their stages so that their interests are fully taken into account;

(e) All the concessions which may be exchanged by developed countries among themselves should automatically be extended to all developing countries;

(f) Concessions granted by the developed countries to developing countries need not be extended to the developed countries;

(g) In the negotiations among developing countries the tariff and other concessions which they may negotiate among themselves shall not be extended to the developed countries;

(h) The negotiations should as a matter of priority secure significant concessions for the products of particular interest to least developed countries;

(i) Utmost priority shall be accorded to the removal of all barriers to the products of export interest to developing countries in the market of developed countries;

(j) Concessions agreed upon in the negotiations in favour of developing countries shall be made available to them immediately and will not be phased.

B. Participation of developing countries

2. Special techniques, modalities and ground rules should be established for the negotiations to ensure that special attention is given to the interests of the developing countries.

3. All developing countries should be given the opportunity to participate fully, effectively and continuously in the negotiations in all their stages so that their interests are fully taken into account. To this end the Contracting Parties to the General Agreement on Tariffs and Trade are invited to make adequate arrangements.

C. Continuing action in UNCTAD

4. The work of UNCTAD related to the expansion of the trade of the developing countries shall be pursued vigorously as agreed upon in the relevant resolutions and decisions of the Conference and its permanent machinery, and shall not be delayed in any way by the forthcoming trade negotiations.

D. Preparatory arrangements

5. The Secretary-General of UNCTAD is requested to prepare relevant documentation without duplicating documentation prepared by GATT to assist the developing countries in their participation during the various stages of these negotiations. To this end, the Contracting Parties to the General Agreement on Tariffs and Trade are invited to take the necessary action to enable the UNCTAD secretariat to make full use of appropriate GATT documentation. The Secretary-General of UNCTAD is requested to give due priority to this work within the regular budgetary allocations without prejudice to the normal activities of UNCTAD.

6. The Secretary-General of UNCTAD and the Director-General of GATT are requested to co-ordinate their activities in assisting the developing countries to prepare for, and participate in, the various stages of these negotiations.

7. The GATT is requested to make available relevant documentation concerning these negotiations to all participating developing countries.

8. The United Nations Development Programme, in consultation with the appropriate organizations concerned with the trade negotiations, is invited to consider favourably requests from governments of developing countries for technical assistance at the national, regional or interregional level to enable them to participate effectively in these negotiations.

9. The Secretary-General of UNCTAD is requested to keep the Trade and Development Board informed of any developments which may be of interest to UNCTAD or may have a bearing on matters fully within the competence of UNCTAD.

Annex 4

DECLARATION OF THE GROUP OF 77

On the occasion of the adoption of UNCTAD III resolution L.97 on multilateral trade negotiations, the Group of the 77 decides to make the following declaration:

Developing countries members of the Group of 77 express the firm interest to participate in the negotiations proposed by the developed countries, if the ground rules, techniques and modalities foreseen for the negotiations take adequately into account their interests and aspirations.

To this end, the Group of the 77 trusts that the following principles, inter alia, will be fully taken into account in the formulation of the modalities, techniques and ground rules for the negotiations.

(a) The developing countries, collectively or individually, prejudicial shall not suffer, directly or indirectly, adverse or prejudicial effects as a result of these negotiations. On the contrary, the negotiations shall provide the developing countries with additional benefits that represent substantial and meaningful improvement of their position in international trade so that they secure an increasing share in the growth in international trade commensurate with the needs of their economic development on the basis of non-reciprocity, non-discrimination and preferential treatment.

(b) If the preferential advantages enjoyed by developing countries are adversely affected by the results of these negotiations, the developed countries shall take additional measures to compensate the developing countries so affected.

(c) Developed countries should provide more favourable and acceptable conditions of access to the products of developing countries and ensure for these products a larger share of the markets of developed countries, and where appropriate devise measures designed to attain stable, equitable and remunerative prices for their products.

(d) All developing countries shall be entitled and enabled to participate fully, effectively and continuously in these negotiations in all its stages so that their interests are fully taken into account.

(e) All the concessions which may be exchanged by developed countries among themselves should automatically be extended to all developing countries.

(f) Concessions granted by the developed countries to developing countries need not be extended to developed countries.

(g) In the negotiations among developing countries the tariff and other concessions which they may negotiate among themselves shall not be extended to the developed countries.

(h) The negotiations should as a matter of priority secure significant concessions for the products of particular interest to least developed countries.

(i) Utmost priority shall be accorded to the removal of all barriers to the products of export interests to developing countries in the market of developed countries.

(j) Concessions agreed upon in the negotiations in favour of developing countries shall be made available to them immediately and will not be phased.

The Group of the 77 calls upon the developed countries that will participate in the negotiations to take the necessary action to facilitate reaching decisions on modalities, techniques and ground rules that will serve the particular interests of developing countries.

The Group of the 77 decides to establish a co-ordinating group in Geneva open to all the countries members of the Group of the 77, based on the principle of self-election, and which will have, inter alia, the following functions:

(i) Serve as a forum through which the member countries are able to exchange points of view and co-ordinate their participation during the various preparatory stages for the multilateral trade negotiations;

(ii) Prepare draft documentation for the consideration of the governments of the member countries regarding the following matters:

(a) Modalities, techniques and ground rules for the multilateral trade negotiations in accord with the principles mentioned in the resolution;

- (b) Strategy and tactics of the developing countries in the preparation of the negotiations;
- (c) Procedures to evaluate progress in the preparation of the negotiations;
- (d) Ways and means to transmit to the government of the member countries the results of its work.

The President of the Group of 77 in Geneva, will convene the first meeting of the co-ordinating group in Geneva for the first fortnight of July 1972. The co-ordinating group will elect its own bureau. The Group will meet whenever necessary at an appropriately high level.

In the light of the results of the preparatory work for the negotiations and of the elaboration of the techniques, modalities and ground rules for the negotiations, the member countries of the Group of 77 will decide upon the joint action which it considers necessary and in this case will assign appropriate additional functions to the co-ordinating group.

Annex 5

THE EVOLUTION OF THE BASIC PRINCIPLES OF INTERNATIONAL TRADE

1. Viewed as an objective of negotiation, the basic principles of international trade are neither immutable nor fully applied. Experience over a reasonable length of time has shown that there is a remarkable resistance to change regarding such traditional basic principles as:

- free trade;
- free access to all markets;
- equal treatment;
- the most-favoured-nation clause.

The general and desirable nature of the first two principles and the juridico-political nature of the other two are immediately apparent.

2. Shortly after the second world war, three major developments occurred in international economic relations that set in motion a gradual but significant change in the character of the traditional principles:

- (a) the rise of the developing countries as a separate group and the clear existence of an economic and social gap between them and the developed countries;
- (b) the formation of groupings of developed countries according to which trade concessions were not extended to outside countries;
- (c) the incorporation of countries with centrally planned economies into the world economic system.

3. This trend had three main effects:

- (i) the deterioration of the principles of free trade and free access;
- (ii) the accentuation and proliferation within GATT of exceptions to the equal treatment principle and the most-favoured-nation clause;
- (iii) increased efforts in international forums to gain gradual acceptance for new principles modifying traditional principles, this being an attempt to move towards full recognition of the fact that the requirements of economic development should constitute the fundamental principle of trade relations.

4. The generalized system of preferences in favour of developing countries in a specific application of the concept that the requirements of economic development should be the basic principle of international trade relations, that is to say, that there should be discrimination in favour of development. The acceptance of the necessary exception within GATT and the implementation of the generalized preferences by many developed countries are a reflection of the political, economic and juridical progress that has been made. The needs (a) to ensure that developed countries which have not yet done so put the preference system into practice; (b) to maintain the effectiveness of the system; (c) to extend the range of preferences; (d) to reduce the effect of saving clauses, and (e) to establish the system of preferences on a recognized legal basis are all objectives for future action for the developing countries.

Annex 6

TIMETABLE OF MEETINGS FOR THE REST OF 1972 RELATING TO THE
1973 MULTILATERAL TRADE NEGOTIATIONS

September

11	United Nations Cocoa Conference	Geneva
date not specified	"Group of 24" (developing countries) on monetary reform	-
date not specified	"Group of 20" (Governors of IMF)	Washington
11/12	Working Party on EEC-Turkey Association (GATT)	Geneva
12	Management Committee on Dairy Products (GATT)	Geneva
18/19	Working Party on Trade in Textiles (GATT)	Geneva
20/21	Agriculture Committee (GATT)	Geneva
25/29	Committee on Anti-Dumping Practices and Working Party on Acceptance of Anti-Dumping Code (GATT)	Geneva
26/29	Drafting Group on Standards (GATT)	Geneva
date not specified	Meeting of Latin American/EEC Ambassadors	Brussels
19 September/ October	United Nations General Assembly	New York

October

2/6	Drafting Group on Standards (GATT)	Geneva
2/6	Working Party on Tariff Study (GATT)	Geneva

October

3/27	UNCTAD, Trade and Development Board, twelfth session	Geneva
9/13	Trade in Industrial Products - Groups 1 and 2 (GATT)	Geneva
16/20	Committee on Trade in Industrial Products (GATT)	Geneva
23/24	Committee on Trade and Development (GATT)	Geneva
25	GATT Council (GATT)	Geneva
26/27	Working Party on EEC Accessions (GATT)	Geneva
30 October/ 10 November	UNCTAD, Committee on Commodities, seventh session	Geneva
date not specified	High-level meeting of enlarged EEC	Brussels
date not specified	Organization of American States: Special Committee for Consultation and Negotiation (CECON), fourth meeting	Washington
date not specified	FAO, Committee on Commodity Problems	Rome
date not specified	FAO Council	Rome

November

date not specified	UN/IMCO Conference on Containerization (TCM)	London
date not specified	Contracting Parties (GATT)	Geneva

January

date not specified	Inter-American Economic and Social Council (CIES)	Washington
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