GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Trade and Development
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THE GENERALIZED SYSTEM OF PREFERENCES AND THE MULTILATERAL TRADE NEGOTIATIONS

Statement by the Brazilian Delegation

1. The aim would be to ensure that the multilateral trade negotiations, far from jeopardizing the Generalized System of Preferences, should provide an opportunity for improving it, on the understanding that appropriate offsetting benefits would be offered to developing countries, were any damage to result to the system as a result of the negotiations.

2. It follows from this general goal that three issues should be examined in depth: (a) the areas in which the multilateral trade negotiations might help to improve the system; (b) the ways and means of preventing unjustified damage to the system; and (c) the forms and modalities of offsetting benefits, if required.

(a) Improvement

3. In granting tariff concessions to developing countries, developed countries should bear in mind, inter alia, the need to:

(a) broaden the product coverage of the Generalized System of Preferences, so as to include as many products as possible in Chapters 1 to 24 of the Brussels Nomenclature, and to exclude as few as practicable in Chapters 25 to 99;

(b) remove all ceilings and quota limitations, and to adopt stricter criteria governing escape clause action;

(c) dismantle on a preferential basis in favour of developing countries all non-tariff barriers affecting products included in the scheme;

(d) increase the preferential margins, whenever possible by reducing to zero the preferential rate;

(e) increase the duration of the system;

(f) bind the preferential margins;
(g) harmonize and simplify the rules of origin, bearing in mind that such rules should be neither so stringent as to hamper preferential imports from developing countries, nor so lax as to favour imports which are not processed to a substantial degree in developing countries;

(h) transform the Generalized System of Preferences into a permanent feature of the world economy, by incorporating the concept of preferential treatment in any revision of GATT rules, either in the General Agreement itself or in any protocols or codes of conduct that may be elaborated.

4. As the inadequate product coverage is the most obvious shortcoming of the system as it now exists, it is suggested that an indicative target should be set for broadening this coverage in the course of the negotiations. While the general goal would remain the inclusion, to the furthest extent possible, of all dutiable agricultural and industrial products, it could be agreed that the multilateral trade negotiations should result in extending preferential treatment under the Generalized System of Preferences to a range of products covering at least 75 per cent of each preference-giving country's dutiable imports from developing countries.

(b) Preservation

5. If the declarations of developed countries and the summing up of the CONTRACTING PARTIES at their twenty-eighth session are to be taken literally, there is every intention to include in the negotiations substantially all the trade covered in Chapters 1 to 99 of the Brussels Nomenclature. This, of course, might involve a serious erosion of the preferential margins under the Generalized System of Preferences. The Committee should consider how best to circumvent this threat.

6. Of course, the only way to avoid completely any erosion would be to exclude from the negotiations all products benefiting from the Generalized System of Preferences. The negotiations would then concentrate on products in Chapters 1 to 24, on exceptions in Chapters 24 to 99, and on non-tariff barriers in Chapters 1 through 99. Should this prove unacceptable, it should at least be possible to agree on the following:

(1) exclusion of products in which developing countries have already established trade flows. Such products are not very numerous, and are unlikely to be among those in which developed countries have a predominant interest;

(2) for the other products, which by and large are of potential interest to developing countries, tariff cuts should be such as to permit, to the fullest extent possible, the maintenance of the existing preferential margin;
(3) when it is not possible to maintain the same preferential margin (as would be the case with products that are duty free under the Generalized System of Preferences) the aim should be the maintenance of a preferential margin that is as significant as possible;

(4) the implementation of tariff cuts implying complete or partial erosion of preferential margins should be phased out over a large period of years.

(c) Offsetting benefits

7. When erosion does occur, developing countries should be entitled to compensation in the context of the negotiations.

8. An overall improvement of the system, along the lines suggested in paragraph 3, might go a long way in compensating developing countries for the loss of some preferential margins.

9. In addition to offsetting benefits within the framework of the Generalized System of Preferences, developing countries could explore with developed countries some supplementary forms of compensation, such as:

(1) other modalities of preferential treatment, in such fields as non-tariff barriers, safeguards, subsidies, etc.;

(2) significant most-favoured-nation cuts on products of interest to developing countries but not benefiting from the Generalized System of Preferences;

(3) advance implementation in favour of developing countries of such most-favoured-nation cuts.

Nature of the Concessions

10. It is suggested that any concessions made by developed to developing countries in connexion with the Generalized System of Preferences should be of a non-reciprocal nature. Quite apart from the general consideration that in principle concessions granted to developing countries in the multilateral trade negotiations should not involve full reciprocity, there are more specific reasons for the non-reciprocal nature of concessions relating to the Generalized System of Preferences.

11. The most obvious reason, of course, is that non-reciprocity is a built-in characteristic of the system, and there would be no justification for changing this characteristic in the multilateral trade negotiations.

12. The second reason is that many such concessions are likely to be of a compensatory nature, and should give rise, therefore, to non-reciprocal obligation.
13. The third reason is that the abolition of restrictions in the non-tariff field, for instance, should not be viewed as a new concession, but as the logical follow-up of an undertaking already assumed in the tariff field, without which the tariff concessions would remain ineffective.

14. Finally, and perhaps most importantly, developing countries have already granted a de facto reciprocity. In the various monetary crises that have taken place since the adoption of the agreed conclusions, developing countries have lost much of the competitive advantages that the Generalized System of Preferences was supposed to provide.

15. In the first place, the industrial inputs and machinery imported from countries that re-evaluated their currency became more expensive, and this has increased the cost of the industrial goods exported by developing countries under the Generalized System of Preferences.

16. Secondly, our exports to these countries have not, by and large, benefited by the changes in parity, since the bulk of our exports consists of primary commodities and industrial inputs of low elasticity, which means that they have lost in value without a concomitant increase in volume. Incidentally, it is ironical that this, in turn, may have offset in part the equilibrating benefits of the parity shifts. If Japan, for instance - and this is a hypothetical illustration - buys Brazilian iron at a lower price as a result of the parity changes, it will be able to sell to the United States final products at roughly the same price level as that prevailing before the devaluation.

17. And thirdly, to the extent that devaluating countries manage to increase their competitive advantage in markets of other developed countries, this would amount, in fact, to a disguised erosion of the Generalized System of Preferences in such markets, since the preferential margin we enjoy may be offset by the greater competitive advantage of the devaluating country.

18. All these losses, it is suggested, would constitute more than adequate payment for any concession received by developing countries in connexion with the Generalized System of Preferences.