In selecting for study at the present session the question of import restrictions, the Committee on Trade and Development has moved into one of the most complex and important areas of the forthcoming multilateral trade negotiations. Its complexity stems not only from the inherent difficulty of achieving solutions in this field, but from the fact that this is a new challenge for GATT, since we have practically no experience in non-tariff negotiations.

Its importance, on the other hand, is directly related to its complexity. The restraints imposed on international trade as a whole by quantitative barriers are of course obvious. What is perhaps less obvious - or in any case should be emphatically re-stated in this Committee - is that developing countries are hit more severely by these restrictions than developed countries. The greater incidence of such barriers on the trade of developing countries can be explained, first of all, by the fact that restrictions are applied with greater intensity on precisely those products in which developing countries have a present or potential competitive advantage. Secondly, the uncertainties, delays and costs involved in such restrictions, especially when they are of a discretionary character, can be absorbed more effectively by suppliers in developed countries than by those of developing countries, who have a weaker financial and economic infrastructure. And thirdly, the physical limitations to trade imposed by those barriers, to the extent that they act directly to limit the volume of exports, make it difficult for developing countries to develop the economies of scale in their domestic output that would make their exports more competitive in international markets.

It would therefore be no exaggeration to say that to a great extent the multilateral trade negotiations will stand or fall on the outcome of this issue: their success or failure, from the standpoint of developing countries, will depend on the success or failure of the international trading community in finding solutions to the problem of import restrictions affecting the trade of developing countries.

How can the Committee help most effectively in the attainment of this goal? I think we could make a useful contribution if we managed to reach a wide measure of agreement on the following three points:
(1) the establishment of a comprehensive list of products, of interest to developing countries, which are subject to quantitative restrictions, with a view to including such barriers and products in the negotiations;

(2) the formulation of an indicative programme for the elimination of those barriers which would serve as a basis for concessions during the negotiations; and

(3) procedures, techniques and modalities for negotiations between developed and developing countries, which would be most likely to facilitate the implementation of the programme.

The first exercise - the establishment of a list of products and import restrictions of interest to developing countries - should be based on the principle that no product, subject to import restrictions and recognized as being of importance to developing countries, should be excluded from the negotiations. We should avoid repeating the mistake of the Kennedy Round, where many products in which developing countries had already established some trade and in which they had expressed an interest, were included in the list of exceptions and received on average significantly smaller tariff reductions than did other products. Were this to happen again in the field of import restrictions, not only would developing countries not benefit from the multilateral negotiations, but they would actually lose in absolute and relative terms. If goods of interest to industrialized countries are substantially liberalized by 1975, while those of interest to developing countries remain subject to a number of restrictions, the share of these countries in world trade is bound to deteriorate still further, thus aggravating their marginalization in the international economy. This must be avoided by all means. We must therefore interpret the words "tariffs, non-tariff barriers and other measures which impede or distort trade" in the summing up by the Chairman of the twenty-eighth session of the CONTRACTING PARTIES as meaning, for all practical purposes, that no import restriction on any product of interest to developing countries will be excluded, for otherwise the negotiations will not secure "additional benefits for the international trade of developing countries", nor contribute to "a substantial acceleration of the rate of growth of their exports".

We therefore believe the Committee should make arrangements for establishing an agreed list of products and import restrictions of interest to developing countries. The factual basis for such an exercise already exists; the voluminous inventories produced by the Group on Residual Restrictions, the Joint Working Group on Residual Restrictions, and other bodies of GATT, as well as the valuable reports prepared by the Group of Three, provide sufficient information to enable governments to initiate consultations on the preparation of such a list, always subject to the general working hypothesis that in principle no product or restriction identified as being of interest to developing countries would be left out. Exceptions, if any, would take the form, not of exclusions from this list, but of specific deviations from an overall negotiating norm to be established for such products in general. We shall come back to this point later on. The
practical importance of this exercise would be to replace the existing factual information, which for the time being has a documentary value only, by a politically agreed list of commodities and barriers, designed to assist the Preparatory Committee in its decisions concerning the product and barrier coverage of the negotiations.

Of course, developing countries should be prepared to state as specifically as possible their demands concerning products and restrictions. For our part, we are ready to provide such information, at least on a preliminary basis.

While the total incidence of non-tariff barriers on Brazilian foreign trade is still being studied by my Government, we are already in a position to show, for instance, that out of 25 products of greatest export value in 1971, no less than 16, representing over 61 per cent of our exports, were subject to import restrictions of some kind. We can also hand to the secretariat or to any interested delegation some data establishing disturbing correlations between the existence of barriers in some markets of developed countries and the volume of trade. Examples taken at random in the list of affected commodities show, for instance, that our exports of bovine meat, maize and fruit juices, among others, reached a significant value in markets where no import restrictions exist, and were totally non-existent in markets, of comparable size and characteristics, of countries which do impose such restrictions. All these examples point to the same conclusion, that is, that import restrictions, and especially discretionary licensing, have a deadly effectiveness in terms of physically inhibiting the volume of imports into the restricting country.

The second point - the formulation of a programme - would be the next step. The aim would be to agree on a set of measures for the elimination of the restrictions embodied in the list, through the setting of a general objective, the definition of specific goals, whenever necessary, and the establishment of time-tables. The general objective would be simple: the elimination of all import restrictions on products of interest to developing countries, on a preferential basis.

This would appear, at first sight, to be a utopian objective. There are several grounds, however, for my belief that it is, in fact, a highly realistic programme.

First, because it would be a merely indicative programme, designed to serve as a working basis for the negotiations, and involving no final commitment to any government.

Secondly, because the implementation of such a programme would not necessarily take place overnight. The quota liberalization programme carried out by the EEC, in the wake of the signature of the Treaty of Rome was, in this respect, a model of its kind. Thus, to begin with, all quantitative restrictions were converted into global quotas, on a non-discriminatory basis. Then, there was a 10 per cent yearly increase of each global quota and a 20 per cent yearly
increase of all global quotas taken as a whole. And finally, it was agreed that all global quotas should be at least equal to 3 per cent of domestic output by the end of the first year, and be increased to 4 and 5 per cent in the two subsequent years, and be increased by 15 per cent in each subsequent year thereafter. This step-by-step approach, while allowing a genuine liberalization to take place, protected member countries from crash liberalization measures that might have disruptive effects on the national economies. Could not a similar approach be adopted for developing countries as a whole, given imagination and good will, and bearing in mind that in the case of developing countries no full reciprocity would be required?

The third reason why we consider this objective to be a realistic one is that at some stage, exceptions would obviously have to be envisaged. As I propose to elaborate on this in the concluding part of my statement, I shall not develop this argument further.

And, finally, we should not forget that safeguard provisions are going to be a very important element in the multilateral trade negotiations, and if they are carefully drafted, they should enable all developed countries to go a long way in the dismantling of import restrictions affecting the trade of developing countries.

Let me say, before leaving this subject, that unless we agree, in the next few weeks, on a simple programme along those lines, the Preparatory Committee may not find it easy to organize the multilateral trade negotiations in such a way as to secure "additional benefits for the international trade of developing countries".

On the third point - the techniques and modalities for the negotiations - there has been some preliminary discussion in the Committee on Trade in Industrial Products and in the Agriculture Committee. So far, however, no consensus has emerged on actual techniques and modalities. This is understandable, as decisions on this area can only be finalized after a full agreement on the scope of the negotiations. It is symptomatic of the confusions still prevailing in this field that the very term "techniques and modalities" remains to a large extent semantically undefined. Sometimes it means the negotiating procedures, and sometimes the aims towards which the negotiations are to be directed. Without attempting to settle here what is largely a linguistic controversy, let me merely say that under this heading I shall refer to two separate issues: the form in which the negotiations should be organized, and the actual procedures that should apply during the negotiations.

Discussion of the first topic has centred on whether there should be an item-by-item negotiation, or across-the-board reductions, or a continuation of Kennedy Round cuts, or sectoral negotiations. In fact, most of the work done refers to the traditional field of tariff negotiations. The real question, of course, is to identify a technique or group of techniques most appropriate for a global negotiation that will involve both tariff and non-tariff barriers, and in which participating countries must have at every stage as complete a view
as possible of the overall balance of tariff and non-tariff concessions for a given range of products. When we come to the stage of looking at techniques and modalities as an integrated whole, covering both tariff and non-tariff negotiations, this requirement will have to be borne very much in mind. But if we restrict ourselves, for the time being, to our present problem - non-tariff barriers - my impression is that we could very well attempt to transpose into the field of import restrictions the concept of across-the-board reductions adopted during the Kennedy Round.

There should be no difficulty of principle in such extrapolation. First, licences and bilateral quotas should be converted into global quotas. Then, quota increases in favour of developing countries would be agreed upon, in accordance with a schedule to be negotiated, with a view to the complete removal of all quantitative obstacles to the trade of these countries. The general goal might be, for instance, an increase in favour of developing countries, by an agreed percentage, of all quotas on products of interest to them, to take effect on the closing of the negotiations, with successive and automatic increases thereafter. As I said before, we could be guided in this, inter alia, by the experience of the EEC and other regional economic groupings of developed countries.

Alongside with this general mechanism, we should devise special provisions for dealing with exceptions to the across-the-board liberalization technique, in which such exceptions would be subject to a process of confrontation and justification.

The excepted products would then undergo less than complete liberalization, at least for a transitional period. In any case, we assume that for the majority of such products quota liberalization would still take place, although at a slower pace: initial increases might be smaller, their implementation could be phased out, etc. In some instances, we would accept concessions made on a most-favoured-nation, rather than a preferential, basis. If necessary, even less ambitious goals could be set in a few marginal cases. In deciding what these goals should be, we can refer to the various proposals so far made, many of which are summarized in the secretariat documentation, such as the suggestion that all quantitative obstacles be converted into global quotas, or that unutilized portions of quotas be carried over into the next period, or that outstanding restrictions be liberally administered in favour of developing countries, or that the discriminatory element in surviving restrictions disappear.

It is clear, however, that this method of work - across-the-board liberalization plus exceptions - can only function if maximum restraint is exercised on the number of products to be included in the list of exceptions. An a priori ceiling on tolerated exceptions should be established. We could agree, for instance, that no less than 80 per cent of the trade affected by the restrictions should be fully liberalized in the framework of the across-the-board technique.
Coming now to the other issue - the negotiating procedures - we take for granted that the traditional GATT criteria relating to the concept of the principal supplier or the initial negotiator, and the principle of most-favoured-nation concessions with full reciprocity, would continue to apply to developed countries.

If our overall liberalization formula is accepted, however, some specific procedures should be devised to regulate the negotiations between developed and developing countries.

First of all, it follows from our proposal that most-favoured-nation negotiations should be replaced by preferential treatment in favour of developing countries. This would apply, by definition, to the liberalization to be carried out under the across-the-board technique. But it would also apply, whenever practicable, to the exceptions. Thus, for any product on which no full liberalization is achieved, a greater degree of liberalization should be extended to developing than to developed countries, and, in general, the administration of outstanding restrictions should be more favourable to developing countries. There is also scope for a differentiated treatment in the normative area. Preferential advantages should be given to developing countries in any future rules that may be established on import restrictions and related matters, whether by a revision of the General Agreement, by protocols or codes of conduct.

Secondly, it is also a corollary of our proposal that developing countries having an export interest in a sector or product should be entitled to participate fully in the corresponding negotiations, whether or not any country in the group qualifies tariff-wise as an initial negotiator or a principal supplier. As the very basis of the formula is that concessions should be extended on a preferential basis to developing countries, it is axiomatic that they would have to participate in the negotiations relating to such concessions. It would also normally follow that no developed country supplying the same product would be involved in such negotiations, since for developed countries the concessions would be made on a most-favoured-nation basis.

A third area in which specific procedures should be devised is the question of relative reciprocity. This is perhaps the key to the whole exercise. The useful discussions that took place on this in the last session of the Committee have thrown considerable light on the central importance of this question in relation to all the other elements of the negotiations. It is not my intention here to repeat the comments made last February by my delegation. Let me only stress that reciprocity can take various forms, and need not be viewed only as a specific payment for an individual concession. We must also consider what we have called the implicit, or built-in, reciprocity, such as the generation of further imports through the expansion of a developing country's exports; and also the kind of reciprocity that is provided by the adherence of a developing country to the existing norms of GATT, or their willingness to adhere to any future rules that may be embodied in new protocols or codes of conduct, as a result of the negotiations, on the understanding, in the latter case, that they will be able to participate fully in the elaboration of such codes. However,
developing countries must also be prepared to provide a more specific kind of reciprocity, one that is more directly related to concessions received. I would suggest that whenever a concession is granted on a preferential basis, in conformity with the general formula we have suggested, and in relation to restrictions that are legal under the General Agreement, there is room for some sort of reciprocal concession by the developing countries concerned, the exact form and degree of which will of course vary from case to case, on the basis of a set of agreed guidelines. Naturally, the grounds on which a given restriction is claimed to be legal would have to be examined. We doubt, for instance, that a given restriction embodied in the protocol of accession of the country imposing the restriction can really be considered a legal basis for the restriction. But once the legality of the measure is established, and provided the concession is granted on a preferential basis, there is no reason why developing countries who are in a position to do so should not consider a specific, although less than proportional, counterpart contribution.

On the other hand, I suggest there would be no grounds for reciprocity in at least three cases:

(1) where the restriction is inconsistent with the General Agreement, since its removal would be the result of a legal obligation, and not of a concession;

(2) where the restriction is discriminatory against developing countries; and

(3) where the restriction affects products benefiting from the GSP, not only because the existence of such restriction in many cases nullifies whatever preferential advantages may have been provided in the tariff field, but because the elimination of these restrictions may be viewed as a compensation for the erosion of the preferential margins resulting from certain regional integration arrangements in European countries, and for the erosion that is likely to result from the multilateral trade negotiations themselves.

May I recapitulate. In our view, the Committee on Trade and Development should try to reach agreement on three issues: the list of import restrictions and commodities of interest to developing countries which should be included in the negotiations; an indicative programme of measures for the removal of such barriers, involving a general objective of overall liberalization and specific provisions for the handling of exceptions; and an agreed set of techniques and negotiating procedures, on the basis of the indicative programme. The agreed list, the agreed programme and the agreed set of techniques and modalities should then be referred to the Preparatory Committee, which would integrate them into the overall framework of the multilateral trade negotiations. If similar arrangements are made for the other items in our agenda, we shall be able to send to the Preparatory Committee a complete package of inter-related guidelines providing a coherent frame of reference for the consideration of the trade problems of developing countries. If this suggestion proves acceptable, it should not be difficult for us to make the organizational arrangements for carrying out the necessary consultations, between now and the next session of the Trade and Development Committee.