STATEMENT BY THE REPRESENTATIVE OF INDIA TO THE WORKING PARTY ON 6 JUNE 1968

1. On 19 February 1968, the representatives of the Governments of India, the United Arab Republic and Yugoslavia, addressed to the Director-General a communication on the subject of trade expansion and economic co-operation agreement signed by the three countries on 23 December 1967 (documents L/2980 and L/2980/Add.1). At the instance of the three countries, the Agreement was placed on the Agenda of the Council meeting held on 27 and 28 March 1968. Minutes of the Council meeting containing the gist of the joint statement made on behalf of the three countries and the discussions in the Council are contained in document C/M/46 dated 5 April 1968. We believe it would be useful for the deliberations of this Working Party to have before it the full text of the joint statement and we are making it available to the members.

2. We are aware that the Agreement has evoked great interest both among developed and developing countries. We look forward to participating in this Working Party in the hope that the members will look upon this Agreement as an effort on the part of the three countries to undertake a practical scheme of trade expansion and economic co-operation. There is already a growing recognition for importance to developing countries of increasing trade exchanges with each other. Indeed, the subject of trade expansion and economic co-operation among developing countries has been engaging the minds of the contracting parties for the last several years and more particularly since the adoption of the new Part IV of the General Agreement. The subject has been discussed and examined in depth in GATT by the Committee on Trade and Development, in UNCTAD and in other international organizations. Many concepts are being evolved and various techniques for undertaking trade expansion and economic co-operation schemes among developing countries have been identified. Consideration has also been given to measures which developed countries could adopt for constructively assisting these efforts of developing countries. In this regard, very recently in the Second UNCTAD a Concerted Declaration was adopted. In this background, the Agreement represents a pioneering though modest effort on the part of the three countries. In doing so, the three countries have been motivated by a desire to take practical steps to expand the area of co-operation and undertake joint endeavours to develop mutually beneficial patterns of trade and development and thus contributing to the development of international trade and to the achievement of objectives of the General Agreement. In this connexion, attention is invited to the Preamble to this Agreement and more specifically to Article I thereof.
3. From the very beginning, the three countries had considered their efforts as a part of wider efforts among developing countries in the field of trade expansion and economic co-operation. They had, therefore, kept in view the possibilities of extending tariff concessions exchanged between the three to other developing countries on a basis of mutual benefit. Further, the negotiations for exchange of tariff concessions were based on the request lists that had been initially exchanged in the context of participation of the three countries in the Kennedy Round. The Agreement thus embodies the results of a more intensive effort on their part to complete the negotiations which had been started in GATT.

4. Some of the salient features of the Agreement are:

(i) It provides for exchange of tariff preferences (referred to as special tariff concessions) on a Common List of products in Annexure I to the Agreement.

(ii) The special tariff concessions would be by way of 50 per cent reduction in the most-favoured-nation rate i.e. the standard rate of customs duties in force. The reduction will take place in two stages: the first equivalent to 40 per cent of the most-favoured-nation rate of customs duties has taken effect from 1 April 1968. It will be further reduced by 10 per cent on 1 April 1969.

(iii) Necessary rules of Origin of Goods have been framed (Annexure II to the Agreement) for administering the scheme; and

(iv) The Agreement will remain valid for a period of five years beginning from 1 April 1968. Article XII provides that it may be modified or extended by mutual agreement.

5. There are some other broad features of this Agreement to which attention must be invited. In this regard we would wish to point out that the Agreement is trade creative; it fully takes into account the trade interest of all contracting parties; and it is open to others.

6. We believe that this Agreement will assist in fostering a rational expansion of production and trade in the three countries as a beginning. Products included in the Common List (Annexure I) are mainly those of non-traditional lines of manufacture and most of which are newly featuring in the export trade of these countries. Exchange of tariff concessions in regard to these products should be expected to expose existing domestic production in the three countries to greater competition and thus would contribute to enhancing the efficiency of production and the competitive position of their exports. Further, availability of larger markets for these products would enable in most cases the concerned industries in the three countries to undertake augmentation of their production and better utilization of the existing industrial capacities. There are many products in the Common List which at
present are either not being produced or which do not feature in the export trade of one or two of the three countries. Exchange of tariff concessions in regard to such products and the creation of multi-national markets is expected to stimulate the establishment of new industries and lead to greater diversification and specialization of production and export. In the circumstances, this arrangement will contribute to the economic development of the three countries, increase their import capacities, lead to more efficient utilization of their resources and would enable them in the long run to contribute to a greater degree to growth of international trade. The arrangements under the Agreement are thus trade-productive. And, by subsequent multilateralization, other developing countries can participate in accelerated economic development and trade expansion.

7. The three countries have striven to ensure that while it should contribute to the creation of new and additional trade exchanges between the three, the Agreement should avoid undue injury to the trading interest of third parties. For that reason, products traditionally featuring in the export trade of the three countries were not considered for inclusion in the Common List. This would be evident from the fact that the products included in the Common List account for a low percentage of the present level of trade exchanges among the three countries. Thus, in the year 1965-66, in the case of India, imports of products included in the Common List from Yugoslavia and the United Arab Republic constituted only about 6 per cent of total imports from these countries. Similarly, in the case of Yugoslavia these products constituted about 10 per cent of total imports from India and the United Arab Republic and in the case of the United Arab Republic these accounted for about 6 per cent of total imports from Yugoslavia and India. Further, imports of products in the Common List as compared to total imports from all sources were 7.5 per cent in the case of India, 10.7 per cent in the case of Yugoslavia, and 6.5 per cent in the case of the United Arab Republic.

8. The percentages stated in the above paragraph would also show that the possibility of trade of any contracting party being seriously affected as a result of the implementation of the Agreement is remote. However, Article V of the Agreement provides for full and prompt opportunities for consultations if such damage arises. Further, the three countries, in their communication to the Director-General (document No. L/2980) have already conveyed their readiness to enter into consultations with any contracting party experiencing any practical difficulty attributable to the implementation of this Agreement.

9. The fact that the scheme is open to others will be seen from Article IX of the Agreement, under which the three countries have undertaken to take prompt and appropriate action to bring about accession to the Agreement upon request by any developing country, member of the Group of 77. There is no internationally-agreed list of developing countries. It is not our purpose to attempt definitions or classifications. In the circumstances, the three countries have chosen a simple and pragmatic way of indicating the scope for accession to the Agreement. We would, however, wish to point out that this does not exclude the
possibility of three countries engaging in similar efforts with other developing countries in wider framework. In fact at present the three countries are already participating in the work of the Trade Negotiations Committee of Developing Countries established in GATT, in which other countries, including those which are not members of the Group of 77 are also participating. Request lists have been exchanged with some such countries. It is the desire of the three countries to explore the possibilities of expanding the scope of the special tariff concessions exchanged under the Agreement. It is their intention to integrate these concessions eventually into an overall arrangement which might emerge as a consequence of multilateral negotiations in the Committee. Paragraph 2 of Article X of the Agreement specifically makes provision to that effect.

10. Finally, we would wish to emphasize that the scheme as evolved is in pursuance of our obligations under Part IV of the General Agreement. As stated earlier, it is our intention to eventually integrate our scheme with the outcome of the multilateral negotiations at present in progress in the Trade Negotiations Committee of Developing Countries. As members are aware, any scheme emerging from these multilateral negotiations will be brought before the CONTRACTING PARTIES for appropriate action. At that time, the three countries will also have an opportunity to inform the contracting parties of their efforts to multilateralize the concessions exchanged under their Agreement. It is, therefore, the view of the three delegations that it will be appropriate for the CONTRACTING PARTIES to reserve a final view about the legal framework to the time when the results of the multilateral negotiations come up for consideration. In that context, the three countries will, of course, be guided by the findings and advice of the CONTRACTING PARTIES.