NOTE BY THE SECRETARIAT

The attached draft report has been prepared by the secretariat at the request of the Working Party on Trade Arrangements between India, the United Arab Republic and Yugoslavia at its meeting on 18 December 1969. It is intended to serve as a basis for the discussion on the first part of the report of the Working Party at the meeting on 2 and 3 February 1970.
1. The Working Party was established by the Council at its meeting on 10 September 1969 with the following terms of reference:

(i) to consult with India, the United Arab Republic and Yugoslavia, as provided for under paragraph 1(b) of the Decision of 14 November 1968, with respect to the Protocol of 16 July 1969, amending the Trade Expansion and Economic Co-operation Agreement of 23 December 1967, and to report to the Council; and

(ii) to carry out the review of the Decision of 14 November 1968 as provided in paragraph 1(c) of the Decision, and to report to the Council with a recommendation as to its extension, modification or termination.


3. The main documents before the Working Party were L/2980/Add.1 - Tripartite Agreement and Common List; L/3132 - Decision of the CONTRACTING PARTIES of 14 November 1968; L/3242 - Protocol Amending Trade Expansion and Economic Co-operation Agreement of 1967 and List of Products added to the Common List; Spec(69)117 and Add.1 - Trade Coverage of the Special Tariff Concessions listed in the new Protocol and the most-favoured-nation tariff rates concerned; Spec(69)140 - Statistical information for the review of the Decision of 14 November 1968; and L/3285 - Report submitted by the participating States on the operation of the Agreement.

4. In an opening statement on behalf of the participating States, the representative of Yugoslavia referred to his statement to the Council at its meeting on 10 September 1969, in which he had explained that, by signing the new Protocol, the participating countries had agreed to reduce, as between themselves, existing most-favoured-nation rates for a further fifty-seven tariff headings and sub-headings on products originating in the three countries. The new Protocol, which was to enter into force on 1 October 1969, would become part of the initial Agreement and would consequently remain in force during the period of operation of the Agreement. The same considerations which had guided the participating States in concluding the Agreement had motivated them to extend its scope. In their view, the extension of the Agreement would contribute to the expansion of international trade. The treatment accorded to the added tariff headings corresponded to that of the seventy-seven tariff items which were covered by the initial Agreement. He confirmed that the signatories would be willing to

---

1 See document C/M/57, page 4.
consider the integration of the mutual concessions into a wider arrangement that might be set up through the agreement which was now under discussion in the Trade Negotiations Committee of developing countries.

5. During the discussion certain members of the Working Party stated, with reference to paragraph 1(b) of the Decision of 14 November 1968, that they regarded the new Protocol as a substantial modification of the initial Agreement. In some cases a relatively large volume of trade was involved. The additional Protocol thus constituted an important extension of the Agreement. These members of the Working Party considered that the three countries should have given more time for consultation before the Protocol came into force.

6. In reply, the representative of the participating States pointed out that in his opinion the modification of the Agreement could not be regarded as being of a substantial nature. This was evident from the statistics indicating the trade involved in the new items. Furthermore, they had notified the Protocol to the CONTRACTING PARTIES on 6 August 1969, which subsequently had been subject to a discussion in the Council, and as directed by the Council the examination in the Working Party had started before the Protocol came into force.

7. Other members of the Working Party welcomed the idea of working out new techniques of co-operation among developing countries. In their opinion the Agreement and its extension by the new Protocol could be regarded as a further step in the process of improving the economies of the countries concerned. The attention of the Working Party was drawn to the fact that the intra-trade in the fifty-seven added tariff items did not exceed 0.8 per cent of total imports, as could be seen in Table 1 of document Spec(69)117. The proposed additions to the commodity list therefore seemed to correspond to the pre-condition that the goods, subject to preferences, should be of a non-traditional nature.

8. In reply to the question as to the basis on which the fifty-seven items were added to the Common List, the representative of the participating States explained that the same reasons had guided them in selecting the fifty-seven items which had determined the choice in the case of the initial seventy-seven items. The purpose of the extension was to create new and additional trade exchanges between the three countries while at the same time care had been taken to avoid undue injury to the trading interest of third countries, particularly developing countries. As would be seen from document Spec(69)117, none of the important export products had been considered for inclusion in the extended Common List.

9. Members of the Working Party from developing countries, while supporting fully the initial Agreement and the new Protocol, emphasised that suitable techniques will have to be found by which the benefits of these arrangements could be shared with other developing countries. One of these members further pointed out that, in his view, in the course of the current negotiations between developing countries, the concessions embodied in the Agreement and the new Protocol should automatically and without compensation be extended to all developing countries.
10. In reply the three participating States made reference to paragraph 10 of the statement the representative of Yugoslavia had made to the Council on 27 March 1968, which reads as follows:

"The Agreement embodies the results of a more intensive effort on their part to complete the negotiations which had been started a long time ago in the GATT. In fact, these negotiations were based on request lists which had been exchanged in the Kennedy Round of negotiations."

They repeated their willingness to share with other developing countries the advantages of the Agreement as amended by the new Protocol and to consider incorporating it into any wider international arrangement which might emerge out of the current negotiations in the Trade Negotiations Committee of Developing Countries. Their intention to consider extending the Agreement to other developing countries was evident from the fact that they were actively participating in the work of that Committee. They felt, however, that it would be premature to indicate at this stage the way in which the Agreement could be incorporated into such a wider arrangement, since the Committee was still discussing ground rules for trade negotiations and only a small number of countries had exchanged final request lists. They therefore found it necessary to await the outcome of the discussion in the Trade Negotiations Committee and they hoped that the actual negotiations would progress rapidly.

11. With regard to the operation of the initial Agreement, the representative of India, speaking on behalf of the participating States, referred to the report the three countries had submitted to the CONTRACTING PARTIES. He pointed out that in the view of the three countries, the results of the operation of the Agreement were modest, but encouraging, especially as the Agreement was experimental in nature. In their view it was too early to assess its full impact on the economies concerned, particularly in regard to such aspects as its potential for creating new trade and establishing additional productive capacities accompanied by economies of scale. As developing countries they had faced many administrative and other practical problems during the initial period of implementation of the Agreement. When it had been in operation for a longer time, the participating States would gain sufficient experience in regard to its implementation and the contracting parties would be in a better position to judge it from the several aspects referred to above. It would therefore be desirable that any further decision of the CONTRACTING PARTIES should cover fully the remaining period of validity of the Agreement, i.e. until 31 March 1973. The three governments were ready to submit to the CONTRACTING PARTIES annual reports on the operation of the Agreement. If any contracting party considered it necessary, they were also prepared to make the operation of the Agreement subject to examination by a new Working Party. They stood ready further to enter into immediate consultation

---

1 See document L/3032, page 12.

2 Paragraphs 11 and 12 will have to be modified on the basis of the results of the discussion at the meeting on 2 and 3 February 1970.

3 Circulated in document L/3285.
with any contracting party which experienced difficulties in regard to the operation of the Agreement, as amended by the new Protocol. They had already held between the two meetings of the Working Party with the interested delegations informal consultations regarding the new Protocol and the operation of the initial Agreement and they had found such consultations useful.

12. Some delegations were not yet in a position to express their views on the operation of the Agreement. They asked the participating States to provide a more detailed analysis of the trade effects recorded in document L/3285, and to give some further indications particularly as to the question whether the Agreement has been promoting new investment in plant and equipment and whether it has been improving cost and price structures and the efficiency of the industries concerned. The delegations of the United Arab Republic and Yugoslavia were requested to furnish statistical information comparable to that submitted by India in Table 1 of document Spec(69)140. Other members stated that it was very difficult to evaluate statistically, after such a short period, what benefits the three countries had derived from the operation of the Agreement. If the Decision were to be extended for a further period this assessment would be facilitated.

1Paragraphs 11 and 12 will have to be modified on the basis of the results of the discussion at the meeting on 2 and 3 February 1970.