Subject discussed: Procedures and rules for the conduct of the trade negotiations among developing countries.

1. The Chairman, referring to the statement which he had made at the plenary session of the CONTRACTING PARTIES concerning collaboration between UNCTAD and GATT, stated that he had had useful discussions on this subject of expansion of trade among developing countries with Dr. Prebisch and that they had shared the view that UNCTAD and GATT should combine their resources in order to make the trade negotiations among developing countries as comprehensive and effective as possible. The presence of representatives of UNCTAD at the present meeting was a visible evidence of the close co-operation established between the two secretariats.

2. In outlining the procedures that might be followed by the Committee he suggested that since the negotiations would be conducted within the framework of the General Agreement the initial meetings should be open to observers from developing contracting parties which had not yet indicated an intention to participate in the negotiations, from developing countries not members of GATT and from other contracting parties which might wish to follow the work of the Committee; this might help to allay the apprehensions that had been expressed about the possible directions in which the work of the Committee might develop. In a negotiating committee of this nature attendance had to be limited to participants only, but this rule need be adhered to only when the stage of active negotiation was reached.

3. The Chairman then drew attention to the secretariat paper setting out certain proposed "ground rules" reflecting the experience of past negotiations, which had always been characterized by three stages. Firstly, individual participants identified products on which they wished to negotiate with individual potential negotiating partner. Such lists were transmitted through the secretariat to all the other participants so that they would know the range of products likely to be involved in the negotiations. Secondly, requests were made by individual exporting countries to individual importing countries in regard to the type and extent of tariff or non-tariff concession which they sought on given products. Thirdly, offers lists were exchanged between the negotiating partners and circulated to all the participants. The offers were
normally based on the assumption that the offering country would obtain satisfaction for all the requests it had made on other countries. Thereafter, the negotiations would proceed between pairs of countries on the basis of the offers. At the conclusion of the phase of bilateral negotiation, the potential results were examined multilaterally and individual participants would each consider what additional concessions they could offer to reciprocate the indirect gains accruing to them from the negotiations between other pairs of participating countries, thus maximizing the benefits.

4. The Chairman suggested that, having regard to the new and rather complicated nature of the proposed negotiations, it might be desirable if the first two stages of the negotiations as outlined were completed before the ground rules were examined in depth. At the present stage, the Committee might address itself to the methods of its operation and future work programme, and to some of the main elements of the ground rules, such as the potential preferential element in the negotiations, the application of the most-favoured-nation principle among the developing countries, and as negotiations on non-tariff barriers.

5. The representative of UNCTAD expressed appreciation for the opportunity given to the UNCTAD Secretariat to participate in this meeting. He noted that, as had been indicated in a recent communication to the CONTRACTING PARTIES, the Secretary-General of UNCTAD was of the view that "the trade negotiations among developing countries on an inter-regional basis should be carried out in a joint framework in order to allow all developing countries to participate on an equal basis" (W.24/9). The subject was on the agenda of the Second UNCTAD, at which the report of the Expert Committee on Trade Expansion and Economic Co-operation Among Developing Countries would be considered. Collaboration was essential so as to ensure that the procedures and rules were such as to allow participation by all developing countries on an equal basis and so that the sub-regional arrangements were not affected adversely by inter-regional arrangements and vice versa. If GATT and UNCTAD could combine forces in this exercise, such a joint action would have the advantage of drawing the full benefit of GATT's invaluable experience in the conduct of negotiations and of the UNCTAD's facilities in ensuring universality.

6. The Chairman observed that problems arising from the conflicting aims of regional integration and inter-regional trade expansion could be dealt with as they arose. Rather than getting bogged down in such problems a priori, it would be more profitable for the participating countries immediately to proceed to identify the products and areas in which useful negotiations were likely to develop.

7. Members of the Committee expressed gratification at the UNCTAD's willingness to assist in the trade negotiations. The Committee agreed to the procedures outlined by the Chairman for conducting its future work.

8. The representative of Chile said that the traditional trade and economic links between certain developing countries and certain developed countries posed serious problems, and every effort should be made to determine areas where trade flows could be expanded. Trade negotiations among developing countries appeared particularly difficult also on account of the problems of reconciling regional integration with inter-regional trade expansion. He supported the view that the first task for the negotiating countries should be to identify the products which lent themselves to such negotiation.
9. The Chairman said that the identification of products and problems should serve to show the areas in which a particular country's negotiating interest lay. Questions relating to the existing preference, as well as those relating to the levels of protection, would certainly emerge and could be dealt with in the course of the negotiations.

10. The representative of Peru recalled that the question of trade negotiations among developing countries had been under active and sustained consideration in the informal group of developing countries in GATT. Progress had been made in the identification of products, and provisional requests lists had been lodged by a number of contracting parties. Governmental experts of the participating countries had held several meetings in which views were exchanged on the requests lists. This work had been interrupted on account of heavy work in the context of the Kennedy Round. He expressed the hope that useful contribution to the progress of the negotiations would continue to be made by the informal group.

11. The representative of the United Arab Republic reaffirmed his Government's support for the concept of trade negotiations among developing countries as a means of expanding their mutual trade. He favoured a step-by-step approach and stressed the need of drawing on the experience of regional integration. The negotiations should be conducted on a basis of reciprocity.

12. The representative of India stated that any preferential arrangements should apply between the participating developing countries on a basis of mutual benefit. The present pattern of trade among developing countries comprised mainly of traditional products and did not fully lend itself to the product-by-product approach. The basic aim being to diversify trade, a more general approach might be desirable, such as the one adopted by developing countries in their regional co-operation attempts. Any exercise should embrace both tariff and non-tariff barriers, having regard to the fact that many products of developing countries were the subject of effective import restrictions applied for balance-of-payments reasons; priority may, however, be given to action on tariff barriers.

13. The Chairman thought that the product lists to be drawn up need not be limited to products of traditional trade but should include manufactures and semi-manufactures of potential interest. The linear arrangements manifest in the regional integration moves often concealed product-by-product exercises which preceded it. The negotiations should proceed on a pragmatic basis in order progressively to evaluate what was actually involved and what needed to be done. In considering how the results of the negotiation should be applied one had also to bear in mind that any preferential arrangements worked out among the developing contracting parties would have to be submitted to the CONTRACTING PARTIES for examination in terms of Article I of the GATT and reconciled with any bilateral most-favoured-nation obligations which a participating contracting party might have undertaken vis-à-vis non-GATT countries.
14. The representative of Cuba thought that the product-by-product approach should be applied to traditional products whereas the linear approach might be more effective for manufactures and semi-manufactures. He stressed the importance of bilateral and multilateral payments arrangements for countries having balance-of-payments difficulties. Nor should one lose sight of the detrimental effect of discrimination applied for other than commercial reasons.

15. The representative of Spain stated that wide publicity should be given to these negotiations so as to attract the attention of those developing countries which had so far not indicated their intention to participate. Information on national commercial policies, trade statistics and payments systems should be made available by a specified date.

16. The representative of Israel stated that the basic problem for developing countries was to open up markets for the products of newly-established industries, principally manufactures and semi-manufactures. This could, however, best be done by identifying problems on a product-by-product basis.

17. The representative of Yugoslavia stated that both the parallel growth of industries in different developing countries and the fact that not all developing countries were at the same stage of development created problems. Factual information should be exchanged on tariff and non-tariff barriers and consideration should be given to payments arrangements. He suggested that the secretariat should be asked to draw up a programme of future work for the Committee.

18. The representative of Nigeria stated that his delegation was in favour of the product-by-product approach because a linear approach might conflict with existing regional arrangements. The identification of products need not be limited to traditional items. The interested developing countries should supply lists of tariff barriers on which they wanted to negotiate to serve as a starting point for the Committee's future deliberations.

19. The representative of Brazil said that as a member of the Latin American Free Trade Association his country could undertake only such consultations through these negotiations as did not conflict with its regional obligations. Before submission of lists of products, it was necessary for the participating countries to receive factual information on national commercial policies, trade statistics, banking systems, payments arrangements, shipping facilities in other countries etc.

20. The representative of Trinidad and Tobago supported the product-by-product approach and recalled that in connexion with the discussions in the informal group, lists of products had already been submitted by certain countries which had provided an indication of the area of potential trade. It would be desirable, however, to base future work on more succinct lists.
21. The representative of Argentina considered that the negotiations should be conducted on a pragmatic basis and that efforts should be made to secure the largest possible participation of developing countries. The exchange of lists of products should be preceded by the exchange of information on national commercial policies and of trade statistics. The negotiations should initially be conducted on a commodity-by-commodity basis, leading towards the linear approach. Possibilities of bilateral and multilateral payments arrangements should also be kept in mind.

22. The representative of Chile also stressed the importance of information on national import régimes and trade statistics.

23. The Chairman thought that such information could be elicited in the course of the negotiations relating to specific products.

24. The representatives of the United Arab Republic stated that comprehensive information on the import régime supplied in advance of the negotiations might have limited value owing to the frequent modifications introduced to meet the requirements of circumstances. The negotiations should be based on information exchanged as and when individual products were discussed.

25. The Chairman indicated that he would attempt to draw up certain suggestions concerning the procedures that might be established for consideration at a later meeting, which could tentatively be scheduled for Tuesday, 28 November.