

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Expansion of Trade Among  
Developing Countries  
Meeting of Developing Countries  
25 October 1979

## TRADE NEGOTIATIONS AMONG DEVELOPING COUNTRIES

### Note by the Secretariat

#### A. Introduction

1. In a communication dated 6 August 1979 addressed to all developing countries, the secretariat briefly described the technical work which it has undertaken in connexion with a further round of trade negotiations among developing countries on a global basis and made available certain basic documents and trade matrices. The communication also foreshadowed a meeting of all interested developing countries to permit an exchange of views on the preparatory work that has been done and to enable delegations to consider how further progress might be made towards initiating a new round of trade negotiations among developing countries on a global basis, having regard to the objectives of collective self-reliance and economic co-operation among developing countries set out in the Mexico City and Arusha Declarations and other activities relating to economic co-operation among developing countries in relevant bodies.

2. The secretariat documentation and trade matrices indicate, among other things, the growing significance of trade exchanges among developing countries covering a broad range of primary products, semi-manufactures and manufactures at the inter-regional level as well as at the regional and sub-regional levels. Informal consultations between countries<sup>1</sup> participating in the technical work have focussed on the possibilities of the further development of these exchanges and on the related objectives that might be pursued through a new process of trade negotiations among developing countries. The purpose of this note is to identify some of these objectives<sup>2</sup> in the light of existing and potential trade flows among developing countries having regard to the information contained in the secretariat's technical studies and taking into account the objectives and considerations already mentioned in the Preamble of the Protocol Relating to Trade Negotiations Among Developing Countries.

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<sup>1</sup>In response to an invitation addressed to developing countries in mid-1977, fifty-two countries have been participating in the technical work programme.

<sup>2</sup>Some preliminary notes on objectives are also contained in documents CPC/W/68 and CPC/W/70 dated May and July 1979 respectively.

## B. Trade flows

3. Tables 1 and 2, attached, summarize information on categories of products of significance in trade among developing countries, indicating also the value of such trade in 1975, the latest year for which information was available on a comprehensive and comparable basis for developing countries generally, and the number of countries involved in imports and exports of more than \$10 million and \$1 million respectively. This information has been extracted from documents LDC/TS/45 - "Trade Flow Matrices" and LDC/TS/46 - "Developing Country Importers and Main Developing Country Suppliers". For details of trade between individual developing countries, within regions and sub-regions as well as at the inter-regional level, delegations are invited to refer to these two basic statistical documents.

4. In general terms, it may be noted that a wide range of goods consisting of primary products including agricultural and tropical products, as well as manufactures and semi-manufactures (column 2) are subject to trade of more than \$1 million among a relatively large number of developing countries (column 7). While a significant measure of this trade is taking place at the regional and sub-regional levels, the number of countries involved, as demonstrated in column 7 of each table, would suggest that substantial trade is also taking place at the inter-regional level. A rough indication of increased trade possibilities underlying a more conscious effort of inter-regional trade co-operation among developing countries may be discerned from columns 5 and 6 of each table, the former showing the greater number of developing countries importing from and exporting to all sources in comparison with the latter column showing the number of developing countries importing from and exporting to other developing countries identified in the trade matrices.

5. By way of illustration, the range of agricultural and tropical products subject to trade among developing countries includes such items as cereals, fruit and vegetables, fibres, cocoa, tea and coffee, vegetable oils and oilseeds, rubber, wood, fish, tobacco, spices, hides and skins etc. in many cases in either semi-processed or processed, and unprocessed forms. In addition to mineral fuels, minerals and fertilizers, an increasingly wide range of manufactures and semi-manufactures are being traded among developing countries. These include items falling within such categories of products as chemicals, machinery, transport equipment, textiles, metal manufactures, glass, pharmaceuticals, plastics etc.

6. The scope for further expansion of trade among developing countries is also shown by the actual development of trade exchanges among developing countries in recent years. For example, as indicated in the GATT publication "International Trade 1978/79", to be released shortly, exports by non-oil

exporting developing countries to developing countries increased from \$7.8 billion in 1970 to \$42 billion in 1978. A point to be noted over this period is the growing diversification in the range of products exchanged between developing countries which, of course, is a reflection of changes in the production structures in many of these countries. To some extent, this process is beginning to be facilitated by trends towards the establishment of complementary arrangements and joint venture projects between developing countries both on regional and inter-regional bases.

7. In addition, with the establishment of domestic production in various industrial sectors, many developing countries have increasingly felt the need to move towards greater trade liberalization through reduction in existing levels of protection as a means of reducing costs and achieving a more efficient allocation of resources. This is demonstrated by the recent reform of tariff structures and licensing systems and import formalities in a number of developing countries.

8. Among developing countries, complementarities of production have emerged which result in an increasing exchange between capital and equipment goods produced by certain countries and intermediate products and raw materials or foodstuffs produced by others, and also for exchanges between different types of industrial materials.

9. Against this background, efforts to expand trade exchanges among developing countries should be seen as not merely a matter of these countries opening up more of their markets to one another or directing more of their purchases to one another, but also for accelerating development by making possible the fuller utilization of existing resources and their more efficient development on the basis of economies of scale and specialization, a process supported by collaboration at the level of production and marketing between developing countries, the development of investment flows and the technical assistance, technology transfers, etc. associated with these.

### C. Preferences

10. As a general objective, a further round of trade negotiations should focus on trade policy measures which affect trade flows among developing countries while taking into account other factors which could also affect this trade. It is to be expected that these negotiations should lead to the widest possible exchange of tariff and non-tariff measure concessions applied on a multilateral basis among the participants. The resulting trade agreement and co-operation arrangement among developing countries could also make provision for special bilateral and plurilateral agreements in pursuit of particular economic objectives involving more specific forms of collaboration with respect to particular products or product areas among countries concerned (see below).

**D. Regional and sub-regional groupings**

11. With regard to the participation in the negotiations of members of regional and sub-regional economic groupings, a Declaration to the existing Protocol Relating to Trade Negotiations Among Developing Countries provides, inter alia, for the continued implementation of commitments under customs unions or free-trade area arrangements among developing countries and contains procedures for appropriate adjustment in the event that a concession granted under the Protocol is nullified or impaired as a result of such implementation. The participation of countries members of regional and sub-regional groupings in the Protocol had as an objective the further widening of possibilities for expanded trade flows between them and other developing countries taking into account their regional and sub-regional commitments.

12. With regard to the forthcoming negotiations, it is to be expected that countries members of a customs union would participate on the basis of their common external tariff. If such countries are at an intermediate stage in moving towards a customs union, it is to be expected that they would be in a position to identify concessions that would not conflict with existing or anticipated arrangements concerning their trade relations in the context of the customs union.

13. With respect to free-trade area arrangements, it would be expected that such participants could identify concessions they could offer having regard to their free-trade area commitments.

14. With regard to other preferential trade arrangements among developing countries, generally involving tariff concessions applying to lists of products, it should be possible to identify product areas where concessions might be feasible on an inter-regional basis without adversely affecting the objectives outlined in such arrangements. This, for example, would tend to be the case where important complementarities in production are provided by countries outside the arrangements or where an important stimulus to domestic production through trade liberalization would come from such outside sources.

**E. Least-developed countries**

15. The Protocol provides for special treatment with respect to the least-developed countries. In this connexion, it is to be expected that the forthcoming negotiations would continue to take account of their particular situation.

**F. Non-application of concessions**

16. In the ordinary course, concessions would be multilateralized among participants in the negotiations unless a country which had not entered into negotiations with another country indicated that it did not consent to the application of its concessions to that country.

## G. Tariffs

17. Tariff concessions would be multilateralized among the participants in the negotiations. This need not preclude the possibility of a country negotiating a particular concession on the understanding that it could also be extended to a non-participant. There could also be situations where special arrangements comprising, where appropriate, both tariff and non-tariff measures might be negotiated on a bilateral or plurilateral basis to provide appropriate conditions of access for goods exchanged as inputs with respect to such initiatives as joint ventures or complementarity type projects and for goods that result from these projects.

## H. Non-tariff measures

### (i) Item-related non-tariff measures

18. It would be desirable to distinguish on a practical basis between those non-tariff measures which could be negotiated on a preferential basis to the mutual benefit of other participating developing countries and those where it might only be possible to negotiate on a global basis. Thus, it may be found that import restrictions or quota allocations as well as particular non-tariff measures which create barriers to specific items exported by other developing countries lend themselves to being negotiated on a preferential basis without creating undue distortions. Likewise, however, it may be found that other measures such as fiscal taxes and import/export formalities etc. may be more easily dealt with on a global basis involving all trading partners, except when such measures might have a specific impact on a particular product or product line of interest to one or more than one developing country.

19. As in the case of paragraph 17, arrangements in the non-tariff measures field could be negotiated on a bilateral or plurilateral basis together, as appropriate, with tariff concessions where these are related to projects involving joint production or marketing arrangements.

### (ii) Non-tariff measures of general application

20. To the extent that individual developing countries become parties to Codes or agreements negotiated in the MTN framework, they will be applying the provisions of the Codes to the trade of other developing country participants as adapted to the particular circumstances of these countries. In this connexion, consideration could be given, inter alia, to the question as to how far the commitments in certain codes could apply to tariff concessions exchanged in the framework of developing countries' negotiations. Consideration could also be given to the possibility of developing countries agreeing to commitments or adjustments in relation to their mutual trade which are supplementary to those in the MTN agreements.



21. With respect to government procurement, the MTN Agreement provides for the possibility of preferences among developing countries participating in regional or global arrangements among developing countries. In the field of State-trading, participants in negotiations among developing countries might wish to consider what scope there is for negotiating quantities, prices or retail margins having regard to the need to avoid discrimination among developing countries. In addition, it may be found that goods which are generally imported or exported by State-trading enterprises may lend themselves more easily to tariff and non-tariff concessions on a preferential basis. Delegations may wish to identify other non-tariff measures of general application which could be considered for negotiation among developing countries.

I. Co-ordinated negotiation on tariff and non-tariff measures

22. While tariffs and other measures of special or general application have been dealt with separately above, participants may find that there are product areas where tariffs and other measures could best be negotiated on a co-ordinated basis both multilaterally and as already noted in a more specific framework.

J. Trade-related measures

23. In the course of negotiations relating to products or groups of products, it may be found that there are other factors having a direct impact on the expansion of trade among developing countries e.g. with respect to financing, credit, insurance, transport or marketing etc. Questions relating to the provision of technical assistance or technology transfers etc. may also arise, particularly where negotiations on trade concessions are related to discussions involving the elaboration of production or marketing arrangements. Some of these matters may lend themselves to appropriate bilateral or plurilateral understandings among participants for follow-up action by each government. Other matters may require multilateral solutions which could be followed up in the appropriate multilateral fora that exist.

K. Procedures

24. Once a body to supervise the conduct of the negotiations has been established, rules and procedures for negotiations, and scope and coverage could be discussed in greater detail. It may be found that the detailed elaboration of these rules and procedures could best be made on the basis of the indications provided by each participant of the products and measures on which it would be interested in negotiating.

25. The final shape that the institutional framework embodying the results of the negotiations might take could, however, be left to be determined in the light of the substantive issues covered by these negotiations. In this connexion, delegations would wish to bear in mind the provisions of the Protocol Relating to Trade Negotiations Among Developing Countries.

L. Technical assistance

26. The technical assistance services of the secretariat would be made available, upon request, to individual developing countries participating in the new round of trade negotiations. This would involve, inter alia, the provision of information on trade flows of participants at a sufficient level of detail for negotiating purposes using the latest available statistics, related information on tariffs and non-tariff measures and relevant background documentation on other issues which may be identified for consideration, etc.

TABLE 1

## Developing Countries

## Product Categories Imported and Country Concentration of Imports - 1975

Product Category	Description	Imports by LDC's from all LDC sources (US\$ million)	Imports by LDC's from all sources (US\$ million)	No. of LDC matrix countries whose imports from all sources (world) >US\$10 m.	No. of LDC matrix countries whose imports from other LDC matrix countries >US\$10 m.	No. of LDC matrix countries whose imports from other LDC matrix countries >US\$1 m.	Imports of LDC's as % of world imports	LDC imports from LDC's as % of LDC imports from all sources
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Imports over \$500 million (column 3)</u>								
4	Cereals	1,826.5	12,830.0	68	31	57	53	14
5	Fruit and vegetables	1,216.5	2,343.5	34	25	57	16	52
6	Sugar, sugar preparations and honey	2,710.1	3,840.9	33	22	47	34	71
8	Coffee, tea, maté	742.2	860.2	22	19	35	14	86
10.1, 10.2	Oilseeds, oils	1,094.5	3,998.0	42	18	54	32	27
16.1	Raw rubber	655.1	1,053.1	18	11	26	35	62
17.1	Wood in the rough	576.4	765.0	11	7	23	17	75
17.2, 17.3	Wood manufactured products	621.8	1,418.6	25	10	43	16	44
19	Paper	651.6	4,822.4	61	19	60	23	14
20A	Fibres, yarns and fabrics	2,785.6	9,617.3	73	41	76	35	28
20B	Made-up textile articles	882.1	2,661.6	51	15	69	13	33
21	Manufactured fertilizers	1,046.9	4,050.0	48	17	52	52	26
22	Crude minerals	1,006.8	3,493.0	44	23	67	33	29
25	Mineral fuels	29,560.0	34,490.0	72	49	77	22	86
ex 26	Chemicals (excl. pharmaceutical and plastic materials)	1,206.4	12,020.8	79	39	74	35	10
27A	Ores and metal waste	556.2	1,595.4	15	8	19	11	35
27B.1	Iron and steel and semi-manufactures thereof	966.0	16,440.0	65	18	53	44	6
27C	Metal manufactures	765.5	6,579.5	66	17	69	35	12
28	Non-electrical machinery	1,510.0	33,650.0	81	37	63	40	5
29	Electrical machinery	1,146.2	14,100.0	71	23	67	35	8
30	Transport equipment	1,545.6	22,370.0	84	29	65	31	7
<u>Imports US\$100 m. - US\$500 m. (column 3)</u>								
1.1	Live animals	197.6	709.2	10	6	19	23	28
1.2, 1.3	Meat	321.3	1,664.5	25	8	26	17	19
2	Dairy Products	128.4	2,079.0	39	3	22	32	6
3	Fish	328.9	1,057.3	18	8	32	18	31
7	Cocoa	203.4	285.4	5	4	20	10	71
9	Spices	253.8	287.8	4	3	30	51	88
10.3	Feeding-stuff for animals	332.9	749.5	13	11	28	18	45
11	Tobacco	282.4	901.9	22	2	29	25	31
12	Alcoholic beverages	120.3	735.8	14	2	19	16	16
14	Agricultural raw materials	195.9	603.0	14	3	30	17	33
15.1	Raw hides	100.9	413.3	8	2	11	19	24
15.2, 15.3	Leather	132.3	607.3	9	2	18	14	22
16.2, 16.3	Rubber manufactured products	246.7	1,712.3	40	1	36	4	14
23	Glass	168.2	947.5	27	1	39	28	18
24	Precious stones	293.4	1,506.9	11	5	17	15	20
26.3	Pharmaceuticals	270.6	3,071.0	55	5	44	44	9
26.6, 26.7	Plastic materials	285.8	3,528.2	49	3	38	27	8
27B.2	Copper and copper semi-manufactures	404.2	1,145.8	25	5	22	18	35
27B.4	Aluminium and aluminium semi-manufactures	148.2	1,729.4	29	2	12	36	9
27B.3, 85) 86, 87, 88)	Other metal semi-manufactures	202.7	794.8	23	3	19	15	25
31	Scientific and optical goods	288.9	5,283.3	46	6	31	29	6
36	Miscellaneous manufactures, n.e.s.	172.5	1,197.0	27	-	37	22	14
<u>Imports less than US\$100 m. (column 3)</u>								
13	Miscellaneous food preparations	51.8	419.1	7	-	15	34	12
15.4	Footwear	91.8	326.2	7	-	18	9	28
18	Cork	34.2	43.2	-	-	10	23	79
32	Furniture	56.5	426.2	7	-	13	11	13
33	Toys	69.5	357.7	9	-	14	13	19
34	Musical instruments	60.7	753.1	17	-	11	19	8
35	Firearms	16.0	172.5	3	-	5	17	9

Source: LDC/TS/45



**TABLE 2**  
**Developing Countries**  
**Product Categories Exported and Country Concentration of Exports - 1972**

Product category	Description	Exports from all LDC sources to LDC's <sup>1/</sup> (US\$ million)	Exports from all LDC sources to LDC's as % of exports from all LDC sources <sup>1/</sup>	No. of LDC matrix countries whose exports to all sources (world) >US\$10 m.	No. of LDC matrix countries whose exports to other LDC matrix countries >US\$10 m.	No. of LDC matrix countries whose exports to other LDC matrix countries >US\$1 m.	Exports from all sources to LDC's <sup>1/</sup> (US\$ million)	Exports of LDC's as % of world exports <sup>1/..</sup>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Exports over US\$500 million (column 3)</b>								
4	Cereals	1,826.5	68	20	13	40	12,830.0	11
5	Fruit and vegetables	1,216.5	18	51	28	52	2,343.5	48
6	Sugar, sugar preparations and honey	2,710.1	36	33	21	35	3,840.9	66
8	Coffee, tea, maté	742.2	14	31	10	29	860.2	90
10.1,10.2	Oilseeds, oils	1,094.5	27	35	14	35	3,998.0	32
16.1	Raw rubber	655.1	38	9	3	11	1,053.1	58
17.1	Wood in the rough	576.4	30	15	7	23	765.0	43
17.2,17.3	Wood manufactured products	621.8	29	25	11	33	1,418.6	25
19	Paper	651.6	56	20	16	37	4,822.4	5
20A	Fibres, yarns and fabrics	2,785.6	42	45	35	61	9,617.3	24
20B	Made-up textile articles	882.1	11	33	18	41	2,661.6	39
21	Manufactured fertilizers	1,046.9	48	20	17	32	4,050.0	28
22	Crude minerals	1,006.8	56	27	20	48	3,493.0	17
25	Mineral fuels	29,560.0	25	50	35	58	34,490.0	76
ex 26	Chemicals (excl. pharmaceutical and plastic materials)	1,206.4	47	29	20	40	12,066.8	8
27A	Ores and metal waste	556.2	10	35	12	40	1,595.4	41
27B	Iron and steel and semi-manufactures thereof	966.0	45	18	12	29	16,440.0	6
27C	Metal manufactures	765.5	49	18	17	37	6,579.5	8
28	Non-electrical machinery	1,510.0	49	23	18	40	33,650.0	4
29	Electrical machinery	1,146.2	25	23	19	34	14,100.0	11
30	Transport equipment	1,545.6	57	21	17	38	22,370.0	4
<b>Exports US\$100 million - US\$500 million (column 3)</b>								
1.1	Live animals	197.6	58	7	4	26	709.2	11
1.2,1.3	Meat	321.3	27	13	7	13	1,654.5	12
2	Dairy products	128.4	80	4	4	16	2,079.0	2
3	Fish	328.9	14	34	7	32	1,057.3	40
7	Cocoa	203.4	12	12	4	14	285.4	63
9	Spices	253.8	52	9	6	17	287.8	86
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11	Tobacco	282.4	22	21	8	31	901.9	36
12	Alcoholic beverages	120.3	16	10	3	17	735.8	17
14	Agricultural raw materials	195.9	20	24	3	39	603.0	28
15.1	Raw hides	100.9	29	10	1	21	413.3	16
15.2,15.3	Leather	132.3	8	21	3	23	607.3	40
16.2,16.3	Rubber manufactured products	246.7	29	11	3	23	1,712.3	14
23	Glass	168.2	54	10	4	22	947.5	9
24	Precious stones	293.4	15	25	6	23	1,506.9	20
26.3	Pharmaceuticals	270.6	56	15	9	31	3,071.0	7
26.6,26.7	Plastic materials	285.8	41	15	5	30	3,528.2	5
27B2	Copper and copper semi-manufactures	404.2	17	8	4	15	1,145.8	38
27B4	Aluminium and aluminium semi-manufactures	148.2	31	9	5	19	1,729.4	17
27B3,B5,B6,B7,B8	Other metal semi-manufactures	202.7	17	14	3	14	704.3	23
31	Scientific and optical goods	288.9	32	15	8	19	5,283.3	5
36	Miscellaneous manufactures, n.e.s.	172.5	22	13	1	22	1,197.0	14
<b>Exports less than US\$100 million (column 3)</b>								
13	Miscellaneous food preparations	51.8	41	3	-	15	419.1	10
15.4	Footwear	91.8	8	11	1	17	326.2	34
18	Cork	34.2	22	2	2	2	43.2	85
32	Furniture	56.5	13	6	-	13	426.2	11
33	Toys	69.5	10	8	2	9	357.7	26
34	Musical instruments	60.7	19	5	1	11	753.1	8
35	Firearms	16.0	24	2	-	4	172.5	7

<sup>1/</sup> Data is based on import figures.  
<sup>\*</sup> Excluding exports from Eastern Trading Area Countries.  
<sup>\*\*</sup> Excluding exports to Eastern Trading Area Countries.