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ECONOMIC COMMISSION FOR AFRICA

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of Trade

Addis Ababa, 17-18 November 1989

PROGRESS REPORT ON THE IMPLEMENTATION OF THE GLOBAL SYSTEM
OF TRADE PREFERENCES AMONG DEVELOPING COUNTRIES (GSTP)

1974
1975

1976
1977

1978
1979

Year	Category	Value	Year	Category	Value
1976	1978
1977	1979
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I. INTRODUCTION

1. This progress report on the implementation of the Global System of Trade Preferences among Developing Countries (GSTP) discusses several aspects of the scheme. It begins with a brief description of the first phase of negotiations before commenting on how the member States of the Group of 77 have gone about implementing it.

II. GENERAL BACKGROUND

2. The Global System of Trade Preferences among Developing Countries was conceived as a mechanism or trade negotiating instrument through which greater intra-developing country trade could be brought about in accordance with the Manifesto of the 1976 Mexico City meeting (September 13-22). In other words, to enhance the promotion and expansion of trade and economic cooperation among developing countries. Those countries who are not part of the scheme saw it as an exclusive club and therefore contrary to the General Agreement on Tariffs and Trade (GATT) which advocates greater general trade liberalization. The aims and objectives of GSTP are still valid, considering the gross imbalance in global trade that tilts tremendously in favour of the developed countries coupled with the dismal socio-economic situation that confronts many developing countries exacerbated by low commodity prices of products that are of export interest to developing countries and heightened excruciating debt burden. The fall in commodity prices have contributed to the shortfalls in foreign exchange earnings for non-oil producing exporting developing countries.

3. Under GSTP scheme, developing countries were to mutually grant tariff preferences to each other within the framework of the Agreement as a means of promoting trade and reducing trade barriers among themselves. It should be noted herein that Developing Countries that are members of GATT and signatories to the Agreement will need to obtain the necessary waivers before they can implement preferential concessions negotiated under the GSTP scheme. There is an enabling clause in GATT that provides for the granting of such waivers. The waiver is needed considering that GATT provides a global institutional and legal framework for the conduct of the bulk of world trade. Therefore, the intention of GSTP is not to set up a separate South/South Trading System, but rather a more modest framework for providing greater trade liberalization, expansion, and the promotion of trade among developing countries within the broader framework of the world trading system.

4. The first phase of the negotiations for the establishment of the GSTP took a very long time because of the many grey areas that had as yet to be removed among the participating developing countries themselves. Progress at the initial stages was rather slow and not encouraging. In many instances, those

countries who were industrially better off like the Newly Industrializing Countries (NICs) unlike the less developed countries attempted to face the pace. However, the slow progress was not due to the lack of enthusiasm for the establishment of GSTP by member States of the G-77. Rather and perhaps, because a number of countries including many in Africa were not convinced of any comparative advantages to be gained by them if and when the GSTP Agreement came into force. This concern and the state of uncertainty continues to be the preoccupation of many developing countries apart from those in Africa. However, the Agreement provides special preferential measures in favour of the least developed among developing countries (LDCs) that are signatories to it.

5. The Agreement establishing the Global System of Trade Preferences among Developing Countries (GSTP) came into being in February 1989 when 15 developing countries acceded, accepted, approved, and ratified the Agreement and deposited their instrument of Ratification with the government of Yugoslavia, the depositary of the GSTP Agreement. This action was the main breakthrough for the first phase of the negotiation.

6. There are over 126 member countries in the Group of 77 and yet only 15 countries have so far ratified the Agreement since the concept was conceived in Arusha in 1979. Of this number of countries that have ratified the Agreement 4 are from Africa. At the Belgrade Conference in 1980 (April 6-13), some 46 developing countries signed the GSTP Agreement. The Agreement signed had as an integral part of a protocol of preferential tariff concessions that the respective signatories had agreed to extend to one another. From information at hand, at least at the time of going to the press, only 48 developing countries have exchanged bilateral trade concessions within the framework of GSTP.

III. ACCESSION AND ACCEPTANCE

7. In accordance with article 25(b) of the Arusha Accord the following 15 African developing countries have acceded, accepted, approved the GSTP Agreement:

- (a) Angola;
- (b) Algeria;
- (c) Cameroon;
- (d) Egypt;
- (e) Ghana, (ratified on December 12, 1988);
- (f) Guinea;
- (g) Libyan Arab Jamahiriya;
- (h) Morocco;
- (i) Mozambique;
- (j) Nigeria (ratified on 17 March 1989);
- (k) Sudan;
- (l) Tunisia;
- (m) Tanzania (ratified on 19 January 1989);
- (n) Zaire; and
- (o) Zimbabwe (ratified 19 September 1988).

IV. APPLICABILITY OF THE SCHEME

8. When the scheme was originally considered by the Ministers of Trade and Commerce of the G-77 at the Arusha meeting in 1979, the intention as pointed out above had been for it to apply to the entire range of traded commodities. In particular those consisting of agricultural processed and semi-processed products, and manufactures and semi-manufactures goods.

9. The GSTP scheme covers non-tariff barriers, quantitative restrictions on import/export items among developing countries. The GSTP scheme was therefore intended to supplement traditional tariff concessions as well as on non-tariff barriers with a view of expanding and promoting intra-developing country trade. Because of the nature of the scheme itself and the parameters of its operation, the introduction of flexibility in order for participating countries to obtain maximum trade and economic benefits that may derive from the GSTP Agreement is what has delayed inter alia the coming into force of the scheme.

(a) Policy Issues

10. It is in the light of the above perhaps and given the stage now reached that further consideration of the general policy framework that should be adopted by the African countries with regards to GSTP negotiation, especially for the second phase of negotiations be considered. Based on this experience and what can be expected, the following aspects could be included among others:

(i) how to safeguard the short, medium and long term trade or commerce, and economic interests of Africa, especially since a majority are still relatively industrially underdeveloped. Could ways be effectively devised to accord preferential treatment by the more or the newly industrializing countries of Asia and Latin America to products of export interest to Africa?

(ii) devising ways in order to ensure that trade preferences, preferential arrangements and concessions granted within the context of the scheme while maintaining the principle, acknowledges differences between the participating countries. This is not withstanding, the already accepted principle for more favourable treatment of the LDCs.

(b) Operational Issues

11. In spite of the slow progress in bringing into operation the Global System of Trade Preferences among Developing Countries (GSTP), the scheme is being implemented under the aegis of UNCTAD as a valid trade instrument for the promoting and expanding of intra-developing countries' economic cooperation. What will transpire during the next phase of the negotiations will be determined from current and envisaged trade policies. Suffice to recall that traditionally, the tariff structures of the developed countries have been based on relatively low tariffs for raw material inputs and non-competing tropical food products,

higher tariffs being applied to processed commodities and finished goods. These factors among others have combined to determine the strong trade bonds between the South and the North. In other words, an exchange of primary commodities for manufactured goods. However, this is the pattern the GSTP is intended to change.

12. Other equally important developments to be taken into consideration are the spill over of tariff reductions to be negotiated at the global level by the developed industrialized countries and also within the context of the Uruguay Round of Trade Negotiations which started at Punta del Este in Uruguay. There is also the unknown effects likely to emanate when the European Community implements its single internal market plan by 1992. What cannot be concealed is that the implementation of the EC single internal market will make access to the community market for many of Africa's non-primary commodities rather difficult. It ought therefore to provide yet one other reason for increased interest in fostering intra-developing country trade as advocated in the Arusha Programme of Action on GSTP.

13. Perhaps it is necessary to recall that trade policies of the countries of the South are some what dominated by a chronic shortage of foreign exchange and the need to meet priority imports. There is also the other element of fear of loss of revenues as a result of reduction in tariff since these countries have fewer other alternative sources.

14. In order for the GSTP scheme to be better appreciated and the next phase of the negotiations to progress at a faster pace than hitherto, the public, government officials, bankers, businessmen, and decision makers in the respective African economies need to be provided with information on the GSTP through the Ministry of Trade and Commerce in the member States. Such an action would go a long way towards galvanizing national interest and popular support for the scheme. Popular support for the scheme will contribute to the rapid progress in the negotiation process and implementation of the GSTP Agreement by national governments in the developing countries.

15. It was the explicit understanding of the Arusha meeting in 1979 that GSTP will reinforce and strengthen existing subregional, regional and interregional trade and economic groupings. In this connection, when GSTP is fully implemented by the governments of developing countries, it will complement the trade, commerce and economic objectives of existing subregional, regional, and interregional economic groupings. The direction that the Global System of Trade Preferences among Developing Countries will take depend to a larger extent on concise and up-to-date trade information relating to participating developing countries in terms of their trade regimes, pricing policies, product ranges, supply and services put in place to meet this particular challenge.

16. African countries that are already members of such institutions as PTA, ECOWAS need to make greater use of other established trade information systems and to call on these secretariats to assist them to prepare for and participate in the GSTP negotiations. Similarly, State Trading Organizations (STOs) and Chamber of Commerce in member States should be mobilized to play a major role in these endeavours.

17. Trade being an indispensable element to the socio-economic development and well-being of any given society, it is expected that when GSTP is fully accepted and implemented by member States of the G-77 it will be development-oriented and transparent in a sense that there will be comparative advantages to be gained by participating countries in the scheme.

V. CONCLUSIONS

18. Recent world trends, particularly the emergence of trading and economic blocks or arrangements in Europe (the Single Europe Act 1992), in North America (the USA and Canada) and Australia (Australia and New Zealand) make it imperative for countries and regions of the South to act likewise in defence of their own mutual interests. These developments among others, do to a very large extent underline the significance of the GSTP as a significant trade instrument for galvanizing trade and promoting concrete trade relationship among developing countries on a self-reliant basis as called for in the Arusha Programme of Action. Long-term benefits outweigh most of the short-term discouraging factors. The former ought to spur developing countries to participate in a scheme initiated by the South itself. Countries of the Group of 77 and African particular are urged to translate into practical terms, their political will in order that the GSTP can stand up along-side the emerging trading block arrangements of the industrialized developed countries.

19. What is needed most, is for individual developing countries not only to collaborate with others but also to start putting in place elements that could enable each one of them to derive optimal benefits from participating in intra-regional trade even as late starters.

Dear Sir,

I am writing to you regarding the matter of the late Mr. John Doe, who passed away on the 15th of last month. I am the executor of his will and I am in the process of settling his estate. I have reviewed the records of the late Mr. Doe and I have found that he had a number of accounts with your bank. I am writing to you to request that you provide me with a list of all the accounts that he had with your bank, including the account numbers and the balances of each account as of the date of his death. I am also writing to you to request that you provide me with a copy of the statements for each of these accounts for the period of the last 12 months. I am writing to you to request that you provide me with a copy of the statements for each of these accounts for the period of the last 12 months.

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