

النظام العالمي للأنظمة التجارية

**THE GLOBAL SYSTEM OF TRADE PREFERENCES AMONG DEVELOPING COUNTRIES
(GSTP)**

**FINAL REPORT ON THE GSTP ACTIVITIES
RELATED TO THE IMPLEMENTATION
OF PROJECT INT/92/K03/A/90/99**



النظام العالمي للتفضيلات التجارية

FINAL REPORT ON THE GSTP ACTIVITIES
RELATED TO THE IMPLEMENTATION
OF PROJECT INT/92/K03/A/90/99

The Committee of Experts of the Perez-Guerrero Trust Fund, at its Seventh Meeting in New York on 29-30 June 1992, considered a project proposal for a PGTF input and recommended that US\$ 250,000 be allocated to the GSTP. This allocation was approved by the Sixteenth Annual Meeting of the Ministers for Foreign Affairs of the Group of 77 (New York, 1 October 1992). Accordingly, a Sub-Contract Agreement was concluded on 14 December 1992 between the Chairman of the Group of 77 in New York and the United Nations Conference on Trade and Development (UNCTAD) concerning the implementation of project INT/92/K03/A/90/99 - "Technical, secretariat and other support to the Global System of Trade Preferences among Developing Countries (GSTP), and technical assistance to countries participating in the GSTP".

The present report covers the GSTP activities relating to the implementation of project INT/92/K03/A/90/99 and provides its final account.

I- Background

At the conclusion of the First Round of GSTP Negotiations, the Agreement on GSTP was signed on 13 April 1988 by 48 countries members of the Group of 77. The Agreement entered into force on 19 April 1989. Forty countries have ratified the Agreement and have become participants. A list indicating the signatories and participants of the GSTP is attached. Participants agreed to multilateralize among themselves the tariff concessions which they exchanged during the Round. Exclusive tariff preferences in favour of the least developed participants were provided in accordance with the GSTP provisions for special treatment for least developed countries.

The First Round of GSTP Negotiations was conducted in the framework of a technical cooperation project financed as from 1984 by the ECDC Trust Fund, which was subsequently named the Perez-Guerrero Trust Fund, with UNCTAD as executing agency. When the resources available to the GSTP Project were exhausted toward the end of 1989, financial support was provided by the Perez-Guerrero Trust Fund. The Thirteenth Annual Meeting of the Ministers of the Group of 77, held in New York on 28 September 1989, agreed to such finance, which provided for technical support for the GSTP during 1991 (project INT/90/K07/A/90/99).

The Sixteenth Annual Meeting of the Ministers for Foreign Affairs of the Group of 77 (New York, 1 October 1992) approved the allocation of US\$ 250,000 in support of the GSTP. A Sub-Contract Agreement was concluded on 14 December 1992 between the office of the Chairman of the Group of 77 in New York, as executing agency for the project INT/92/K03/A/90/99, and UNCTAD as Sub-Contractor.

Project INT/92/K03/A/90/99 provided for: "Technical, secretariat and other support to the Global System of Trade Preferences among Developing Countries (GSTP), and technical assistance to countries participating in the GSTP". The immediate objectives of the project included operationalization

and effective utilization of the GSTP, and accession to the Agreement, as well as assistance to developing countries in the further developments of the GSTP. The activities undertaken to attain these objectives covered aspects relating to the operation and effective utilization of the GSTP and accession to the Agreement, and aspects relating to the further developments of the GSTP, including assistance to developing countries in connection with their participation in the Second Round of GSTP Negotiations.

II- Activities related to the implementation and effective utilization of the GSTP Agreement

In connection with the operational support for the implementation of the Agreement, the secretariat of the GSTP, i.e. the GSTP Project, carried out the necessary activities related to the formal and informal meetings of the GSTP bodies. The Project prepared and circulated background notes required by the Committee of Participants for the consideration of various matters within its competence. The Project provided secretarial service for the Chairmen of the Committee and its Sub-Committee.

The Project remained active with regard to widening the membership of the Agreement through accession. Special attention was given to the situation of eight GSTP signatories which were unable to complete their ratification procedure by the final date of 19 April 1992 which had been set by the Committee of Participants pursuant to Article 26/3 of the Agreement. The Project maintained contacts with these signatories with a view to inviting them to accede to the GSTP Agreement. Meanwhile, repeated invitations were addressed to other members of the Group of 77 to apply for accession to the Agreement. Assistance was extended in Geneva to interested delegates in this regard and clarifications were made regarding the technical aspects of the GSTP Agreement.

Four countries applied for accession to the Agreement on GSTP during 1993 and their notifications of intention to accede to the Agreement were circulated among participants. These countries are Equatorial Guinea, Kenya, Morocco and Myanmar. The Project provided assistance to interested applicants regarding their accession. Two of these countries, namely Morocco and Myanmar, submitted their offer lists of concessions in conformity with Article 28 of the GSTP Agreement. The Project conveyed the offer lists to the GSTP participants. Pursuant to directives of the Committee of Participants, arrangements will be made by the Project for bilateral consultations and negotiations.

The Project has been in contact with other members of the Group of 77 concerning their interest in accession to the Agreement. They received information, clarifications and technical support as required.^{1/} Letters were addressed to members of the Group of 77 non-participants to the GSTP, inviting them to consider accession to the Agreement. Supporting documents were

^{1/} In particular, Bhutan, Colombia, Côte d'Ivoire, El Salvador, Jordan, Lebanon, Mongolia, Namibia, Saudi Arabia, Senegal, Syrian Arab Republic, United Arab Emirates, Uruguay, Venezuela and Zambia. Uruguay notified its intention of accession to the Agreement on 25 February 1994.

sent to them including printed material related to the GSTP membership and the rights and obligations involved.

In the course of implementing the Agreement, some participants found it necessary to introduce changes, mainly reductions, to their base rates of duties for their GSTP concessional items. Upon being informed of these changes, the Project transmitted them to the other GSTP participants. Clarifications were made by the Project indicating that according to the General Notes of Annex IV of the Agreement, the inclusion of the base rates of duties in the schedules of concessions was indicative and that the basic obligation was to maintain the GSTP margin of preference stated in the schedules.

Intensive activities relating to the certification of origin were provided by the GSTP Project on a continuous basis. According to the GSTP Rules of Origin, products eligible for preferential concessions must be supported by a certificate of origin issued by an authority designated by the Government of the exporting participant and notified to the other participants. Pursuant to the Rules, the Project collected the notifications by participants on their authorities entitled to issue the certification of origin, as well as the relevant impressions of their stamps. Extensive notifications were received and transmitted by the Project to all participants, as well as frequent amendments to these notifications.

The Project sent a number of notes to the participants which had not designated their authorities entitled to issue certificates of origin inviting them to do so with a view to ensuring that their exports were eligible for preferential treatment in the importing participants. In response and by the end of the project period, 36 countries provided the required information, which was transmitted to the GSTP participants. Only four countries have not yet designated the authorities entitled to issue certificates of origin.

The Project continued to tabulate two consolidated lists, the first containing brief information on the authorities entitled to issue the certificates of origin and the second on the authorities dealing with enquiries relating to certification. The Project periodically updated the two lists and circulated them to the GSTP members. The latest revised version of these lists are in the Annex of this report (document GSTP/ORIGIN 16/Rev.8). Such tabulated information was considered useful by the GSTP participants for guidance and easy reference. The supportive activities extended by the GSTP Project and the dissemination of information on the certification of origin allowed the member countries to utilize effectively the GSTP preferential tariff concessions.

As requested by the Committee of Participants, the project continued to monitor and update the preferential trade flows moving under the GSTP Agreement. Participants were invited to report the relevant statistical details of imports of items covered by the Agreement. The information provided was collected and disseminated to the GSTP participants.

According to the data provided by 12 participants,^{2/} the value of their

^{2/} Bolivia, Chile, Cuba, India, Iraq, Mexico, Peru, Republic of Korea, Romania, Sri Lanka, Trinidad and Tobago, and Yugoslavia.

imports from other participants of GSTP concessional items was nearly US\$ 549 million during 1989. The value of their imports of the same products from the world during the same period amounted to US\$ 3,359 million.

For 1990, eleven participants provided the required data.^{3/} The Value of their imports of concessional items was nearly US\$ 1,558 million. The value of these countries' imports of the same products from the world in 1990 was about US\$ 6,797.

For 1991, eight countries reported the required statistics.^{4/} The value of their imports from other participants of GSTP concessional items was about US\$ 585 million. Their imports of the same products from the world amounted to US\$ 3,120 million.

Information for 1992 was received from three countries only.^{5/} The value of their imports from other participants of GSTP preferential items exceeded US\$ 436 and their imports of the same products from the world amounted to US\$ 1,658 million.

Details of the reported concessional imports over the years 1989, 1990, 1991 and 1992 are provided in Tables 1,2,3 and 4 in the Annex. The latest report for 1992 provided by the Republic of Korea is also contained in the Annex as an example. The Project continued to monitor the preferential trade flows moving under the GSTP Agreement and to update the information received, as well as to disseminate it to all participants. On various occasions, the GSTP members pointed to the progress made in the collection and dissemination of information and noted with satisfaction that trade flows under the Agreement had been significant and promising.

The financial aspects of the GSTP were among the issues dealt with by the Project and were of particular interest to delegations and their national authorities. The examination of criteria for contributions by participants to a GSTP regular budget was the main issue involved. Earlier discussions within the GSTP Sub-Committee covered the various possibilities for calculating the contribution by each participant. A consensus seemed to be emerging on the calculation of contributions on the basis of each country's share in the total international trade of the GSTP members. However, deliberations remained inconclusive.

It should be noted that the information provided for those deliberations related to the 48 signatories of the Agreement. As 40 countries have ratified the Agreement and have become participants, a new calculation was needed, and recent information on international trade figures had to be provided. Thus, in

^{3/} Bangladesh, Bolivia, Iraq, Mexico, Peru, Republic of Korea, Romania, Sri Lanka, Thailand, Trinidad and Tobago, and Yugoslavia.

^{4/} Bangladesh, Bolivia, Peru, Republic of Korea, Thailand, Trinidad and Tobago, Tunisia and Yugoslavia.

^{5/} Republic of Korea, Thailand, and Trinidad and Tobago.

preparation for resumed discussions in this regard, further and updated information was required. The Project collected the relevant recent data related to the international trade figures of the 40 participants. Notes and tables were prepared with a view to providing the required assistance for the deliberations and for consideration of the complex issues involved.

The Project continued to disseminate information on the GSTP to the participants. Assistance was provided, in particular, to delegations in Geneva regarding technical issues relevant to participation in the GSTP.

One country mission was undertaken providing technical assistance concerning GSTP membership and participation in the Second Round of GSTP Negotiations. This mission was to the Libyan Arab Jamahiriya in response to an invitation by the Government and was financed by the Libyan authorities which provided transport and accommodation. In view of the financial situation, no country missions were undertaken by the project staff involving financial costs to the GSTP Project. However, arrangements were made to supply the necessary information on the GSTP to participants and other members of the Group of 77 through the inter-regional advisers and other staff of UNCTAD's ECDC Division who were visiting certain developing countries on matters not directly related to the GSTP. No financial costs were borne by UNCTAD or the GSTP Project.

African countries without permanent missions in Geneva were provided with briefing materials and information on the GSTP through the Office of the Organization of African Unity (OAU) in Geneva. In this connection, the GSTP Project maintained regular contacts with the OAU Office, whose representatives participated in various GSTP meetings as observers.

III- Activities related to the conduct of the Second Round of GSTP Negotiations

In connection with the further developments of the GSTP, the Project undertook a number of activities which covered mainly the conduct of the Second Round of GSTP Negotiations. The Tehran Declaration on the Launching of the Second Round provides that the Negotiations aim at facilitating the process of accession to the GSTP Agreement and carrying forward the exchange of trade concessions. The Negotiating Committee for the Second Round, set up under the Declaration, adopted its plan for the Second Round (document GSTP/NC II/4). According to the Plan, four negotiating groups were established covering the following areas: facilitation of accession, product-by-product negotiations, across-the-board tariff negotiations, direct trade measures and non-tariff and sectoral agreements. The Groups commenced their work in March 1993 and since then have been purposefully undertaking their activities. The GSTP Project serviced the formal and informal meetings of the negotiating groups and prepared the necessary studies for their work.

With regard to Negotiating Group 1 on facilitation of accession, the Project prepared and circulated notes providing background information on the procedure for accession to the GSTP and the possibilities of facilitating the process through simplified consultations and negotiations. Special treatment for least developed countries was emphasized and due attention was drawn to the situation of signatories unable to ratify the Agreement before the final date of ratification (document GSTP/NC II/G1/1).

The Group expressed welcome with regard to the accession of interested countries and the initiative on the part of applicants to accede to the Agreement. Reports and letters of the Chairman addressed to the members of the

Group of 77 were circulated inviting them to participate in the Second Round with a view to joining the GSTP. Statements were prepared for the meetings of the Group of 77 in Geneva informing them of the GSTP and its potential trade benefits. They were called upon to accede to the Agreement and were informed of technical assistance provided by the GSTP Project in this regard. A number of them remained in contact with the Project and were serviced as required.

In the course of product-by-product negotiations, the Project continued to provide technical support to participating countries in connection with the tabulation of trade control measures facing the products of export interest to each country. Countries were invited to verify and revise preliminary lists of export interest prepared by the Project. On the basis of the revised lists of export interest, a tabulation of trade control measures facing each of these products in the markets of other participating countries was made and sent to the country concerned. Towards the end of 1993, the Project was able to provide 26 participating countries^{6/} with computer print-out furnishing information on tariff, para-tariff and non-tariff measures at the product level facing exports of each country in the market of other participating countries. The Project's activity in this regard was considered helpful to the participating countries, particularly in connection with the "request and offer negotiating process".

The work of Negotiating Group 2 on product-by-product negotiations was intensive and the activities of the Project were extensive. The Project prepared and circulated to delegations notes providing background information on product-by-product negotiations as a principal negotiating approach in the Second Round. Several elements were identified out for the consideration of the Group, including the submission of requests and offers and organization of bilateral consultations and negotiations, as well as the multilateralization of concessions. Standardised forms for requests and offers were proposed by the Project so as to facilitate consultations and negotiations, as well as handling and processing (document GSTP/NC II/G2/1). The Group was invited by the Chairman to make out their request lists combining tariff, para-tariff and non-tariff concessions in the standardised form proposed by the Project. They were also invited to submit their requests to the secretariat of the GSTP for transmittal them to the delegations of countries to which requests were addressed (document GSTP/NC II/G2/R.1). In this connection, the Project prepared and circulated the necessary notes and invitations, as well as letters expediting the process.

The Project serviced the informal and formal meetings of the Group and provided assistance for the discussions on setting 30 September 1993 as the deadline for submission of requests and then extending the time limit in this regard until 31 January 1994 (document GSTP/NC II/G2/R.2). By the end of the year 1993, eight countries had submitted requests to a large number of participating countries. The Status of submission as of end 1993 is indicated

^{6/} These countries are: Algeria, Bangladesh, Benin, Bolivia, Brazil, Colombia, Cuba, Democratic People's Republic of Korea, Egypt, Equatorial Guinea, India, Indonesia, Islamic Republic of Iran, Libyan Arab Jamahiriya, Malaysia, Myanmar, Pakistan, Peru, Philippines, Romania, Sri Lanka, Sudan, Thailand, Tunisia, United Republic of Tanzania and Zimbabwe.

in Table 5 in the Annex of this report.^{7/} Further contacts were made by the Project with the participating countries which had not yet made their requests to do so at an early date.

The activities undertaken by the Project in connection with receiving and processing the request lists were broad and intensive. Requests were transmitted to the countries to which the requests were addressed. This involved intensive supportive work, as requests were made to a large number of countries and were mostly voluminous. Some of these requests comprised over a hundred of pages due to the recent adoption of the Harmonized System of product classification. All other participants were informed of the fact of submission and of the countries concerned. Participating countries were kept informed periodically of developments with regard to submissions.

Taking into account the state of submission of requests, the Project made preparations with a view to arranging bilateral/plurilateral consultations. The purpose of arranging bilateral consultations is to allow for the exchange of information among participating countries with a view to identifying more precisely the products for which concessions are sought and specifying the exact concessions sought for each product. In this regard, the project continued to provide delegations of participating countries with clarifications and technical assistance as required. Preparations are underway for the next steps of submission of offers and bilateral negotiations conducive to reaching agreement on the exchange of concessions.

Activities of the project proceeded in the area of across-the-board tariff negotiations, i.e. the task of Negotiating Group 3. The Project serviced the formal and informal meetings of the Group and provided the technical support in this regard. Background information was provided on the linear tariff reduction approach, the need for precise determination of the preference margin and for the relaxation of the basic rule through the allowance of some exceptions. Suggestions were made concerning the possibility of considering linear tariff margins for and amongst the least developed participants (document GSTP/NC II/G3/1). Consultations and negotiations in this Group progressed only slightly in view of the complexity of the issues involved and the divergence of interests of participating countries in this regard.

The Project serviced formal and informal meetings of Negotiating Group 4 on direct trade measures, sectoral and non-tariff agreements. Technical support was extended and notes were prepared clarifying the various aspects of activities of this Group. Attention was given to the procedure relating to the negotiation of long- and medium-term contracts (document GSTP/NC II/G4/1). At the request of the Chairperson of the Group, notes and letters were prepared and sent to the exporting participating countries inviting them to follow the GSTP procedure and identify the commodities and products for which they may be prepared to indicate supply commitments, as well as the quantities involved.

^{7/} Five additional participating countries submitted their request lists during January-February 1994, bringing the total number to 13 countries. The additional countries are: Argentina, India, Indonesia, Peru and Republic of Korea.

Likewise, importing participating countries were invited to indicate the commodities or products for which they could envisage undertaking import commitments and the quantities that might be involved.

The Project received the information submitted by interested participants in accordance with the GSTP procedure and transmitted them to the other participating countries concerned. In the light of the state of submission of indications of interest and relevant responses notified by GSTP partners, the Project has been making preparations with a view to arranging bilateral and/or multilateral consultations and negotiations among interested exporting and importing participating countries for the purpose of concluding long- and medium-term contracts.

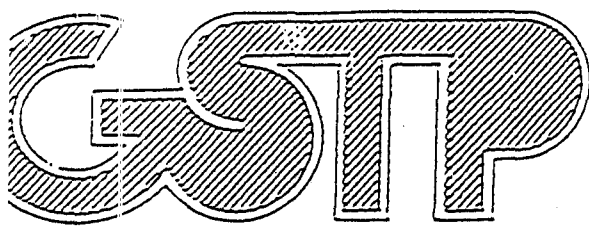
IV- Conclusion

The activities undertaken under project INT/92/K03/A/90/99, as outlined above, were consistent with the broad objectives of the project. The operational activities covered a wide range of aspects relating to the implementation of the Agreement and the effective utilization of its concessions. The GSTP Agreement functioned smoothly, and concessional trade transactions were considerable. The very small GSTP Project staff carried out the necessary activities related to the formal and informal meetings of the GSTP bodies. Information on GSTP was disseminated to participants and other members of the Group of 77. Special attention was given to the widening of GSTP membership through accession. Technical support and assistance were extended to interested countries, and invitations were addressed to other members of the Group of 77 to apply for accession.

The activities relating to the conduct of the Second Round of GSTP Negotiations were intensive and covered a number of aspects. Under the project, the GSTP secretariat serviced formal and informal meetings of the four negotiating groups and prepared the necessary studies for their work. Technical support was provided to participating countries in connection with the facilitation of accession, product-by-product negotiations, across-the-board tariff negotiations, and direct trade measures. In particular, broad activities were undertaken under the Project in connection with receiving, processing, and transmitting the request lists in the course of product-by-product negotiations. Preparations were made for the next steps of submission of offers and bilateral negotiations conducive to reaching agreement on the exchange of concessions and the multilateralization of agreed concessions. Technical support was extended in connection with supply and import commitments and the GSTP procedure regarding the negotiation of long- and medium-term contracts.

In conclusion, it may be noted that the Chairmen/Co-ordinators of the Group of 77, at their Sixteenth Annual Meeting held in Geneva on 23 April 1993, acknowledged that the smooth operation of the Agreement on the GSTP among participants and the launching of the Second Round of Negotiations constituted historic developments of great political and economic significance. They urged that all efforts should be made to strengthen the GSTP and called upon interested members of the Group of 77 to participate in the Second Round and in the work of the Negotiating Committee with a view to acceding to the Agreement on GSTP and to carry forward the exchange of trade concessions.^{8/}

^{8/} Paragraph 8, "Conclusions and Recommendations", the Sixteenth Annual Meeting of the Chairmen/Co-ordinators of the Group of 77, Geneva, 22-23 April 1993.



النظام الثامن للأغذية التجارية

STATUS OF RATIFICATION BY GOVERNMENTS SIGNATORIES TO THE AGREEMENT ON GSP

In accordance with Article 25(a) of the Agreement (i.e. definitive signature):

Democratic People's Republic of Korea 13 April 1988
Sri Lanka 13 April 1988

In accordance with Article 25(b) of the Agreement (i.e. subject to ratification, acceptance or approval):

Algeria	Ratified, 14 August 1990
Angola	
Argentina	Ratified, 31 January 1990
Bangladesh	Ratified, 17 August 1988
Benin.....	Ratified, 13 September 1991
Bolivia	Ratified, 17 July 1989
Brazil	Ratified, 25 April 1991
Cameroon	Ratified, 16 April 1992
Chile	Ratified, 28 September 1989
Colombia	
Cuba	Ratified, 22 February 1989
Ecuador	Ratified, 17 April 1990
Egypt	Ratified, 16 June 1989
Ghana	Ratified, 12 December 1988
Guinea	Ratified, 20 December 1989
Guyana	Ratified, 4 April 1989
Haiti	
India	Ratified, 20 March 1989
Indonesia	Ratified, 22 September 1989
Iran (Islamic Republic of).....	Ratified, 17 April 1992
Iraq	Ratified, 10 October 1988
Libyan Arab Jamahiriya	Ratified, 2 June 1989
Malaysia	Ratified, 1 August 1989
Mexico	Ratified, 13 April 1989
Morocco	
Mozambique	Ratified, 5 June 1990
Nicaragua	Ratified, 3 April 1989
Nigeria	Ratified, 17 March 1989
Pakistan	Ratified, 8 June 1989
Peru	Ratified, 17 August 1988
Philippines.....	Ratified, 24 February 1992
Qatar	
Republic of Korea	Ratified, 12 May 1989
Romania	Ratified, 20 January 1989
Singapore	Ratified, 17 January 1989
Sudan	Ratified, 28 March 1991
Thailand	Ratified, 5 February 1990
Trinidad and Tobago	Ratified, 8 November 1989
Tunisia	Ratified, 26 July 1989
United Republic of Tanzania	Ratified, 19 January 1989
Uruguay	
Venezuela	
Viet Nam	Ratified, 7 December 1988
Yugoslavia	Ratified, 10 January 1989
Zaire	
Zimbabwe	Ratified, 19 September 1988

A N N E X

List of documents related to the final report on GSTP activities in connection with the implementation of project INT/90/K03/A/90/99

- Agreement on the Global System of Trade Preferences among Developing Countries (GSTP)
- Report of the 6th session of the GSTP Committee of Participants GSTP/C.P./R.6
- Tabulated list of organizations entitled to issue certificates of origin and list of governmental authorities dealing with enquiries GSTP/Origin/16/Rev.8
- Reporting of statistical data (1989, 1990, 1991 and 1992) Tables 1, 2, 3 and 4
- Reporting by the Republic of Korea on its GSTP imports, 1992
- Tehran Declaration on the Launching of the Second Round of Negotiations within the GSTP GSTP/TEHRAN/2
- Plan for the Second Round of GSTP Negotiations GSTP/NC II/4
- Facilitation of accession to the Agreement on GSTP, Note by the Project GSTP/NC II/G1/1
- Report of the First Meeting of GSTP Negotiating Group 1 on facilitation of accession GSTP/NC II/G1/R.1
- Product-by-product negotiations, a principal negotiating approach, Note by the Project GSTP/NC II/G2/1
- Reports of the First and Second Meetings of GSTP Negotiating Group 2 on product-by-product negotiations GSTP/NC II/G2/R.1 & R.2
- Note addressed to participating countries on the submission of request lists 17 May 1993
- Status of submission of request lists, 31 December 1993 Table 5

- **Across-the-board tariff reduction:
a potential negotiating approach for
the Second Round of GSTP Negotiations,
Note by the Project** GSTP/NC II/G3/1

- **Report of the First Meeting of GSTP
Negotiating Group 3 on across-the-board
tariff negotiations** GSTP/NC II/G3/R.1

- **Direct trade measures, sectoral and
non-tariff agreements: an essential
negotiating approach for the Second
Round of GSTP Negotiations, Note by
the Project** GSTP/NC II/G4/1

- **Report of the First Meeting of GSTP
Negotiating Group 4 on direct trade
measures, sectoral and non-tariff
agreements** GSTP/NC II/G4/R.1

- **Note addressed to participating countries
on the indication of supply and import
commitments for the purpose of negotiating
long- and medium-term contracts.** 1 June 1993