

DECLARATION  
ON  
GLOBAL SYSTEM OF TRADE PREFERENCES

The Ministers of developing countries members of the Group of 77 who have indicated their interest in participating in the negotiations on a Global System of Trade Preferences (GSTP) met at New Delhi on July 25-26 at the invitation of the Government of India to review the progress and to take necessary decisions to give fresh impetus to the negotiations. Ministers of other countries members of the Group of 77 were also invited to the meeting to take part in the deliberations. The Ministers present at New Delhi adopted the following declaration.

1. The Ministers reaffirmed their commitment to the Arusha Programme of Collective Self-Reliance of February 1979 and the Declaration on GSTP adopted by the Ministers of Foreign Affairs at the meeting of the Group of 77 in New York in October 1982.

2. The Ministers noted with a great sense of satisfaction that trade among developing countries was a dynamic element in their development. This dynamism is reflected in the growing diversity of export capacity of many developing countries resulting in the enhanced complementarity of their economies. The Ministers, however, viewed with deep concern the present world economic situation characterised by increasing imbalances and asymmetry, the serious erosion of the multilateral trading system, the worsening terms of trade for developing countries, the mounting debt burden, the rising tide of protectionism in the developed country markets and the continuing stalemate in the North-South negotiations. In this context, the Ministers emphasised that the establishment of GSTP should be accorded high priority as a major instrument of South-South co-operation, for the promotion of collective self-reliance as well as for the strengthening of world trade as a whole.

3. The Ministers expressed satisfaction over the fact that a large number of countries members of the Group of 77 have signified intention to participate in the GSTP negotiations. GSTP is open for developing countries members of the Group of 77 to join at any stage and the Ministers hoped that more members would join the GSTP in the near future.

4. The Ministers recognised the importance of technical assistance to the developing countries members of the Group of 77 to enable their participation in the GSTP negotiations. They welcomed the UNDP/UNCTAD/G-77 project and stressed the need for its immediate implementation to facilitate the GSTP negotiations. They requested the UNCTAD Secretariat to render all possible assistance in this regard.

5. The Ministers were gratified to note that considerable preparatory work was done in Geneva in 1984. They also noted with appreciation the report of the Senior Officials Meeting held in New Delhi from 22-24 July, 1985. In particular, they recognised the positive outcome of that meeting concerning the elaboration of the ground-rules relating to (i) rules for the extension of negotiated concessions, (ii) modification or withdrawal of concessions, (iii) rules of origin for the GSTP, (iv) rules of safeguards and balance of payment measures for the GSTP, (v) procedures for the provisions of special treatment for the Least Developed Countries, (vi) procedures relating to the negotiation of long-term contracts among interested participants in the GSTP and (vii) new entrants.

6. The Ministers recognised the urgent need for the establishment of an overall legal framework within which the ground-rules will be incorporated. Such a framework would provide the necessary legal foundation for mutually beneficial trade expansion among developing countries on a continuing basis. They agreed that, as a first step in this process, the Negotiating Committee should elaborate such legal framework by 31 October 1985.

**General Approaches to the Negotiations**

7. The Ministers considered the various negotiating approaches enumerated in the Declaration of the Ministerial Meeting of the Group of 77 held in New York in October 1982. Subject to the guidelines and principles contained in that Declaration as well as in the Arusha Programme for Collective Self-Reliance and recalling that the participants would indicate their wishes in respect to the negotiating approaches that they may wish to follow, they agreed that the Negotiating Committee should consider in addition to the traditional product by product approach the following complementary elements for the elaboration of techniques and modalities for the first round of GSTP negotiations:

- (i) An across-the-board tariff reduction through a preference margin of up to 10 per cent.

- (ii) The removal or reduction of the non-tariff and para-tariff barriers including an undertaking by participating countries not to raise new non-tariff barriers, or intensify the existing ones, in respect of products on which tariff concessions have been negotiated, except in accordance with agreed procedures.
- (iii) In selecting sectors for an integrated treatment in regard to the totality of tariff, non-tariff and para-tariff barriers, the sectors of significant socio-economic importance to the participating countries, such as processed tropical products, non-textile handicrafts, textiles, and agricultural products, would need special attention in this context.
- (iv) Product consultations should be organised to promote trade and development through a greater degree of processing, distribution and marketing among developing countries. For this purpose, modalities of long-term contracts, joint ventures, joint initiatives in marketing etc. should be explored, having regard to the work being done in international organisations and commodity agreements.
10. The Ministers agreed that the first round of negotiations among participants should commence not later than 1 May, 1986 and be concluded not later than 1 May, 1987. The results of the first round will be incorporated in a Protocol to be annexed to the Framework Agreement.
11. The Ministers took note that the Framework Agreement would become effective with its acceptance by States which shall have exchanged concessions in the first round of negotiations in accordance with procedures to be agreed upon in the framework agreement.
12. The Ministers recognized that, until the launching of the negotiations, the participating countries should endeavour to adopt measures in order to facilitate their mutual trade.
13. The Ministers agreed to hold other meetings, as appropriate, in order to carry out periodic reviews, at the political level, to monitor and evaluate the progress in all matters relating to the GSTP and to provide necessary direction in this regard.

#### Time-table for the Negotiations

8. In the light of the progress achieved so far and with a view to accelerating the future work, the Ministers agreed that the Negotiating Committee should ensure the observance of the following time-table:
- (i) elaboration by the Negotiating Committee of a "Framework Agreement" by 31 October 1985, which shall incorporate the ground-rules.
- (ii) elaboration by the Negotiating Committee of "techniques and modalities" for the first round of negotiations by 31 December, 1985.
- (iii) drawing up by the Negotiating Committee of a "Negotiating Plan" by 28 February 1986.
9. The Ministers agreed that the preparatory phase for the setting up of the GSTP should be concluded with the approval by Governments of the Framework Agreement, as well as techniques and modalities and a negotiating plan for the first round of negotiations.

### DECLARATION ON INTERNATIONAL TRADING ENVIRONMENT AFFECTIVE THE TRADE OF THE DEVELOPING COUNTRIES

1. The Ministers reviewed the international trading environment affecting the trade of the developing countries in the context of the current world economic situation. They noted that the economic crisis which engulfed the world economy in the early 1980s was still continuing. The fragile and uneven recovery that had taken place had virtually bypassed the developing countries who continued to face uncertainties and adverse circumstances accentuated particularly by the macro-economic policies pursued by developed countries. The persisting instability and the weakness of the world economy was manifested in the massive budget deficits and pronounced payments imbalances in some developed countries, the volatility and mis-alignment of exchange rates seriously affecting trade flows and high rates of interest, accentuating the debt burdens of the developing countries and constraining the spread of recovery. This malfunctioning in the world economy has had grave consequences for developing countries, particularly for the least developed countries, leading to serious deterioration in their terms of trade, decline in the flow of financial resources and a sharp escalation in their debt burden.

2. The Ministers further noted with concern the critical economic situation in Africa where per capita incomes continue to decline to such an extent that the growth process in the economies of many of these countries has come to a halt and they have been reduced to a subsistence level. Per capita incomes also declined in most of the countries in Latin America and Asia. Hundreds of millions of people in developing countries continued to remain below the poverty line, and in fact the per capita incomes of many developing countries are lower today than in 1980. The severe adjustment which has been imposed on the indebted countries has exacted heavy sacrifices in social, economic and political terms, and given rise, in certain cases, to social tension and strife. These countries were able to bring about a striking improvement, in their current account balance positions, but this was done at the cost of depressed import levels and severe cuts in domestic investment. In spite of the short term management of debts, the overall debt burdens remained unprecedentedly high. The present financial, monetary and trading systems have caused the debt problem which in turn has become a source of serious danger to international economic relations.

3. The recovery in developed countries itself had started showing signs of faltering. Growth rates even in the countries which experienced robust recovery had started declining. In early 1985, there were signs of considerable slowing down in the rate of expansion of world exports witnessed in 1984. Projections for the world economy indicate a very low rate of growth in the medium term. This has grave implications for the well-being of mankind and for the social and political stability of all societies.

4. The Ministers were convinced that the continuing international economic crisis is due to the resistance of developed countries to tackle the underlying structural factors. The inability of the recent cyclical upturn to reverse any of the underlying trends in the world economy went to confirm the structural nature of the crisis and the necessity of the establishment of the New International Economic Order.

5. The Ministers recalled the Declaration issued by the Ministers for Foreign Affairs of the Group of 77 in New York in October 1982 and, in the light of paragraph 9 of that Declaration concerning the heroic struggle of the peoples of Namibia, South Africa, Palestine and all occupied Arab territories, approved a Resolution on obstacles to the economic emancipation of the developing countries and all occupied Arab territories.

6. They recognised that in a world economic system where issues in different fields were increasingly interrelated, the inadequacies and malfunctioning of the international monetary and financial systems had inevitably adverse consequences in the trade field. These developments had constituted a contributory factor to the recent increasing resort to restrictive and protectionist measures and had, in general, proved a constraint to the expansion of world trade.

7. The Ministers noted with deep concern the continuing infringement of the existing principles, rules and regulations of the international trading system, as well as the use of trade measures which have politically coercive ends. The proliferation of trading arrangements outside GATT and "Grey Area" measures and increasing resort by developed countries to bilateralism and sectoralization to restrict imports have been eroding the multilateral system. There had been little evidence of the developed countries having adopted deliberate structural changes in order to achieve an appropriate international division of labour on the basis of comparative advantages.

market forces to the exclusion of international co-operation for the regulation of international commodity markets. Consequently, there has been little progress towards the establishment of any new commodity agreements, nor on the entry into operation of the Common Fund itself. The Ministers bearing in mind the critical importance of primary commodities for developing countries, in particular for the least developed countries, called for a return to full international co-operation in the commodity field in all its aspects including the conclusion and implementation of multilateral arrangements to promote a more dynamic, equitable and remunerative trade regime in commodities of interest to developing countries.

12. The Ministers further observed with great concern that the position of the least developed countries in the world trading system has sharply deteriorated because of the depressed levels of their commodity prices, the declining terms of trade and the setbacks suffered by them in the development process which have greatly impaired their capacity to generate exportable surplus for their products. In addition, the unjust and ever increasing protectionist policies of the developed countries have further aggravated the situation, very adversely affecting their export trade and throwing them into a dismal situation from which it would be very difficult for them to recover unless some special measures are taken for them.

13. The Ministers reaffirmed the importance of the expansion of trade of the developing countries for the world economy and the economies of the developed countries. Developing countries today absorb over 30 per cent of the total exports of the developed market economy countries. However, their ability to continue to absorb such a level of imports will depend critically on their ability to accelerate their development and their exports to the markets of developed countries. Increased access for the exports of the developing countries was, by enhancing their import capacity, bound to be reflected in higher levels of production, exports and employment in developed countries.

14. The Ministers reaffirmed their commitment to full adherence to the principles, rules and regulations of an open multilateral trading system and to trade liberalisation. Developing countries, had recently undertaken liberalisation measures despite very heavy constraints on their balance-of-payments position and in spite of the tightening of the import regime of the developed countries. Clearly, the process of import

8. The Ministers also noted almost total inaction on the part of the developed countries in implementing their commitments on 'standstill' and 'roll-back' of protectionism undertaken in the GATT Ministerial Meeting in 1982, UNCTAD VI and in other fora as well as their commitments towards gradual liberalization of trade. Far from arresting the rising tide of protectionism, the developed countries have taken new measures leading to its intensification. These measures were applied discriminatorily against the developing countries and were levied precisely in the area where they had demonstrated their competitiveness and made large-scale investments. There had been an increase in the use by developed countries of anti-dumping measures and countervailing duty action against developing countries, as well as the use of export subsidies, resulting in harassment and distortion to trade, and of safeguard measures without full transparency.

9. The Ministers reviewed the developments in some of the individual sectors of trade and noted that the discriminatory MFA regime had recently been more restrictive against developing countries. There had been no progress in the discussion on the reversion of textiles to the GATT regime. There had been a proliferation of quotas in a number of other sectors, including steel. In the sector of agriculture, developing countries continued to suffer from high subsidies affecting their exports and variable levies imposed by developed countries. In the case of tropical products also, little progress had been made in implementing the commitments made in the 1982 GATT Ministerial Declaration

10. The Ministers expressed their concern at the continuing deterioration in the terms of trade of developing countries and their adverse effect on the availability of resources, and in particular at the depressed levels of the prices of primary commodities of export interest to developing countries. In real terms, commodity prices remained low historically. This threatens the very fabric of the economies of developing countries, particularly the least developed among them.

11. The Ministers recalled that a multilateral consensus had evolved on the stabilisation of international commodity markets and on assisting developing countries in the development and diversification of their commodity sectors. This was reflected in the Integrated Programme for Commodities and the Common Fund. They noted with deep concern that this consensus has been eroded in recent years because of the exclusive emphasis given by certain developed countries on the role of

liberalisation in developing countries could not continue unless their access to the markets of developed countries was significantly expanded. Without it, developing countries would not be able to finance their development, and the indebted developing countries would not be able to meet their debt servicing obligations which, in many cases, are claiming an unacceptably high share of their export earnings.

15. The Ministers affirmed that the first and foremost condition for restoring confidence in the multilateral trading system was to halt further erosion of its principles, rules and regulations. Preservation of a multilateral trading system which takes account of the specific interests of developing countries was a prerequisite for its strengthening. This could be achieved by strict adherence, by the developed countries, to their commitment on 'standstill' and 'roll-back' under multilateral surveillance as well as the adoption of additional measures of trade liberalization. Moreover, in order to restore the confidence in and credibility of the international trading system, developed countries must give concrete demonstration of the seriousness of their proclamations by adhering to it, by dismantling the existing protectionist measures and other restrictive measures inconsistent with the rules of GATT.

16. In order to redress the accentuating asymmetry in the trade relations between developed and developing countries, it would also be necessary for the developed countries to take positive measures to make the multilateral trading system responsive to the needs and aspirations of the developing countries and to give concrete content to the principle of differential and more favourable treatment for developing countries, which is an integral part of the system. Special attention must be given to ensure that rights of developing countries under the multilateral trading system are fully protected and preserved. The Ministers recognised the necessity that preference-giving countries should avoid within GSP the introduction of any discriminatory measures including graduation.

17. The Ministers reaffirmed their belief that the objective of improving the multilateral trading system must be pursued side by side with that of bringing about necessary adjustments and reforms. They called upon the international community to evolve ways to ensure consistency of policies in these areas and to take steps for convening an international conference on Money and Finance for Development, aiming at a fundamental reform of the international monetary and financial system.

18. The Ministers noted with grave concern the weakening of the commitment to and retreat from multilateralism and the threat posed to the multilateral system. They particularly regretted attempts to erode the international consensus for development that had existed and attempts in some areas even to deny such a consensus. They called upon developed countries to join in a dialogue to give a renewed thrust to international economic co-operation and to demonstrate the necessary political will to enter into serious negotiations aimed at providing a lasting solution to the trade and development problems of developing countries. In the face of the attempts being made to erode the role of UNCTAD, they reiterated their determination to preserve intact the mandate of UNCTAD and prevent any attempt to curtail its functioning in an independent and objective manner. They recalled the unique role and contributions of UNCTAD and reiterated their faith in it as a significant instrument for restructuring the existing world economic order.

19. The Ministers regarded their declaration on GSTP as a timely and constructive step towards strengthening the collective self-reliance of the developing countries and imparting dynamism to world trade relations. This constituted a positive contribution to the improvement of the multilateral trading system and to the establishment of the New International Economic Order. The Ministers called upon the developed countries to make their own contribution to this process by dismantling the protectionist barriers and removing distortions afflicting the trading system, by strictly observing the principles, rules and regulations of the system, and by adopting positive measures designed to make it responsive to the needs and aspirations of developing countries, and for the mutual benefit of all countries.

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\* [The text of this declaration was made available by the High Commission of India, Canberra.]