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LATIN AMERICAN CONSULTATION MEETING ON MULTILATERAL TRADE NEGOTIATIONS

The conclusions and recommendations of the Latin American Consultation Meeting on Multilateral Trade Negotiations, held on 29-31 May 1986, have been sent to the Director-General by the Ambassador of Nicaragua with a request that they be circulated to the Preparatory Committee.

The Latin American Consultation Meeting on Multilateral Trade Negotiations provided for in Decision No 224 of the Latin American Council of SELA was held in Montevideo, 29 to 31 May, 1986. On that occasion, the Latin American and Caribbean countries analyzed the proposals under discussion in the GATT Preparatory Committee on a new round of multilateral trade negotiations within GATT and considered the mechanisms and procedures necessary for regional joint action and mutual support. In this respect, the Meeting adopted the following:

CONCLUSIONS AND RECOMMENDATIONS

1. The discussions in GATT on the proposed multilateral trade negotiations have coincided with one of the most critical periods in the economic history of Latin America and the Caribbean. In the area of finance, the problems of indebtedness - and the high cost of debt servicing, the restrictions on access to external financing and the asymmetrical and inequitable adjustment process have been hindering the region's chances of recovery and development. In the area of trade, the steep fall in commodity prices including petroleum, protectionist measures, discrimination and the various forms of graduation are limiting the region's trade possibilities and the expansion and diversification of its exports. The structural adjustment process must not reinforce the asymmetrical participation of developing countries in international trade. At the same time, the markets of our countries have become increasingly attractive to the developed countries and many of our manufactured exports have become very competitive. It is within this framework, therefore, that the objectives and priorities of Latin America and the Caribbean are being

examined in regard to the proposed multilateral trade negotiations.

2. The preservation of multilateralism in the conduct of international trade relations is a fundamental objective for the region. It is necessary to reverse the obvious deterioration of the international trading system. The industrialized countries have intensified the application of protectionist measures and are increasingly resorting to bilateralism and the adoption of unilateral, discriminatory measures in violation of commitments already entered into, including economic measures based on political considerations. The laws and regulations of some industrialized countries do not accord with agreements concluded internationally. The continual violation of multilateral commitments, rules and obligations by industrialized countries, has caused great instability and uncertainty in international trade relations and has particularly negative repercussions for Latin American and Caribbean countries, as well as for the other developing countries.

3. In this regard, the proposed multilateral trade negotiations would be significant for the region if they were geared towards improving the multilateral trading system by ensuring greater and more secure access for their exports to the markets of the industrialized countries; respect for multilateral rules and non-discrimination; and full implementation of provisions and rules regarding differential and more favourable treatment for developing countries.

4. It is also necessary to promote firm action in other areas of critical importance for the region. The problems of external indebtedness, the region's transformation into a net exporter of financial resources, the inadequate mix of

monetary and fiscal policies in some of the major industrialized countries, continuous exchange rate fluctuations and high real interest rate levels have a profound negative impact on Latin America and the Caribbean, restrict the region's participation in international trade and limit its development prospects. Priority attention to our development needs and the fulfillment of financial obligations are closely linked to the possibilities for expanding our exports. Therefore, it is necessary to confront trade and financial problems simultaneously. A new round of trade negotiations must run parallel to negotiations aimed at restructuring the international monetary and financial system in order to make it supportive of growth and development.

5. It is necessary that adequate treatment be given to the problems relating to commodities, since these have been considerably aggravated in recent years. Commodity trade is important in a fundamental way to Latin America and the Caribbean. Efforts must be undertaken, in multilateral forums such as UNCTAD, leading to implementation of the measures necessary for overcoming the difficulties in this area. In this regard, the initiative taken by President Alan García of Peru and Julio Sanguinetti of Uruguay to promote the holding of a Latin American Meeting on Commodities, which is planned for 25-27 August, 1986, in Guatemala City, would afford the opportunity to define the actions that should be taken by the region on this important matter. Commodity trade problems should also be included in the deliberations concerning the proposed multilateral trade negotiations.

6. The eventual new round of multilateral trade negotiations in the form in which it has been proposed would be of a different nature from previous rounds. From the approach taken by the developed countries it is clear that one of their basic

objectives is to expand their access to the developing countries' markets, which are the markets with the greatest growth potential. This will allow our countries greater negotiating power which should be used jointly, in co-ordination and in a spirit of solidarity. It is necessary to make use of this negotiating power in order to further the interests and goals pursued by the developing countries. Latin American and Caribbean countries should use their negotiating power to ensure that the proposed negotiations reverse the existing asymmetry in the international division of labour, which hinder them from sharing equitably in the expansion of international trade. In reality, a new round of negotiations would only be viable with the full participation of developing countries. For that to occur, a broad consensus fully reflecting the region's interests is required.

7. The principle of differential and more favourable treatment is an integral part of GATT. Particular attention should be given in the proposed multilateral trade negotiations to the full implementation of that principle on all subjects to be negotiated. Furthermore, negotiating modalities should be developed that would permit the quantification of the differential and more favourable treatment.

8. The industrialized countries have not fulfilled the commitments they undertook in the 1982 Ministerial Declaration to refrain from adopting or maintaining measures incompatible with the General Agreement. These measures have since proliferated. The developed countries take frequent recourse to agreements on "voluntary" export restrictions, "orderly" marketing arrangements and other discriminatory measures which cause significant injury to the region's economy. It is therefore necessary that the proposed multilateral trade negotiations should be preceded by the adoption of firm and

credible commitments regarding standstill. Similarly, these negotiations must be preceded by the adoption of firm and credible commitments on rollback of the measures which are not in conformity with the General Agreement and which are not negotiable. Rollback must take place immediately in respect of products of interest to the countries in the region. Such commitments must be made and implemented within a specific time-frame. The agreements on standstill and rollback must include all products and measures, and particularly those affecting trade in agricultural goods and textiles, and be subjected to an effective surveillance mechanism. No trade negotiations could be held in the absence of prior agreements on these matters.

9. Maximum priority must be given to the adoption of an agreement on safeguards. This agreement must be concluded during the first stage of negotiations. The selective and discriminatory application of restrictive measures instead of safeguards by some industrialized countries is one of the main causes of the erosion of the multilateral trading system and it seriously limits developing countries' possibilities of increasing their share of world trade. It is necessary, therefore, to reach a legally binding agreement on safeguards, based on the principle of non-discrimination of the General Agreement, which will strengthen the disciplines provided for in Article 19. The commitments on standstill and rollback and the adoption of an agreement on safeguards are mutually reinforcing and can contribute decisively to the strengthening of the multilateral trading system.

10. For Latin American and Caribbean countries it is a matter of vital importance and high priority that all elements which restrict access for or distort international markets of agricultural products should be treated in full from the start of

the proposed round of multilateral trade negotiations, and that they be effectively included in the strengthened disciplines of GATT. Otherwise, the participation of the countries in the region in those negotiations would not be justified.

The priority objectives of negotiations on agriculture should be: substantially improve conditions of access to markets in the developed countries for exports by regional members through the liberalization and expansion of trade in all its forms, in such a manner that trade in these goods may develop on a secure and stable basis and that the undoubted comparative advantages of the countries in the region may be fully exploited; and, to gradually rollback, according to a programme and timetable to be agreed, export subsidies and other practices which distort trade and displace our countries, which are efficient producers, from their traditional markets, causing in addition a fall in prices to untenable levels.

It is of fundamental importance for Latin America that all these elements be duly incorporated in a clear commitment by the Ministerial Declaration planned for September.

11. The current negotiations on the future of the Multifibre Agreement (MFA) are of great importance. The restrictive and discriminatory regime provided for in the MFA should be phased out. There is a close link between these negotiations and the proposed MTN as the developing countries exporters of textiles could not be expected to participate in a new round of MTN if a restrictive and discriminatory regime is maintained against their exports of textiles, an area significant for their development strategies.

12. As regards tariffs, the negotiations must be geared to reducing existing tariff escalation. In the case of tropical products, the objective must be the comprehensive treatment of all restrictive measures inhibiting access to the markets of industrialized countries on a non-reciprocal basis. Similarly, the launching of comprehensive negotiations to settle problems affecting trade and products obtained from the exploitation of natural resources must be promoted. Non-tariff barriers even if compatible with the General Agreement but which restrict developing country exports should be eliminated in the proposed trade negotiations.

13. It is unacceptable for certain industrial countries to continue using the codes arising out of the Tokyo Round as instruments for the adoption of protectionist and discriminatory measures. Due to unilateral interpretations of the Codes on Subsidies and Countervailing Duties and on Antidumping, some industrialized countries have imposed countervailing or antidumping duties and granted export subsidies which very seriously affect the countries in the region. In addition, in the implementation of the Codes, the provisions on differential and more favourable treatment for developing countries should be fully applied in order to facilitate the accession of the largest number of countries to such Codes. Therefore, these problems must be solved within the framework of the proposed round of negotiations.

14. Every effort aimed at improving the dispute settlement mechanism of GATT must take into account the asymmetries among countries in order that the recommendations of the Contracting Parties are implemented. Procedural changes are important, but they are not enough to protect the interests of developing countries. Their capacity to use trade retaliation individually is limited and, for that reason, they have few

resources at their disposal for demanding compliance with decisions adopted. Consequently, the improvement of the dispute settlement mechanism must be aimed at redressing the imbalance in the capacity of the developing countries to have their rights respected and supplemented by actions on the part of our countries aimed at increasing their retaliatory capacity.

15. Some industrialized countries have proposed the inclusion in the multilateral trade negotiations of such matters as trade in services, investment and questions relating to intellectual property. These subjects were discussed by Latin American and Caribbean countries in the II Latin American High-Level Co-ordination Meeting on Services which was held within the framework of SELA in Brasilia on May 26-27, 1986. The conclusions and recommendations adopted on that occasion reflect the fundamental concerns of the region and their orientation in this regard.

16. It is also very important to define modalities and procedures for the proposed multilateral trade negotiations in order to avoid a repetition of the negative experiences of the past. Results in areas of interest to the countries in the region should materialize without awaiting the end of the negotiations. This should occur in the case of issues pending from previous rounds, such as tropical products, and the advance staging of tariff reductions on products of interest to developing countries negotiated in the new round.

17. On the other hand, should a decision be taken on the launching of the negotiations, the possibility of the participation of developing countries not members of GATT should be included. Similarly, the interest of other countries

should also be taken into account in order to ensure as universal as possible a participation within the framework of the competence of GATT.

18. The Latin American and Caribbean countries that are GATT contracting parties reaffirm their support for those developing countries that have requested their accession to the General Agreement and reiterate that, in the negotiations preceding their incorporation, the provisions and commitments regarding differential and more favourable treatment for developing countries, which are an integral and inalienable part of the General Agreement, must be fully respected. Therefore, these countries cannot be required to grant concessions that are at variance with the Agreement's principles.

19. The promotion of the interest and objectives of the Latin American and Caribbean countries in the proposed multilateral trade negotiations requires the strengthening of their consultation and co-ordination activities. Moreover, it is indispensable to have permanent consultation and constant follow-up among Latin American and Caribbean countries in Geneva, with support from the Permanent Secretariat of SELA. In addition, a II Latin American Consultation Meeting on Multilateral Trade Negotiations should be held within the framework of SELA to examine the results of the GATT Preparatory Committee immediately following the conclusion of its work.

20. The document submitted by ECLAC on regional negotiating and defense strategies in the face of industrialized countries' protectionism was considered to be of special interest. It was agreed to continue analyzing it in preparation for the Latin American Council of SELA in order to adopt the appropriate decisions during its XII Regular Meeting to be held in October 1986.

21. Finally, the importance of defining and undertaking joint action with other developing countries was emphasized. The mobilization of joint action and mutual support among Latin American and Caribbean countries, and among these and other developing countries, is fundamental for the achievement of their objectives in the proposed multilateral trade negotiations.