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Committee on Trade and Development

Sixty-First Session

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PROCEEDINGS OF THE SIXTY-FIRST SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Sixty-First Session on 22 June 1987 under the Chairmanship of H.E. Ambassador B.A. Adeyemi (Nigeria).

2. In opening the meeting, the Chairman presented his views on the current economic situation of developing countries and developments in the world economy and international trading system that had adversely affected those countries. He emphasized the significance of achieving the objectives spelled out in the Punta del Este Ministerial Declaration for revitalizing world trade and improving the economic situation of developing countries. With regard to the rôle of the Committee during the Uruguay Round, the Chairman believed that it could play a useful supportive rôle by making the participation of developing countries in the new round more effective. In keeping under review progress made on matters affecting trade between developed and developing countries, the Committee could focus its attention on those matters that were of particular interest to the trade of developing countries which might not have been dealt with or might have been overlooked in the negotiating bodies of the Uruguay Round.

3. The Committee adopted the agenda set out in document COM.TD/W/448, comprising the following items: review of developments in the Uruguay Round; review of developments in international trade; review of the implementation of the provisions of Part IV and the operation of the Enabling Clause; review of progress made in negotiations in areas of particular interest to least-developed countries; technical assistance to developing countries in the context of the Uruguay Round. In the discussion, the Committee took up the second and the third items together.

Item (i): Developments in the Uruguay Round

4. The Chairman recalled that at the Sixtieth Session of the Committee in November 1986 there appeared to be a general consensus that with the start of the Uruguay Round the Committee on Trade and Development should have an important rôle in keeping under review the progress of negotiations from the point of view of developing countries. It was understood that in carrying out this work, the Committee would not duplicate or interfere with the work of the negotiating bodies under the Trade Negotiations Committee. At this meeting, members of the Committee might wish to carry further the exchange of views on how best to organize the work of the Committee for implementing its rôle during the Uruguay Round. Referring to document

COM.TD/W/449 and Add.1 on developments in the Uruguay Round, the Chairman observed that this paper was issued under the responsibility of the secretariat. It did not replace or in any way affect the notes on meetings of individual negotiating groups and it was not intended to serve as a basis for discussion in the Committee. Its purpose was to provide information on developments in the Uruguay Round in a summary form, in particular for the benefit of those developing country delegations which were not in a position to follow closely the meetings of all individual negotiating bodies.

5. Several representatives said that there seemed to be a clear contrast between the progression of work in the Uruguay Round in the initial phase and developments in the actual conduct of trade policies. While work in the initial phase had been largely satisfactory, the international trading system had continued to be marked by protectionist trends, competitive export subsidization of temperate agricultural products, considerable use of anti-dumping and countervailing actions, spread of "grey area" measures, and increased resort to bilateral understandings contravening GATT provisions as a means to solving trade problems. These developments might constitute alarming signals indicating that the work in the Uruguay Round which had been intended to strengthen the GATT as an instrument for further trade liberalization and to develop a more open, viable and durable multilateral trading system had little impact on the international trading environment. A number of representatives referred to the negative impact of such developments on the trading interests of developing countries. They also asserted that trade tensions between major trading countries were damaging trading interests of developing countries and the credibility of the Round.

6. Other representatives observed that work in the Uruguay Round was making steady progress and considered that the present condition of the international economy was better than it would have been without the launching of the Round. Some of these representatives referred to the OECD Ministerial Meeting in May and the Venice Summit in June this year where progress on commitments undertaken in Punta del Este had been made. Some of these representatives observed that the impact of the Round on the realities of world trade would be greater as negotiations proceeded. One representative said that what was important at this stage of the Round was the adoption by all countries of "confidence-building" trade measures.

7. Referring to the work done so far in Negotiating Groups, several representatives reaffirmed the need to ensure the implementation in negotiations of the principle of differential and more favourable treatment for developing countries. In this regard, some representatives expressed concern at certain proposals made in the Negotiating Groups on GATT Articles and on Subsidies and Countervailing Measures which would have negative effects for developing countries. They also stressed the importance of implementing the principle of differential and more favourable treatment in the area of agriculture. Several representatives emphasized that developing countries should not be treated in negotiations like developed countries and that economic difficulties encountered by developing countries set limits to their contributions in the Round.

8. Other representatives underscored that the principle of special and differential treatment should be seen in conjunction with other principles governing negotiations, notably the principle of fuller participation of developing countries in the framework of rights and obligations under the GATT. Moreover, the principle of special and differential treatment should not be disassociated from elements contained in the objectives of negotiations or from the background of current realities in the international trading system. Some of these representatives were also of the view that too strict a differentiation between developed and developing countries in the Round might not be warranted since it would ignore the common interests displayed by developed and developing countries on a variety of issues. In addition, developed and developing countries committed themselves in Punta del Este to strengthening the rules and disciplines of the system for the longer term and too much emphasis on temporary derogations from the most-favoured-nation principle might impede potential for trade expansion.

9. Some representatives referred to the need for ensuring transparency of negotiations as well as transparency and consistency in the introduction of the Harmonized System.

10. Many representatives said that in reviewing developments in the Uruguay Round from the point of view of developing countries, the Committee should avoid duplication with work in the negotiating bodies under the Trade Negotiations Committee. Several representatives expressed the view that the Committee should concentrate on specific issues or questions related to development. Some representatives suggested that the Committee should review the application of special and differential treatment in specific areas of negotiations while other representatives were of the view that the Committee should not involve itself in specific areas of negotiations but rather should discuss how to promote the dynamic and effective implementation of the principles relating to developing countries in order to make these principles operational within a strengthened multilateral trade system. Some representatives said that the question of fuller participation of developing countries should be included among the issues to be examined by the Committee. The representative of a group of countries suggested the examination of the relevance of the Generalized System of Preferences to the Uruguay Round. Some other representatives suggested topics for possible discussion in the Committee such as tariffs and tariff escalation affecting trade of developing countries, non-tariff measures and access to markets for exports of developing countries, and the trade and finance link. One of these representatives said that in reviewing developments in the Uruguay Round, the Committee should not lose sight of commodity stabilization and restrictive business practices which were issues of interest to many developing countries on which a consensus to negotiate could not be reached at the time of the Punta del Este meeting.

11. Commenting on the document prepared by the secretariat on developments in the Uruguay Round, several representatives considered it useful. Other representatives questioned the usefulness of a document merely summarizing developments in negotiations, a task which would become more and more difficult as negotiations proceed. Some of these representatives said that the issue of services should not have been included in the document, since

services were not a part of the General Agreement. Another representative stressed that the review of developments in the Uruguay Round should reflect all the issues in the Round which had been declared as a single political undertaking.

12. In summing-up the discussion the Chairman noted that there was general agreement in the Committee that specific issues or questions should be examined, while avoiding duplication with the work of the Trade Negotiations Committee and its subsidiary bodies. He proposed that the Committee take note that several specific questions had been suggested for future consideration and proposed that further informal consultations be held with a view to better identifying these questions so that the Committee might hold a more structured discussion on them.

Items (ii) and (iii): Review of developments in international trade and review of the implementation of Part IV and the operation of the Enabling Clause

13. For the purpose of reviewing developments in international trade the Committee had before it in document GATT/1409 the first assessment by the secretariat of developments in international trade in 1986 and current prospects. For the purpose of the review of the implementation of Part IV and the operation of the Enabling Clause, the Committee had before it a number of notifications made by governments on their GSP Schemes and the biennial report by the member States of the Latin American Integration Association (LAIA) which were contracting parties to the GATT (document L/6158).

14. Commenting on developments in international trade, several representatives expressed concern over unfavourable trends in the trade of developing countries in 1986, in particular the decline in their share in world merchandise trade. They drew attention to serious economic difficulties encountered by developing countries as a result of protectionist and other trade distortive measures adversely affecting their exports and their participation in international trade. Several representatives referred to the persistence of debt problems in developing countries and their severe impact on the economic situation of those countries. Other representatives said that the world economy in 1986 provided a mixed picture. While acknowledging that serious problems were still facing developing countries these representatives observed that a number of developing countries have registered fairly good export performances in particular in the sector of manufactured products. These representatives believed that although difficulties still remained in international trade, a number of developments including at the level of political commitments and measures adopted by individual governments could be considered as offering grounds for more promising perspectives.

15. In the discussion under item (iii) of the Agenda, the representative of Japan noted that positive efforts to resist protectionism had been implemented by his Government which would offer improved market access to developing countries. He referred to the "Action Programme for Improved Market Access" which had been introduced in mid-1985 and observed that manufactured imports from developing countries into Japan had expanded considerably in the interim. This representative also referred to his

Government's increased commitment to funds for development aid and finance as well as programmes to further promote technology transfer. Lastly, he described the recent reforms in his country's GSP Scheme effective 1 April 1987 as notified in L/4531/Add.14. These included the removal of ceiling limitations on a broad range of industrial products representing about one-half of Japan's industrial tariffs. These products would be administered under an escape clause system whereby imports would be suspended if they were found to threaten domestic industries. Other improvements included increases of 30 per cent on average in the ceiling amount on products still subject to limitations and extension of product coverage and special treatment for the least-developed countries.

16. The representative of Yugoslavia addressed the various notifications on GSP Schemes. While expressing appreciation for some of these notifications she said that in some cases it was difficult to evaluate the changes. She pointed out that Canada had increased duties on a number of products. The representative also said that the United States had reduced benefits to her country and expressed concern that the criteria applied were not trade-related. With respect to the notification by Japan, this representative viewed the reference to "graduation" made in the document L/4531/Add.14, paragraph 3 as a threat. The representative also commented that while the notification from Switzerland indicated a further reduction in preferential rates, her country had a significant trade deficit with Switzerland. Twenty-six tariff items of particular export interest to her country were not covered by the Swiss GSP Scheme. She expressed hope that the Swiss authorities would review the GSP coverage in order to include those items.

17. The representative of Canada responded that preferences had been withdrawn on speciality and carbon steel which were sensitive products for which most countries had taken steps to protect their domestic industries from the imports of the advanced developing countries. The representative of Japan observed that countries progressing through development stages should perhaps be abandoning the product areas which benefit from preferential treatment. However, in view of current economic difficulties, Japan had not made any changes in its GSP Scheme to this effect. The delegate from Switzerland pointed out that preferential rates were reduced in parallel with and proportional to m.f.n. rates which might reduce or erode the margin of preference. Furthermore, he noted that any trade deterioration between Switzerland and Yugoslavia was not due to the elimination of preferences as they had never been withdrawn. He observed that Yugoslavia was a principal supplier amongst GSP beneficiaries and wondered if maximum use was being made of the available preferences.

18. The representative of a group of countries recalled the question raised by the delegation at the previous meeting of the Committee regarding information to be provided by the contracting parties involved in establishing the Global System of Trade Preferences. The Chairman said that according to his information the first round of negotiations had not yet taken place. One representative stated that as and when the preferential system had been entered into by participating countries, a due notification would be made. The representative of a group of countries noted that although the provisions concerning the stage at which information should be provided to CONTRACTING PARTIES were not very

specific this information should not be made available only after completion of negotiations. The Chairman concluded that it was the responsibility of contracting parties participating in the establishment of such arrangements to provide information to CONTRACTING PARTIES as and when appropriate.

19. Regarding the Report by member States of the Latin American Integration Association, one representative stated that her Government welcomed the Report but, unlike the previous report received in 1984, found it inadequate in terms of the information provided. Further information would be desirable on tariff items covered in the agreements, the various levels of tariff preferences granted to different LAIA countries, as well as the overall amount of trade affected. She recalled that her government at an earlier meeting had raised concerns about the implications of Agreements reached between Argentina, Brazil and Uruguay in the context of LAIA, including the fact that some of the protocols provided preferential treatment to LAIA countries in the form of discriminatory non-application of a range of NTM's on LAIA exports. In the absence of the necessary information, CONTRACTING PARTIES could not fulfill their collective responsibilities according to paragraph 2(c) of the Enabling Clause which said that CONTRACTING PARTIES might prescribe the criteria and conditions where preferential treatment on NTM's might be granted. She also referred to paragraph 3(a) of the Enabling Clause recalling that preferences shall not be designed to raise barriers or to create undue difficulties for trading partners. Therefore, she asked that the LAIA Secretariat provide additional information so that any substantive concerns could be raised at the next meeting of the Committee. A representative of a member of the LAIA responded that this request for additional information would be transmitted to the LAIA Secretariat so that member States could give due consideration to the matter.

20. The Committee took note of the statements made. The Committee decided to revert to the question of the LAIA report at its next meeting.

Item (iv): Review of progress made in negotiations in areas of particular interest to least-developed countries

21. The Chairman recalled that at the Sixtieth Meeting of the Committee in November 1986 there was a broad understanding with regard to the need to keep under continuous review issues in the Uruguay Round of particular interest to the least-developed countries in the light of paragraph (vii) of the Ministerial Declaration. He suggested that at this meeting the Committee might consider whether this review should be carried out in the Sub-Committee on Trade of Least-Developed Countries at regular meetings in the course of each year.

22. Representatives of some least-developed countries pointed out the importance attached by least-developed countries to carrying out the review of progress in the Uruguay Round in areas of particular interest to them in the Sub-Committee of Trade of Least-Developed Countries. Some other representatives emphasized that if the Sub-Committee were to be reactivated, duplication with the work of negotiating bodies under the Trade Negotiations Committee should be avoided and the work of the Sub-Committee made more effective, inter alia, through a more active participation of least-developed countries as well as other countries.

23. The Committee agreed to reactivate the Sub-Committee on Trade of Least-Developed Countries. Ambassador M. Huslid (Norway) was appointed as Chairman of the Sub-Committee for the period of one year.

Item (v): Technical assistance to developing countries in the context of the Uruguay Round

24. The Chairman recalled that at its Sixtieth Session in November 1986 the Committee had an exchange of views on this subject on the basis of a secretariat note (COM.TD/W/445) providing information on the technical cooperation programme in GATT in the context of the Uruguay Round. For the purpose of discussions at the present meeting the Committee had before it a short note by the secretariat outlining the technical assistance provided to developing countries since November 1986 (document COM.TD/W/450).

25. A number of representatives expressed appreciation for technical assistance provided by the secretariat. Several delegations expressed appreciation for financial assistance provided by the Government of the Federal Republic of Germany in organizing the regional seminars in Dakar in April 1987, and Guatemala City in May 1987. They hoped that other developed countries could provide such assistance in future.

26. Commenting upon the technical assistance by the secretariat, several representatives said that it should be pursued and strengthened. Some of these representatives were of the view that technical assistance should provide developing countries not only with information but also with the tools for using information made available to them in order to increase the effectiveness of their participation in negotiations. One representative said that excessive attention to certain areas of negotiations to the detriment of others should be avoided. This representative also felt that given the increased importance of developing country markets technical assistance should cover information in regard to these markets.

27. Several representatives noted that some other international organizations initiated technical assistance activities relating to the Uruguay Round and stressed the need to avoid duplication. Some of these representatives felt that in order to avoid duplication some coordination of these activities would be desirable. Other representatives believed that no coordination was needed but that the Committee should be aware of activities undertaken by other international organizations. One representative, speaking on behalf of several countries suggested that the Committee take stock of activities undertaken by international organizations and individual governments in order to exercise an overview function on technical assistance and avoid duplication as much as possible. A request was made by one representative that information on technical assistance by other international organizations be made available to the Committee at its next meeting.

28. Responding to the invitation by members of the Committee, representatives of some observer organizations made statements.

29. The representative of UNCTAD said that several regional and inter-regional projects, largely or exclusively concentrated on the Uruguay Round had been launched or were being considered. Future technical assistance by UNCTAD would fall into three categories: quantitative

analysis, qualitative analysis, and training. The first category would consist of assisting developing countries to identify their trade interest and prepare requests in negotiations, assess the effects of negotiating proposals and, subsequently to evaluate results in negotiations. Quantitative analysis would draw upon information in the UNCTAD Data Base on Trade Measures. Qualitative analysis would begin with preparation of background material on specific issues under negotiations and an analysis of the negotiating positions of major trading countries on those issues. During negotiations, analysis of the implications of negotiating proposals for developing countries as a whole and for individual countries or groups of countries would be undertaken. Finally, the training programme would entail the organization of seminars at regional, sub-regional and national levels on specific negotiating issues for government officials particularly from developing countries with less experience in trade negotiations. UNCTAD's technical activities relating to the Uruguay Round would be similar to the assistance provided during the Tokyo Round. The projects would be prepared on the basis of the views expressed by developing countries. This would involve close contacts with developing country officials in capitals and in Geneva in order to ensure that projects meet fully the requirements of the negotiations.

30. The representative of the Commonwealth Secretariat said that an office of the Secretariat was currently being established in Geneva in order to assist its member countries in their participation in the Uruguay Round bearing in mind that a number of them were not permanently represented in Geneva. As in the Tokyo Round, the Secretariat intended to organize during the Uruguay Round training sessions for trade officials from its developing country members on various aspects of the negotiations. As in the past, these sessions would be organized in cooperation with other international organizations involved in the trade field. He observed that the Commonwealth had a considerable number of members, many of them being also GATT contracting parties or de facto members, and that most Commonwealth members were developing countries. The Commonwealth Secretariat was therefore interested in the ongoing negotiations and hoped that the assistance that it would provide would be of help in the course of negotiations.

31. The representative of the World Bank said that this organization was ready to make available the experience that it had built up in the trade policy field in recent years as a result of its involvement in structural adjustment assistance programmes. The Bank's technical assistance would take three forms: a Handbook on Trade Issues planned for publication in September this year; seminars and workshops on issues of interest to participants in the Round; analytical assistance to individual countries. In regard to analytical assistance, the Bank intended to provide computer programs which would enable countries to carry out trade policy analysis themselves. The use of such software would require little training and introduction. It would run on personal computers, independent from mainframes, and could thus be used in capitals which had no mainframe facilities and by individual missions in Geneva. A software package to help countries to analyse their own trade régime and assess the impact of any concessions they might want to offer was almost operational. A package which would allow a country to evaluate concessions by trading partners would be developed. While a country would use its own data for analysis of

its own trade régime (if no computerized data were available the Bank could provide assistance to generate it), it would be necessary to obtain such data for partner countries from data banks available in the GATT and UNCTAD. The Bank could help in packaging such data to allow them to be used on a personal computer in combination with the proposed software. It was hoped that the software programs would be available later this year and subsequently improved as more experience was gained by individual users. The representative said that the Bank's assistance would be available to all interested developing countries. The Bank would closely coordinate its efforts with activities provided by other international organizations. To this effect, discussions had been held with the GATT and UNCTAD Secretariats. He also emphasised that the Bank would not be involved in the actual negotiating process, and would not provide advice to governments on negotiating options.

32. The representative of the International Monetary Fund said that this institution did not have a technical assistance programme specifically in the context of the Uruguay Round and did not intend to take an initiative in this particular area. However, the IMF had a great deal of information on trade flows, patterns and composition of trade in goods and services, exchange and trade restrictions. Most of this information which had been collected in the course of the normal work of the Fund was already published and could be obtained from the IMF Office in Geneva. The IMF also had a technical assistance programme available to all members of the Fund in matters directly related to balance-of-payments problems, balance-of-payments statistics and general macro-economic management. He emphasized that the IMF had no intention of involving itself in the negotiations of the Uruguay Round. However, if participants in negotiations should request assistance, the Fund would, to the extent that it could be helpful, provide such assistance.

Next meeting of the Committee

33. The Chairman said that the next meeting of the Committee would be determined by the Chairman of the Committee in consultation with delegations and the secretariat.