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TARIFFS AND TRADE

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Sub-Committee on Trade
of Least-Developed Countries
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DECISIONS OF RELEVANCE TO THE GATT AT THE SECOND
UNITED NATIONS CONFERENCE ON THE LEAST-DEVELOPED COUNTRIES

Note by the Secretariat

The Second United Nations Conference on the Least-Developed Countries was held in Paris from 3 to 14 October to formulate a Programme of Action for the least-developed countries for the 1990s to succeed the SNPA. The purpose of this note is to draw the attention of the Sub-Committee to the relevant sections of the Programme of Action where direct reference is made to the Uruguay Round, to problems of access to markets and to other trade problems. For purposes of convenience the relevant sections of the Programme of Action has been reproduced in full.

Programme of Action (A/CONF.147/C.1/L.1)

D. External trade

"40. It is essential that all countries contribute to developing a more open credible and durable multilateral trading system, recognizing that the results of this process will be a reflection, inter alia, of their respective weight in world trade. Such an improved system can effectively promote growth and development, particularly through improvements in market access. A successful conclusion to the present Uruguay Round of GATT negotiations would hold the prospect of significant market liberalization from which all would benefit, including LDCs. Urgent steps are needed to provide improved market access for products originating from LDCs. In this regard, there is scope for further improvement if the GSP schemes and improved utilization of the benefits conferred. Important supportive measures in favour of LDCs could be taken, inter alia, in such areas as duty-free treatment for their exports, exemption from quotas and ceilings and use of simplified and flexible rules of origin or derogations therefrom. All countries should strive to realize the principle stated in the Punta del Este Declaration that special attention should be given to the particular situation and problems of the least-developed countries and to the need for positive measures to facilitate expansion of their trading opportunities.

Diversification

- "41. A greater diversity of exports would strengthen the domestic economy, as well as provide greater stability and predictability in export earnings. LDCs are encouraged to adopt the policies and measures which could stimulate new export sources. Development partners should also extend help, *inter alia*, through technical assistance in export development, promotion and diversification, including help to LDCs to participate in trade fairs and establishment of import promotion facilities. This could be done bilaterally or through organizations such as the UNCTAD/GATT International Trade Centre. A number of development partners have programmes to promote awareness and use of GSP schemes and these are to be encouraged and to be emulated by others. Exports could be further promoted through the improvement of the quality and packaging of products, using appropriate advertising techniques and with improved management and export marketing. The experience and expertise of other developing countries could be valuable for LDCs in their efforts to promote a dynamic export sector.
- "42. Import procurement operations are an important and integral part of international trade, and LDCs stand to gain from saving valuable foreign exchange by prudent sourcing of imports. Assistance towards import management and planning would contribute considerably in this respect.

Access to markets

- "43. Within the framework of the multilateral trade negotiations of the Uruguay Round, special attention should be given to LDC needs and to the following:
- (a) advanced implementation of MFN concessions of particular interest to LDCs made by the contracting parties to the GATT;
 - (b) enhanced access for products of LDCs through (i) the elimination, where possible, or substantial reduction of tariffs; and (ii) the elimination, where possible, or greatest reduction of non-tariffs barriers;
 - (c) special consideration regarding the application of strengthened GATT disciplines;
 - (d) phased implementation by LDCs of the results of negotiations in the field of TRIPS and of TRIMS and in the field of international trade in services;
 - (e) possible modalities for special treatment for tropical products of special interest to LDCs; and
 - (f) the fullest possible liberalization of trade in textiles and clothing for LDCs in the context of the arrangements being negotiated in the Uruguay Round.

- "43bis. The Declaration of Punta del Este, provided for an evaluation by the Group of Negotiations on Goods (GNG) of the results attained in the MTN for developing contracting parties. In this context the GNG is invited to give special consideration to least-developed contracting parties.
- "44. There exists scope for the improvement of GSP schemes. Areas of interest to LDCs include: increasing the range of products covered or the tariff concession; applying flexible rules of origin; special terms or exemptions from quotas or ceilings; and greater long-term stability and predictability in the management of GSP schemes.
- "44bis. GSP schemes are often quite complex and administratively cumbersome: developed countries are strongly urged to take steps to simplify procedures, where appropriate. They could also help LDCs take fuller advantage of the GSP schemes, as in many cases, the LDCs find it difficult to exploit fully the GSP opportunities due to their weak and narrowly-based economies. LDCs, on their part, should also make greater efforts to utilize existing GSP schemes more fully. This underscores the need for parallel progress in institution-building, the development of the export sector and development partners assistance to help export promotion and diversification.
- "45. Preferential measures in favour of LDCs need to be considered in the context of bilateral arrangements with their neighbours, as well as regional and sub-regional groupings of developing countries, taking into account the interests of LDCs during implementation of other regional integration schemes by developed countries.

Commodities

- "46. Commodity exports play a key role in the economies of the LDCs, making a crucial contribution to export earnings and investment, but the decline in many commodity prices in the 1980's caused significant difficulties. Improved access under the multilateral trading system, diversification and further local processing yielding higher value added would all help to diminish this dependence. The international community could consider assistance and other forms of multilateral cooperation in the field of commodities to improve transparency and market access, reduce trade distortion and improve the dialogue on supply and demand conditions. In this regard, efforts to revitalize and improve the functioning of existing commodity arrangements which are consistent with long-term market trends should be supported. The discussions in the UN General Assembly this autumn on the Report of the United Nations Secretary-General's group on commodities of interest to African countries will be of particular relevance to LDCs and their development partners.

"46bis. Following the entry into force of the agreement establishing the Common Fund for Commodities, members of the Fund should co-operate to make the Fund operational. Pledges to the Second Account are required so that the Fund can provide urgently a strong stimulus to international commodity co-operation in such areas as diversification, research and commodity development measures as well as market promotion activities. In considering projects eligible for Second Account financing, the members of the Fund are urged to give special attention to the needs of the LDCs with high dependence on commodities for their export earnings as well as priority to those few commodities which are of particular interest to LDCs.

Compensatory financing

"47. In the long-term, it is crucial that the LDCs find the means to diversify their exports. In the short-term, however, the volatility of commodity prices means there is a need for compensatory finance and appropriate producers' policies to help absorb the shock of sharp swings in export receipts so that LDCs can maintain a stable economic policy framework. In the future review of the IMF's Compensatory and Contingency Financing Facility (CCFF), member governments may wish to explore ways in which the resources of the facility could be used more frequently, in support of LDCs' external finances. Such a comprehensive approach could serve to facilitate LDCs' access to the Facility on terms and conditions appropriate to their economic circumstances. Donor countries could consider complementary bilateral assistance on concessional terms when LDCs draw resources from the contingency finance portion of the CCFF. Similarly, accelerated drawings under ESAF programmes in response to unforeseen adverse external developments may now be considered within the IMF. Also, assistance from the World Bank unit responsible for helping commodity-exporting developing countries, e.g. with training in coverage techniques, contract negotiations and technical assistance, could help LDCs minimize the risk of export earning fluctuations.

"48. The commodity-related shortfalls in export earnings of the LDCs are an important obstacle to their development efforts. Therefore, there was a recognition that the compensatory finance questions deserve full consideration, in particular as they relate to the LDCs. In this context, the value of the existing arrangements such as the EEC STABEX and the programme of Switzerland was recognized by the recipient countries. Other developed countries are urged to keep under review measures including, as they deem appropriate, establishing schemes similar to those of the EEC and Switzerland, to address the problem of export earning shortfalls of the LDCs. In the future a more general review of compensatory financing mechanisms should be undertaken."