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REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT TO THE CONTRACTING PARTIES

Introduction

1. The Committee on Trade and Development held two meetings, comprising its Sixty-First and Sixty-Second Sessions, since the Forty-Second Session of the CONTRACTING PARTIES in November 1986. The Sixty-First Session of the Committee was chaired by H.E. Ambassador B.A. Adeyemi (Nigeria), Chairman of the Committee. In the absence of the Chairman of the Committee the Sixty-Second Session was chaired by Mr. P. Nagaratnam, Permanent Representative of Sri Lanka to GATT.

2. The Sixty-First Session of the Committee was held on 22 June 1987. At this session the Committee undertook a review of developments in the Uruguay Round. The Committee also carried out a review of developments in international trade and a review of recent developments in regard to the implementation of Part IV and the operation of the Enabling Clause. The Committee had an exchange of views on how to review progress made in negotiations in areas of particular interest to least-developed countries. The Committee also had a further exchange of views on the subject of technical assistance to developing countries in the context of the Uruguay Round. Document COM.TD/126 contains the note on the proceedings of the Sixty-First Session of the Committee.

3. For its Sixty-Second Session held on 19 and 26 October 1987, the Committee had the following items on its agenda: review of developments in international trade and in the Uruguay Round: review of the implementation of the provisions of Part IV and of the operation of the Enabling Clause; future work of the Sub-Committee on the Trade of Least-Developed Countries; expansion of trade among developing countries - Annual Report of the Committee of the Participating Countries on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries; technical assistance to developing countries in the context of the Uruguay Round.

4. In opening the Sixty-Second Session, the Chairman presented his views on the world economic situation. He emphasized that actions on a co-operative basis were necessary for a revitalization of the world economy and to ensure a promising environment for economic growth and international trade. All parties concerned must assume their responsibilities for the attainment of growth with adjustment. The resumption of growth in the developing countries will in turn enhance their capacity to service external debt and to increase their imports from the industrial countries. Such growth with adjustment was possible only if net flows of external

resources for developing countries were increased and trade barriers against their exports removed. More effective and increased coordination of international policies and actions would help sustain and promote growth of output and employment both in industrial and developing countries. Recalling that the Punta del Este Ministerial Declaration represented above all a political commitment to address common concerns in a mutually beneficial way, the Chairman observed that the importance of achieving the objectives spelt out in that Declaration for revitalizing world trade and improving the economic situation of the developing countries needed to be underscored especially in the context of this Committee's work and its mandate. The Committee could therefore play a useful supportive rôle by making participation of the developing countries in the Uruguay Round more effective and contributing to the realisation of those objectives.

Item (i): Review of developments in international trade and in the Uruguay Round: Review of the implementation of the provisions of Part IV and the operation of the Enabling Clause

5. In regard to the first part of item (i) the Chairman recalled that at its Sixty-First Session on 22 June 1987, the Committee agreed to examine under the item "Developments in the Uruguay Round" specific issues or questions, while avoiding duplication with the work of the Trade Negotiations Committee and its subsidiary bodies. It was also agreed 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. In the light of these informal consultations, it was suggested that the Committee take up the following points under the first part of item (i):

- (i) Review of developments in international trade and in the Uruguay Round;
- (ii) Review of developments in negotiating bodies of the Uruguay Round with regard to special and differential treatment, fuller participation and reciprocity;
- (iii) Specific topics in the Uruguay Round of particular relevance to trade between developed and developing countries.

6. The Chairman observed that under sub-item (i), the Committee might focus on those developments in international trade that were of particular relevance to the ongoing multilateral negotiations and have an exchange of views on activities in the Uruguay Round of more direct interest to developing countries. This sub-item might also enable members of the Committee to focus their attention on the inter-linkages between developments in international trade, financial and monetary areas thus contributing to the objective laid down in Part A (IV) of the Ministerial Declaration which was "to strengthen the inter-relationship between trade policies and other economic policies affecting growth and development". The review proposed under sub-item (ii) would be aimed at identifying ways and means for promoting the implementation of the principles embodied in Part B (iv), (v), (vi) and (vii) of the Ministerial Declaration and also

within the broader mandate of the Committee in order to make these principles operational within a strengthened multilateral trading system. The third sub-item would enable the Committee to examine specific topics that might be proposed by delegations as negotiations proceed. The Committee agreed to first take up matters under item (i) of the agenda which related directly to the Uruguay Round. For the purpose of reviewing developments in international trade, delegations had available the first chapter of the GATT Annual Report, International Trade 1986/87 embodying its main conclusions (GATT/1419).

7. Commenting upon Developments in international trade and in the Uruguay Round several delegations drew attention to the assessments made in the first chapter of the GATT's Annual Report in regard to the stagnant performance of the world economy in 1986 and the likelihood that no real signs of major recovery were anticipated for 1987 and 1988. It was also pointed out that in spite of some positive signs there had been little progress in the economic situation of developing countries, which continued to face serious difficulties. In this connection a number of representatives referred to the high level of indebtedness of many developing countries and the burden of debt servicing aggravated by high and increasing interest rates, the deterioration of the terms of trade, the adverse impact of uncertainties in regard to exchange rate movements, for commodity exporters, the negative effects of subsidization practices by developed countries, and the shrinkage of imports which had a severe impact on living standards and investment in the indebted countries. While acknowledging that there had been few positive aspects at the worldwide level, other representatives said that there were however a number of positive trends in developing countries. The share of manufactures in their total exports have doubled since 1980. The dollar value of merchandise exports (excluding fuels) of developing countries increased by nearly 15 per cent over 1985. For the first time ever, these countries earned more foreign exchange from exports of manufactures than from exports of agricultural products or mining products. Decreasing fuel prices coupled with increases in the prices of non-fuel primary commodities should improve the economic conditions for some developing countries in 1987. It was also noted that developing countries as a group had been re-structuring their exports more rapidly than the developed countries and that products of developing countries were becoming increasingly competitive in world markets. Some other representatives said that positive developments in developing countries should not be over-emphasized. More disaggregated data revealed a high degree of variation in trade performance by groups of countries as shown in Table 1.6 of the Report. One representative raised the question whether the increase in the share of manufactures in total exports of developing countries was not primarily a result of the fall in commodity prices and of the worsening of terms of trade of these products. Another delegation said that the structural change in the developing country exports reflected the rapid growth of the dollar value of manufactures while in areas of particular interest to developing countries such as primary commodities, agriculture, and tropical products, no improvement had been registered. One delegation also pointed out that a longer term view was necessary in order to adequately assess the export performance of developing countries.

8. The representative of a group of developed countries underlined the growing importance of developing countries as markets for manufactured products produced in industrial countries. In this regard the Report noted that in 1981, North America sold more manufactured goods to the developing countries than to Western Europe and Japan combined, and Western Europe sold more manufactured goods to the developing countries than to North America and Japan combined; in that same year Japan's exports of manufactured goods were divided equally between developing countries on the one hand, and North America plus Western Europe on the other. The representative therefore wondered whether the decline in imports in many indebted countries could explain the slowdown in world trade.

9. A number of delegations referred to the inter-linkages between developments in trade, financial and monetary areas. Some delegations said that growing protectionist measures in some developed countries to compensate for the negative effect of their current account imbalances had weakened economic growth and affected, particularly, the heavily indebted developing countries. Concern was also expressed over the decline in total financial flows to developing countries and the negative effects of this trend on their development process. One representative stated that the increase in the prime rate which had taken place in one major trading country in recent months would have adverse effects on the debt-servicing capacity of his country that could not be offset by internal adjustment measures. While acknowledging the inter-linkages between trade, money and finance and the need for parallel effort in these areas some representatives felt that GATT should not focus too much on analyzing policies in other fora but rather concentrate on trade issues. Some other representatives recognized that monetary and financial issues should be primarily dealt with in other fora; nevertheless, the GATT and in particular the Committee on Trade and Development should have a rôle in examining those issues which had an important impact on the trade of developing countries.

10. Many delegations underlined the important rôle that the Uruguay Round should play in improving the international trading environment and strengthening the multilateral trading system. While it was generally felt that negotiations in the initial phase had proceeded at a satisfactory pace several delegations believed that the problems of developing countries should be given greater consideration and special and differential treatment for these countries adequately implemented. Developing countries were being confronted with increased requests for reciprocity even in areas where they were not expected to offer any reciprocity. In the view of some representatives the general principles of negotiations insofar as they relate to developing countries should not necessarily be applied in each group of negotiation but to the negotiations as a whole. Other issues of concern mentioned by some representatives were the insistence by developed countries that developing countries undertake greater obligations within the framework of GATT, the increased trend towards graduating individual developing countries and the suggestion to exempt sectors or areas of negotiation from the application of special and differential treatment. In

addition, protectionist pressures, including in the form of current legislative proposals, persisted. A large number of "grey area" measures had been introduced since the launching of the Uruguay Round. All these negative developments pointed to the need for strict observance of the standstill and rollback commitments of the Punta del Este Ministerial Declaration. One delegation also referred to the need to pursue vigorously the agreements reached at UNCTAD VII to reverse protectionism through the fulfilment of standstill and rollback commitments paying particular attention to the removal of trade barriers affecting exports of developing countries. Another representative reiterated the view that efforts should now be made by all countries to undertake confidence-building measures through unilateral liberalization. This representative recalled the Action Programme for Improved Market Access adopted by his country in July 1985 and the effort made by his authorities to implement its provisions in advance.

11. Some representatives stated that developing countries were willing to make their contribution in negotiations in accordance with their trade, financial and development needs. However, the restrictive trade measures maintained by developed countries against exports of particular interest to developing countries and the debt-servicing burden would prevent significant contributions by developing countries to international trade. There was therefore a need to focus on improving market conditions of access for exports coming from developing countries. Concrete measures by developed countries in parallel with the Uruguay Round were necessary in order to strengthen the capability of developing countries to make and benefit from concessions in the trade area. Otherwise the only alternative left was the curtailment of their imports and postponement of debt-servicing obligations. Some developing country representatives also drew attention to unilateral trade liberalization measures undertaken by them that represented an advanced "payment" for which they expected credit in negotiations. Some other representatives emphasized the need for fuller participation and reciprocity by developing countries with a view to ensuring fully multilateral negotiations. The representative of a group of countries pointed to the need to change the "traditional" approach used in the Tokyo Round and in previous rounds which no longer reflected existing economic realities. He said that reciprocity on the part of developing countries should not necessarily be at the sectoral level although in certain areas sectoral reciprocity should not be excluded. One delegation expressed the view that special and differential treatment should be specific rather than global. In regard to financial and monetary difficulties of developing countries the representative of a group of countries recalled the successful experience of certain developing countries which despite such difficulties had followed more open trade policies and undertook significant obligations upon accession to GATT. Another representative observed that the use of restrictive trade measures for balance-of-payments reasons was equally ineffective in both developed and developing countries.

12. Several delegations referred to specific topics in the Uruguay Round on which the Committee could have a more in-depth discussion. Some of these delegations expressed concern at proposals put forward in the Negotiating Group on GATT Articles for reviewing Article XVIII and in the Negotiating Group on Subsidies where, in their view, some proposals sought to undermine the 1979 Subsidies Code, in particular its provisions on special and differential treatment. One delegation also said that in the Negotiating Group on Trade-Related Investment Measures a number of proposals went beyond the understanding reached in Punta del Este by extending the mandate of this group to each and every aspect of investment and overlooked the sovereign right of developing countries to pursue investment policies in accordance with their development needs and priorities. One delegation suggested that by examining the inter-linkages between financial and monetary issues and their impact on developing countries the Committee could contribute to further clarifying the notion of expanded consultations on measures taken for balance-of-payments purposes under Article XVIII. It might be envisaged that developed countries describe in those consultations measures adopted by them in order to reduce trade imbalances with the consulting developing country and the effects of such measures on its financial position. Another representative expressed concern at attempts being made in Negotiating Groups on Trade-Related Intellectual Property Rights and on Tropical Products to seek sectoral reciprocity from developing countries. Some representatives also emphasized the need for ensuring special and differential treatment for developing countries in the area of agriculture and for expediting negotiations on tropical products with a view to implementing their results without awaiting completion of negotiations in other areas.

13. One representative challenged the view that certain proposals in negotiating groups undermined the existing balance of advantages under the GATT and contravened the understandings reached in Punta del Este. She stressed that the Uruguay Round was a negotiating exercise and that some of the GATT provisions did not reflect present-day realities; certain developing countries had become successful competitors on international markets and should undertake steps to become more integrated into the multilateral trading discipline. With regard to the suggestion concerning the examination of inter-linkages between financial and monetary issues and their impact on developing countries the representative said that it deserved further reflection particularly in light of discussions going on in the Negotiating Group on Functioning of the GATT System. Another representative said that a more in-depth analysis of the specific situation of individual developing countries including their balance-of-payments problems was needed in order to assess their possibilities for fuller participation and reciprocity. One representative suggested that further work could be done by the secretariat in preparation for the Committee's meetings by identifying economic trends in developing countries at a more disaggregated level.

14. Several other representatives emphasized that proposals made in the negotiating groups should aim at improving, not worsening, the situation of developing countries. In this connection the Committee, while avoiding duplication with the negotiating bodies of the Uruguay Round, could have an important function by looking into what was being done in the negotiating groups to facilitate the exports of developing countries and in reviewing developments which might affect the existing provisions on special and differential treatment.

15. 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 (Austria, Czechoslovakia, Japan, Norway and the United States). The Chairman recalled that at its Sixty-First Session in June 1987, the Committee had agreed to revert to the question of the biennial report by the member States of the Latin American Integration Association (LAIA) which were contracting parties to the GATT (document L/6158).

16. The representative of Norway drew the attention of the Committee to the notified changes in his country's GSP scheme (L/4242/Add.27) in which seven new products had been added to the scheme and four countries had been added to the list of least-developed countries.

17. The representative of Japan referred to his Government's notification (L/4531/Add.15) on further improvements in its GSP scheme in accordance with the 1985 Action Programme for Improved Market Access. He noted his Government's continuous efforts to improve market access and readiness to respond to specific requests made by developing countries in particular in the area of tropical products.

18. Regarding the Report by member States of the Latin American Integration Association (L/6158), one representative stated that her Government still considered the Report incomplete. As she had stated in the previous session of the Committee on Trade and Development, her delegation sought details on tariff and non-tariff preferences by tariff item, the extent of GATT bindings on items receiving preferences, as well as the amount of trade affected. Such information would be desirable to assess the consistency of the agreements with the Enabling Clause. Furthermore, her delegation sought notification of, and information on, regional integration agreements concluded separately between members within the framework of the LAIA Agreement. Her delegation considered it the responsibility of contracting parties to notify these agreements, which apparently include the preferential removal of non-tariff barriers, to the GATT secretariat. This would enable the Committee to ensure compliance with obligations under paragraph 2(c) of the Enabling Clause.

19. The representative of a member of LAIA stated that this request had been transmitted to the LAIA Secretariat and would be so again. He suggested the possibility of bilateral consultations in order to clarify which agreements were of interest to the requesting government.

20. Referring to the discussion on the first part of agenda item (i) the Chairman said that the Committee had a useful and fruitful exchange of views which should continue at its future meetings. Many delegations had approached the subject from their different perspectives thus enriching the debate. Delegations referred to a number of developments in the broader trading environment and to inter-linkages between developments in the trade, financial and monetary areas that had a bearing on the ongoing multilateral negotiations and were of a more direct interest to developing countries. It was stressed that parallel progress in these three areas could be mutually reinforcing. A number of comments were made with respect to the first chapter of the GATT Annual Report, International Trade in 1986/87 which was considered as providing a useful basis for discussion in the Committee. While some delegations pointed to some statistics which in their view were important enough to reflect the performance registered by developing countries, other delegations emphasized that despite such indications the overall trading and financial situation of developing countries must be assessed and improvements made in various areas in order to draw a conclusion on their economic condition. Several representatives stressed the need for the adequate implementation of special and differential treatment for developing countries in the Uruguay Round. Other delegations focussed on questions of fuller participation and reciprocity with a view to ensuring a truly multilateral process of negotiation. The view was expressed that special and differential treatment should be specific rather than global. Another view was that reciprocity should be global rather than sectoral. There was a need for further discussion on these matters. Some delegations referred to several specific topics in the Uruguay Round of particular interest to developing countries on which the Committee could have a more in-depth discussion. In this connection, reference was made to certain proposals put forward or approaches being followed in individual negotiating groups. Delegations made comments on Article XVIII, negotiations on subsidies, trade-related aspects of intellectual property rights, trade-related investment measures, special and differential treatment in agriculture and trade in tropical products. Delegations might wish to notify the secretariat of specific topics that may be discussed at future meetings of the Committee and informal consultations may be held as to specific topics proposed for discussion. There was general agreement that the Committee had a useful rôle in reviewing developments in the Uruguay Round from the point of view of developing countries. While avoiding duplication with work of the negotiating bodies the Committee could provide useful inputs to multilateral negotiations.

21. The Committee took note of the views expressed under agenda item (i) and of the notifications made by governments under Part IV and the Enabling Clause.

22. The Committee also took note of the LAIA report and agreed to revert to it, and the questions raised, at a later meeting.

Item (ii): Future work of the Sub-Committee on the Trade of Least-Developed Countries

23. The Chairman recalled that at its Sixty-First Session the Committee reactivated the Sub-Committee on Trade of Least-Developed Countries in order to keep under continuous review issues in the Uruguay Round of particular interest to the least-developed countries. The representative of Norway spoke on behalf of the Chairman, Ambassador Huslid (Norway) in his absence. The statement noted that the Sub-Committee was the only forum in GATT in which all least-developed countries could participate, since its membership was also open to least developed countries which were not contracting parties. While in the past the Sub-Committee had met only once a year it was felt that more frequent meetings might be necessary. The Chairman intended to begin informal consultations shortly and invited suggestions by members of the Committee on the future work of the Sub-Committee.

24. The Committee took note of the statement made on behalf of the Chairman of the Sub-Committee.

Item (iii): Expansion of trade among developing countries

25. The Committee had before it the Fourteenth Annual Report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries (L/6227 and L/6227/Add.1). The Committee adopted the Report for submission to the CONTRACTING PARTIES.

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

26. The Committee had before it an updated summary of the technical cooperation activities of the secretariat since the Sixtieth Session of the Committee (COM.TD/W/454).

27. Representatives of developing countries expressed appreciation for the technical assistance provided by the secretariat and emphasized the need for continued assistance to improve their participation in negotiations. Some delegations referred to the usefulness of regional seminars as forms of assistance. Representatives expressed appreciation for voluntary financial contributions promoting technical assistance from certain developed contracting parties and encouraged others to follow suit. Noting the diversity of international organizations providing technical assistance, some delegations pursued previous suggestions for better co-ordinating activities in order to avoid duplication. It was suggested that informal consultations among delegations be held in order to see how such co-ordination might be best achieved. The representative of a group of countries stated that the GATT secretariat was ideally placed to provide technical assistance on issues related to the Uruguay Round negotiations and he believed that the secretariat might be in a position to co-ordinate

activities of other organizations relevant to the trade negotiations. Another delegate viewed such a rôle as outside the responsibility of the secretariat although welcoming the provision of information on technical assistance activities of other organizations. A further view was that the Committee might have a useful rôle not so much in co-ordinating activities but by making sure that delegations were aware of possibilities available in different organizations. This would also enable them to avoid duplication, identify unfulfilled needs and how best resources could be used. Some representatives expressed interest in participating in any future informal consultations on this matter.

28. The representative of the secretariat noted that different institutions could offer varying perspectives on and approaches to the negotiations. It was therefore important to maintain a sufficient degree of transparency as this would enable international organizations to be aware of the technical assistance provided by each of them. The GATT secretariat would welcome information provided by other international organizations. While discussions in the Committee on technical assistance by other organizations would be useful, the secretariat could not attempt to co-ordinate technical assistance activities undertaken by different organizations. In this context, informal contacts between different secretariats for exchange of information may also be helpful.

Next meeting of the Committee

29. 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.