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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 three meetings, comprising its Sixty-Third, Sixty-Fourth and Sixty-Fifth Sessions, since the Forty-Third Session of the CONTRACTING PARTIES in November 1987. The Sixty-Third and Sixty-Fourth Sessions of the Committee were chaired by Mr. P. Nagaratnam (Sri Lanka), Chairman of the Committee. In the absence of the Chairman of the Committee the Sixty-Fifth Session was chaired by Mr. M. G. Mathur, Deputy Director-General.
2. The Sixty-Third Session of the Committee was held on 19 April 1988. At this session the Committee undertook a review of developments in international trade and in the Uruguay Round. The Committee also carried out 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 the work of the Sub-Committee on the Trade of 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/127 contains the note on the proceedings of the Sixty-Third Session of the Committee.
3. The Sixty-Fourth Session of the Committee was held on 13 July 1988. At this session the Committee undertook a further review of developments in international trade and in the Uruguay Round. The Committee also had an exchange of views on technical assistance activities provided to developing countries in relation to the Uruguay Round. Document COM.TD/128 contains the note on the proceedings of the Sixty-Fourth Session of the Committee.
4. For its Sixty-Fifth Session, held on 17 and 21 October 1988, 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 Part IV and of the operation of the Enabling Clause; technical assistance to developing countries in the context of the Uruguay Round; expansion of trade among developing countries - Annual Report of the Committee of Participating Countries on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. In the discussion, the Committee took up the first and the second items together.

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

5. In regard to item (i) the Chairman recalled that in reviewing developments in international trade and in the Uruguay Round the Committee exchanged views on three points: (a) developments in international trade and in the Uruguay Round; (b) special and differential treatment, fuller participation and reciprocity; and (c) specific topics in the Uruguay Round of particular relevance to trade between developed and developing countries. It was understood that under this item of the agenda members of the Committee would be free to refer to developments in international trade, developments in the international trading system and developments in the Uruguay Round. For the purpose of reviewing developments in international trade at this meeting delegations had available Sections 1 and 2 of the first volume of the Annual Report by the secretariat "International Trade 1987/88". An advance copy of Section 3 of the Annual Report had been made available in document Spec(88)51. The Survey of "Developments in the Trading System", covering the period April-August 1988 had also been circulated in view of the Special Council Session to be held on 19-20 October. With respect to specific topics in the Uruguay Round of particular relevance to trade between developed and developing countries it was recalled that at its Sixty-Fourth Session on 13 July 1988 the Committee agreed that further informal consultations be held on the suggestion previously made by one representative concerning the updating of the 1984 Study "Prospects for Increasing Trade Between Developed and Developing Countries" and that the Committee might revert to this matter at this meeting.

6. Referring to developments in international trade and in the Uruguay Round several representatives acknowledged that the performance of international trade had shown positive signs. Yet the effect of such global improvements had been much weaker on highly indebted developing countries. The significant transfer of debt servicing funds from developing to developed countries required that the financial aspects be considered in addressing trade issues. In this respect improvement of market access for the exports of the indebted developing countries was urgent and should not be delayed pending progress in other negotiating areas.

7. Some representatives regretted the limited progress made in the Uruguay Round, particularly in areas of priority interest to developing countries. The view was expressed that the fault lay with the reluctance of some major partners to accept proposals aimed at speeding up the negotiations in these areas and it was suggested that participants were reinterpreting the negotiating mandates, for example, by seeking reciprocity in tropical products. It was also observed that major partners were violating the standstill commitment systematically while, at the same time, some indebted developing countries were liberalizing their trade

regimes. Some representatives emphasized their expectations for concrete results at the mid-term review, especially in areas such as Tropical Products, Textiles and Clothing, Agriculture, Safeguards and Surveillance, in order to strengthen the second half of the negotiating process.

8. Another delegate noted that proposals from developed countries were still questioning the notion of special and differential treatment. In light of the continuing debt crisis, special and differential treatment merited greater attention. Greater integration of developing countries in the trading system should imply increased benefits not only increased obligations.

9. Other representatives did not consider that the interpretation of the negotiating mandate in certain areas was a problem; progress in negotiations called for greater participation and commitment. A balance of give and take was required. Furthermore, although financial and monetary issues were under discussion, ultimately the contracting parties were limited to resolving trade issues. Another representative perceived that all contracting parties were in the process of deciding where to make their commitments. This delegate further noted that many developing countries had increased their competitiveness and liberalized trade. As such an across-the-board application of special and differential treatment could be harmful to the interests of developing countries and should be considered on an issue-by-issue basis.

10. One representative who welcomed the active posture taken by many developing contracting parties, believed that there had been valuable progress in some areas of the negotiations and added that his delegation placed particular importance on the achievement of results in tropical products.

11. The Chairman concluded that the statements made had raised relevant issues, that some participants felt that there had been progress in the negotiations but that further progress depended on mutual commitments. Referring to the rôle of the Committee in reviewing developments in the Uruguay Round from the point of view of developing countries, the Chairman suggested that at its next meeting the Committee discuss the specific contribution that it could make to the consideration of issues that were dealt with under the framework of the Uruguay Round. While avoiding duplication with work of the negotiating bodies of the Uruguay Round the Committee should be able to make a useful contribution by way of ideas and suggestions which would help delegations in their participation in negotiations.

12. 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, Japan, New Zealand and the United States). The Chairman recalled that the notification by ALADI of the agreement between Argentina and Brazil on capital goods (L/6158/Add.1) was still under consideration in the Committee.

13. Referring to the notification by ALADI contained in document L/6158/Add.1 the representative of Brazil made a statement providing additional information on the integration process between Argentina and Brazil (the statement was subsequently circulated as document COM.TD/W/469). The representative recalled that the ALADI secretariat had periodically reported on developments under the Montevideo Treaty of 1980 in accordance with the GATT procedure for the examination of the biennial reports on regional arrangements. The latest such notification was contained in L/6158 and information on the economic cooperation agreement No. 7 concluded between Argentina and Brazil had been provided in L/6158/Add.1. This represented developments based on the Montevideo Treaty and were in conformity with the Enabling Clause. The representative felt that the programme of integration between Argentina and Brazil met with transparency requirements and hoped that the additional information provided in his statement would satisfy members of the Committee.

14. One representative expressed appreciation for the information contained in the statement made by the representative of Brazil and said that it would be sent to her authorities for examination. She suggested that the matter be reverted to at the next meeting of the Committee when any further clarification that might be needed could be provided. The representative also suggested that the parties to the agreements hold informal discussions with the view to clarifying any additional points that might be raised. The representative of Brazil responded that these suggestions would be referred to his authorities.

15. The Committee took note of the statements made.

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

16. The Committee had before it a note on Technical Cooperation activities undertaken by the GATT secretariat since the Sixty-Second Session of the Committee in October 1987 (document COM.TD/W/467). It was also recalled that at its Sixty-Fourth Session on 13 July 1988 the Committee had an extensive exchange of views on the question of technical assistance including the suggestion put forward by the Director-General concerning the possibility of establishing a Trust Fund in the GATT financed through voluntary contributions in order to support technical assistance activities over the next few years.

17. Representatives of several developing countries expressed appreciation for the technical assistance provided by the GATT secretariat which had provided valuable support to their participation in the Uruguay Round negotiations. Appreciation was also expressed for the voluntary contributions provided by governments which enabled the secretariat to carry out a number of technical assistance activities. The representatives hoped that as negotiations move into their second phase in 1989/90 technical assistance activities would be intensified, expanded and

strengthened including through new voluntary contributions. Several other representatives observed that in order to improve technical assistance activities it would be helpful that developing countries provide indications as to the projects which they have found more useful. One representative also suggested that the secretariat prepare for each meeting of the Committee an up-date of the note on technical assistance activities undertaken by the GATT secretariat in the intervening period in order to help the Committee to fulfil its role as focal point for technical assistance.

18. Turning to the suggestion put forward by the Director-General at the last meeting of the Committee concerning the establishment of a Trust Fund in the GATT financed through voluntary contributions several representatives suggested that the secretariat provide more details in connection with this idea in order to examine it more thoroughly.

19. One representative reiterated the support for the establishment of a Trust Fund and emphasized that one element of the special and differential treatment for developing countries consisted in providing them with the best technical assistance available. However, he drew attention to the fact that his authorities had to comply with strict budgetary rules which, inter alia, required that funds be made available for specifically identified projects only. It was therefore important to have a better idea of how the Trust Fund would operate, what projects would be involved and how the technical assistance activities would be monitored.

20. Another representative said that her country had not yet taken a position in regard to the idea of a Trust Fund. In this connection she sought clarification on the relationship between the Trust Fund and technical assistance activities financed through the regular GATT budget, the possible advantages of a Trust Fund as compared to obtaining additional funds through the GATT budget, how the Trust Fund would operate and at what point voluntary contributions might be required and the involvement of the donor country in selection of activities. The representative also observed that given the budget process in her country, and very likely in other countries, as well as the expectation that the Uruguay Round would be completed in two years it might be difficult to ensure the necessary voluntary contributions from governments in a time-frame that would allow for projects to be carried out when they would be most useful.

21. One representative pointed out that in due course it might be useful to examine the question of possible technical assistance needed in connection with the development of the Integrated Data Base.

22. A representative of the secretariat noted with appreciation the interest expressed by Committee members for GATT technical assistance activities generally and the suggestion made by the Director-General concerning the establishment of a Trust Fund. Acknowledging that the questions raised in regard to a Trust Fund were relevant he said that the

secretariat would reflect on them and that it intended to consult with delegations on its details. The representative explained that the regular GATT budget had a modest entry for technical assistance intended to cover staff and supporting cost of technical assistance activities both in Geneva and in country capitals where seminars were held and involved the presence of one or more staff members. Those funds covered only direct staff costs such as travel costs but not travel for government officials participating in seminars or costs related to facilities. This had limited the possibilities of supporting seminars where a number of government officials from different countries were supposed to participate. Such seminars had so far been organized on the basis of voluntary contributions which meant that in each case the secretariat had to identify the requests and then to start an ad hoc process of negotiations with governments for ensuring the funding of seminars. Within the time-frame in which the secretariat was operating this was not the most efficient procedure. Therefore the basic notion of a Trust Fund was to facilitate a continuing flow of voluntary contributions and ensure that technical assistance projects could be planned in advance on the basis of such contributions. It was not intended that the Trust Fund finance the same range of activities as those funded through the regular GATT budget. Obviously if a Trust Fund was established arrangements had to be made in order to ensure holding of consultations with governments that would be in a position to make voluntary contributions, the necessary transparency of activities and procedures for reviewing these activities. Noting the comments made by one delegation with respect to the limited time-frame the representative said that the secretariat would flesh out the details of a Trust Fund as soon as possible in order to be able to provide answers to all relevant questions. Consultations would be held with delegations and the Committee could then hold another discussion on the subject. In the meantime technical assistance activities would of course continue and hopefully more voluntary contributions would be received from governments.

23. The Committee took note of the points made and the questions addressed under this item of the Agenda.

Item (iv): Expansion of trade among developing countries

24. The Committee had before it the Fifteenth Annual Report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. (L/6399 and Add.1). The Committee adopted the Report for submission to the CONTRACTING PARTIES.

Next meeting of the Committee

25. The Committee agreed that its next meeting would be determined by the Chairman of the Committee in consultation with delegations and the secretariat.