

GENERAL AGREEMENT ON

RESTRICTED

Spec(90)43

26 November 1990

TARIFFS AND TRADE

Sub-Committee on Trade
of Least-Developed Countries
31 October 1990

DRAFT NOTE ON PROCEEDINGS OF THE TWELFTH MEETING

Prepared by the Secretariat

The Twelfth Meeting of the Sub-Committee on Trade of Least-Developed Countries was held on 31 October 1990 under the Chairmanship of H.E. Ambassador E.C. Selmer (Norway). It was attended by the representatives of a number of contracting parties as well as least-developed countries non-contracting parties to GATT, and by observers from various international organizations.

The Chairman welcomed delegations as well as observers from other international organizations to the meeting. He stated that the meeting was of singular importance since it was taking place a few weeks before the scheduled conclusion of the Uruguay Round. Because of that the meeting was to be entirely devoted to the Uruguay Round. He expressed the hope that it would offer contracting parties the opportunity to discuss thoroughly the overall position of the least-developed countries in the negotiations and how their special situation could be effectively reflected in the final outcome of the Round. After these introductory remarks the provisional agenda for the meeting was adopted. Before opening the discussion the Chairman observed that since agenda items I and II were closely related they could be taken up at the same time.

Agenda Item I: Review of developments in the Uruguay Round in relation to the least-developed countries;

Agenda Item II: Decision of relevance to the GATT at the Second United Nations Conference on the Least-Developed Countries

Introducing Agenda Item I, the Chairman recalled the mandate of the Sub-Committee to carry out regular reviews of issues in the Uruguay Round of particular interest to the least-developed countries in the light of

Part 1, Section B(vii) of the Ministerial Declaration of Punta del Este. He stressed the need for a frank and open discussion of issues affecting the least-developed countries in view of the crucial stage reached in the negotiations and in view of the assessment to be undertaken by the GNG in mid-November concerning special and differential treatment for developing countries. For use as basic documents for the discussion on this agenda item, the Chairman drew the attention of delegations to document COM.TD/LLDC/12/Rev.1 which reflected the outcome of the first full review made in September 1989 of the proposals of the least-developed countries and to document MTN.TNC/W/24 which reflected the views of these countries at the TNC meeting of July 1990. He added that no new documents had been prepared by the secretariat in view of the rather delicate stage reached in the negotiations.

With regard to the Agenda Item II, the Chairman recalled the reference made at the last meeting of the Sub-Committee to the recently concluded Second UN Conference on the least-developed countries which was held to prepare a new Programme of Action for these countries for the 1990's and to the emphasis made that actions in the GATT concerning the least-developed countries was part and parcel of the general effort of the international community to help them. He pointed out that the Programme of Action which resulted from the Conference contained a number of recommendations on external trade, some of which were directed to the GATT. He added that the secretariat note COM.TD/LLDC/W/45 which integrally reproduced the above-mentioned recommendations could serve as the basis for discussions in the Sub-Committee.

Speaking on behalf of the least-developed countries the representative of Bangladesh stressed the particular importance of the meeting since it provided an opportunity to make an in-depth assessment of the responses by the participants to the proposals made by the least-developed countries to the various negotiating groups a few weeks away from the Brussels Ministerial Meeting of the TNC. He stated that thanks to the efforts of the Sub-Committee, of the Director-General in his capacity as Chairman of the TNC and of the Chairmen of the different

Negotiating Groups, the proposals of the least-developed countries attracted wide attention from the participants to the Round. He expressed appreciation that there had been a general understanding of the particular situation and problems of the LLDCs in the various Negotiating Groups as reflected in some of the Chairmen's Texts/Reports on the status of the negotiations in their respective groups. He added that in some of the Negotiating Groups namely Dispute Settlement, Functioning of the GATT System, Subsidies, Safeguards, TRIPS, TRIMS, and Services, some of the concerns of the least-developed countries have been taken on board, though not to the full extent desired.

He cited, for example, that in the areas of TRIPS and TRIMS, only time-bound derogations in transitional arrangements have been provided for in favour of the LLDCs when it needed to be recognized that they would have to be allowed these derogations as long as they remained least developed. With respect to TRIMS he underlined the fact that the imperatives of their development needs would not allow the LLDCs to prohibit any of their investment promoting measures and that they would have to ensure their access to needed technologies through the instrumentality of their national policies and legislations.

Similarly, with regard to the Framework Agreement on Services the representative of Bangladesh pointed out that provisions for special consideration for the LLDCs in accepting commitments have been made but not clear-out exemptions as required by them. He stressed that in view of their special economic situation, development, trade and financial needs, and until their domestic service sector became significantly competitive, least-developed countries should not be required to undertake any initial commitments on becoming parties to the framework agreement. Furthermore, he emphasized that any framework agreement or arrangement on Services should include special provisions for unhindered movements of, and temporary residence for, the least-developed countries' skilled, semi-skilled and unskilled service providers in the markets of service consumers as well as provisions for technical and financial assistance to the least-developed countries in broadening production and export bases of their services sectors.

He pointed out, however, that the immediate and priority interest of the least-developed countries was in the areas of access to markets, as well as in textiles and clothing, and agriculture. He expressed the disappointment of the least-developed countries at the fact that in those areas participants were yet to come up with specific measures in their favour, especially with regards to the least-developed countries' proposals for the elimination of tariffs and non-tariff barriers on all products originating from their countries including textiles and clothing, agricultural, tropical and natural resource-based products in their processed and semi-processed forms. He nevertheless noted the readiness of most of the participants to eliminate immediately all restraints on the least-developed countries in respect of their textiles and clothing exports and to exempt them from the application of the envisaged transitional safeguard régime.

Continuing his intervention, the representative of Bangladesh stressed that the development of the least-developed countries was synonymous with their agricultural and rural development. Therefore, reforms and new disciplines that have been, or would be negotiated in the agricultural sector should allow for the right of the least-developed countries to provide protection, support and assistance, including assistance to export development. He pointed out, further, that least-developed countries which were net food importers were going to be adversely affected, at least in the short run, by the reform process in the agricultural sector. As such these countries should be assisted to overcome any consequential erosion in their purchasing power for food through adequate food aid in the form of grants, and direct financial and technical assistance for developing their agricultural sector. Still on agriculture he stressed the need for special consideration for the least-developed countries, including their needs for technical assistance within the framework of any agreement on sanitary and phytosanitary regulations.

He also pointed out that the concerns of the least-developed countries with regard to rules of origin still remained to be adequately

addressed and taken on board. He stressed that in view of their stage of development and consequent low level of technological capability those countries needed special and flexible rules of origin providing for a lower local content requirement in their semi-processed, processed and manufactured exports.

The representative of Bangladesh pointed out that he had reiterated some of the vital concerns of the least-developed countries at the cost of repetition, for fear they might go unattended to in the coming days of the negotiations, as participants became preoccupied with resolving the impasse on the agricultural reform package and in the area of textiles and clothing. He added that the modesty of the demand implied in the proposals of the least-developed countries could be illustrated in terms of simple figures. The total exports of the forty-one least-developed countries with a combined population of about 420 million accounted for hardly 0.35 per cent of the global merchandise exports. In value terms this amounted to a mere \$10 billion which probably compared with the fluctuations in the monthly trade figures of the United States. Moreover, about 70 per cent of the total exports of least-developed countries was accounted for by primary commodities which already enjoyed preferential access to developed markets. In other words the least-developed countries were asking for additional access for about 0.10 per cent of global merchandise exports amounting to about US\$3 billion, most of which went to developed country markets. He added that access to these exports free of all duties and non-tariff measures was not likely to create any ripples in any markets. He stressed that it was in this context that the recently concluded UN Conference on the least-developed countries held in Paris also called for increased market access for the least-developed countries exports and agreed on a number of important measures for the consideration of the participants in the Uruguay Round.

Concluding his intervention on behalf of the least-developed countries the representative of Bangladesh informed the Sub-Committee that he intended to submit, for consideration of the competent negotiating authorities and eventually of the CONTRACTING PARTIES a draft Decision on

measures in favour of the least-developed countries, based on the proposals submitted by them. This draft Decision when adopted could form part of the overall Uruguay Round package.

The representative of a number of least-developed countries both contracting and non-contracting parties expressed their support for the statement made by the representative of Bangladesh on their behalf and for his assessment of the position of the LLDCs. They stressed the need for the concerns of the least-developed countries to be seriously considered in the negotiating groups where they have not yet been adequately reflected so that the final package could conform to the wishes of the Ministers as expressed in the Punta del Este Declaration. Some non-contracting least-developed countries emphasized that the Uruguay Round would have serious and lasting effects on the global trading system; it was therefore imperative that the outcome covered the concerns of all least-developed countries including those who for certain reasons had not yet acceded to the GATT.

The representative of a developed country noted that some of the concerns expressed had already been responded to in the relevant negotiating groups; he undertook however to convey them to his authorities for their consideration. He expressed the satisfaction of his authorities with the outcome of the recent Paris Conference on the least-developed countries. Their satisfaction, he explained, was based on the overriding consideration that the new Programme of Action represented a balanced approach to the problems of the least-developed countries. This was reflected in the recognition of the fact that above all the development prospects of the least-developed countries depended upon their own efforts and the national policies they adopted and that international arrangements such as the one being negotiated in the GATT and in other fora could only play an important supporting rôle. This meant that the primary responsibility rested with the least-developed countries themselves. In the area of trade relations it meant that not only was access to markets essential, it was also essential that the least-developed countries concerned examine carefully their own economic

and trade policies to ensure that export incentives were correct and right and any disincentives were removed. Another point was that while special treatment for developing countries and in particular the least-developed countries might be appropriate and necessary that was not always the case in every single area. This was reflected in the growing realization by many developing countries that a bound tariff was always to be preferred to a preferential tariff which is unilateral. He also stressed that another outcome of the Paris Conference to which his authorities attached great importance was the decision to re-examine and update the definition of what constituted a least-developed country. He explained that the reason was that when countries were asked to provide special treatment or arrangements for a certain group of countries it was extremely important that the criteria for defining such countries should be very clear, precise and up-to-date, especially since there were considerable resources involved. The fact that the present criteria and definition was considered imprecise and out-of-date was a hindrance to positive consideration of some of the special and preferential arrangements they were being asked to provide.

In response to some of these comments the representative of a least-developed country stated that the GATT had its own process for evaluating the trade policy situation of contracting parties through the Trade Policy Review Mechanism for which a special format had been agreed upon for least-developed countries and it was therefore not necessary to go beyond that exercise to re-define the situation of these countries. He went on to stress that the request for special and differential treatment for the least-developed countries was serious and genuine, based on well-known factors such as persistent balance-of-payments problems, deteriorating terms of trade, technological handicaps, etc. It was in that spirit that Part 1:B(vii) of the Ministerial Declaration of Punta del Este was accepted as the guiding principle for special treatment for these countries in the negotiations on goods, and that paragraph 7(f) of the mid-term agreement on services made provision for particular account to be taken of the serious difficulty of the least-developed countries in accepting negotiated commitments in view of their special economic

situation, and their development, trade and financial needs.

While many delegations welcomed the announced intention of Bangladesh to submit a draft Decision on least-developed countries for consideration in the Uruguay Round, they stressed the need to receive such a text well enough ahead of the Brussels meeting to allow time for the examination of the text by capitals.

Agenda Item III: Technical assistance

For the discussion of this Agenda item the Chairman called the attention of the Sub-Committee to the secretariat Note COM.TD/W/483 which was prepared for the last meeting of the Committee on Trade and Development, a section of which was devoted to the technical assistance activities of the secretariat relating to the least-developed countries. The representatives of least-developed countries expressed their appreciation of the various forms of technical assistance they had received in the Uruguay Round which had enabled them to participate effectively in the negotiations. In this connection, appreciation was expressed to UNCTAD, the World Bank, the International Trade Centre and other organizations which have rendered similar assistance. They were particularly appreciative of the regional and country seminars organized by GATT and other institutions which had helped their authorities to follow the negotiations. They expressed the need for the strengthening the GATT technical cooperation programmes after the conclusion of the Uruguay Round, to enable an evaluation of the results to be made, and to enable national officials to be briefed and educated about the results and their practical implementation. It was stressed that in view of the likely implications of the Uruguay Round for the global trade system, such an exercise should continue to involve non-contracting least-developed countries.

Agenda Item IV: Other matters

In their interventions, representatives of least-developed countries expressed their deep appreciation to the previous Chairman of the

Sub-Committee, H.E. Ambassador M. Huslid, the previous Ambassador of Norway for his long and successful tenure as Chairman and for his general dedication to the cause of the least-developed countries. They also expressed their gratitude to Ambassador Selmer for accepting to chair the activities of the Sub-Committee and expressed the hope what he would agree to remain in his post for the coming year.

Chairmans' concluding remarks

In his concluding remarks the Chairman stated that the pivotal remarks made by his predecessor at the preceding meeting of the Sub-Committee were still valid. The remarks drew special attention to the Enabling Clause of 1979 which called for special treatment for the least-developed among the developing countries in the context of either general or specific measures in favour of developing countries. They also recalled that the Uruguay Round presented further opportunity for further help to be given to the least-developed countries and stressed that it would be in the best tradition of the GATT and of the m.f.n. principle to grant well-defined further advantages to these countries as part of the results of the Uruguay Round. He considered that the draft Decision which the Ambassador of Bangladesh referred to in his statement could be a concrete follow-up to what was stated at the last meeting of the least-developed countries. He therefore looked to the early circulation of the draft Decision for the consideration of the GNG and eventually by the Ministers in Brussels. He added that in the meantime the secretariat note on the meeting would be made available to the Committee on Trade and Development while he on his part would undertake to draw to the attention of the Chairman of the TNC to the outcome of the Sub-Committee's discussion on the Uruguay Round.