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Addendum

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Chapter II

DEVELOPMENTS AND ISSUES IN THE URUGUAY ROUND OF
PARTICULAR CONCERN TO DEVELOPING COUNTRIES

(Agenda item 4)

142. The Chairman, opening the discussion on item 4, recalled that the Trade and Development Board had discussed the subject of the Uruguay Round since the Round had been launched in 1986. However, in view of the present situation of the negotiations, the task now before the Committee was particularly challenging.

143. In order to contribute to the successful outcome of the Uruguay Round, he considered that the discussions should focus on the transmission of a constructive and objective message to all Governments participating in the negotiations in the hope of intensifying the political will to bring them to a successful conclusion. In that connection, he noted that the draft Final Act contained important instruments, whose negotiated provisions represented a contribution to the settlement of the problems that appeared to be blocking a final agreement.

144. The Director of the International Trade Division, introducing the secretariat note (TD/B/39/(2)/CRP.1), said it was intended to provide the latest information on developments relating to the Uruguay Round as well as to identify the main characteristics of some of the agreements in the draft Final Act. In addition, basic provisions of the draft Final Act on differential and more favourable treatment for developing countries relating to trade in goods were reproduced and classified in the annex to the note.

145. Regarding the concerns of developing countries in the concluding phase of the Uruguay Round, he said that in his opinion, the draft Final Act embodied instruments that would strengthen and improve the international trading system by providing greater security of market access and trading opportunities, particularly for developing countries, through more detailed, workable and universally applicable multilateral rules and disciplines. If meaningful market access results were obtained, that achievement would inevitably lead to an increase in export-oriented investment and strengthen the policy reform process launched by a number of developing countries. The outcome of the Round could be viewed as a response to previous trade liberalization and intensified trade and economic relations among countries. The intensity of those relations required clearer "rules of the game" if trade tensions were to

be avoided, or at least effectively managed. The need for greater clarity had been largely responsible for the observed intensification of free trade agreements at the regional and subregional levels. A move towards a similar strengthening of disciplines at the multilateral level could also be accomplished through successful conclusion of the Uruguay Round, and would serve to reduce the discriminatory aspects of regional agreements. Another result of the Uruguay Round would be much greater transparency in trade policies through provision for more detailed notification of trade measures, and the establishment of the Trade Policy Review Mechanism on a permanent basis. Many of the draft agreements, notably those relating to agriculture and services, provided a detailed framework for future negotiation of trade liberalization commitments. It should be recalled, in that respect, that, in the course of the Uruguay Round, it had been the developing countries themselves that had made major concessions in terms of reduced freedom of action with respect to trade in goods, trade in services and, perhaps most dramatically, with respect to their future policies for technological and social development in relation to the transfer of technology and the protection of intellectual property rights. Nevertheless, more stringent and detailed multilateral rules could well outweigh perceived imbalances in some of the draft agreements to the extent that all countries, regardless of their economic power, agreed that their trade policies could be truly governed by those rules.

146. Finally, the conclusion of the Uruguay Round was likely to entail a definition of multilateral negotiating objectives for the future. In that context, an effective consensus-building process should begin as a prerequisite for the future multilateral trade negotiations, in particular to avoid certain negative aspects of the Round such as its long duration which had left the international trading system in limbo and doubtless encouraged bilateral and regional approaches. UNCTAD, basing itself on the Cartagena Commitment, could play a constructive and important role in the consensus-building process.

147. The representative of Ecuador, in referring to the role of the Board as an analytical and consensus-building forum, said he would also be speaking on behalf of Colombia, Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Venezuela with respect to the regime which the European Community intended to apply to banana imports from Latin America. That regime, involving the

establishment of quantitative restrictions and tariffs which, in certain cases, exceeded those bound in GATT by 1,000 per cent, contradicted the principle of standstill and the commitments in the Punta del Este Declaration which aimed at the complete liberalization of trade in tropical products, as well as the New International Partnership for Development embodied in the Cartagena Commitment.

148. It was unjustifiable that those countries, which had been implementing economic reforms and adjustment at great cost, should be confronted with the unilateral imposition of such a protectionist regime which would strike a vital blow to the exports of a product essential to their economies and to their efforts to overcome the effects of the "lost decade" of the 1980s.

149. According to the estimates of the Union of Banana Exporting Countries, the EC would obtain \$256 million from the application of the tariff quota to banana imports from Latin America at the cost of the loss of employment for 173,000 workers. It would result in a 12 per cent reduction in banana cultivation (33,000 hectares) and a loss to these countries of \$1,000 million by the end of 1995 in terms of exports.

150. It was unthinkable that the EC would allow the Uruguay Round to be used to legitimize protectionist measures which substantially worsened market access conditions for products of export interest to developing countries. These countries, three of which were still in the process of accession to GATT, were firmly determined to assert their GATT rights with the objective of avoiding irreparable damage to their banana industries and their economic and social development.

151. It was essential for the Trade and Development Board to exercise its mandate in that connection to define methods and constructive positions in order to give political impetus to arrive at concrete results.

152. The representative of Bangladesh, speaking on behalf of the least developed countries (LDCs) noted that the distribution of the benefits of dynamic growth in international trade had been highly skewed considering the remarkable expansion in international trade during the 1980s. During that period, however, the LDCs had suffered a decline in the current value of their total exports, while the developed market-economy countries, as well as other developing countries, had been able to increase their exports. For the LDCs, the decline in market shares had been even more pronounced from 0.6 per cent to 0.3 per cent. Although the LDCs had done well in respect of a few

commodities, their poor trade performance over the past decade, in particular, could be attributed to a variety of factors, such as structural constraints, low supply elasticity, dependence on a few commodities, etc. The current recession had serious implications for world trade which jeopardized the trade performance of all developing countries, and especially that of the LDCs. The Uruguay Round negotiations consequently represented a potential for new trading opportunities for those countries. To what extent it would be realized would depend on the way in which the international trading system that emerged from the Round would take account of their special needs and of the largely unilateral liberalization they had already introduced.

153. Quoting the unambiguous political commitment in the Punta del Este Declaration, he said that the least developed countries were disappointed as this commitment had not been properly reflected in the draft Final Act. When some major participants were seeking special concessions in areas of particular interest to them, it was incumbent on other participants to pay very special consideration to the LDCs.

154. The draft Final Act contained a decision that gave the illusion of an overall enabling instrument for special and differential treatment for LDCs in all the negotiated instruments. The provisions regarding special treatment were not clearly defined in the various instruments and thus left it unclear as to what kind of discipline those instruments would impose on the LDCs. The LDCs wished to benefit from the time gained as a result of the stalemate in the negotiations and to reassess the implications of the draft Final Act in the light of the current more difficult economic situation.

155. He further pointed out that in some areas the measures took the form of best endeavour provisions and thus fell short of concrete commitments, as in textiles and clothing and safeguards. It would be unfair to subject the LDCs to the same obligations as those applying to both developed and developing countries after the transitional period. Hence, that type of transitional provision could not be described as special treatment for LDCs. Concrete commitments in specific areas needed to be reconciled in such a way that the well-recognized concerns of LDCs were fully addressed with a view to integrating them into the global trading system in an equitable manner.

156. With regard to market access, he noted that the package for LDCs did not include market access results in the area of trade in goods and in services.

The long-term development prospects of the LDCs were contingent on their being given improved and differential market access opportunities. Similarly, obligations in areas like TRIPs, TRIMs and services should not circumscribe the opportunities sought by LDCs in other areas.

157. Listing the principal concerns of the LDCs with regard to market access, he said that concessional opportunities for market access in tropical products, natural resource-based products, and textiles and clothing were of particular concern to LDCs. The draft Final Act did not specify the compensation for LDCs for serious losses and threats to their exports due to changes in market access conditions. There was a need for complete clarity regarding the flexibility provided for protection and support to agriculture in the LDCs. The welfare loss for LDCs from the erosion of the existing preferences was not fairly addressed. The net food-importing countries needed clear commitments of additional and new resources to overcome the serious difficulties they would encounter as world food prices rose consequent upon changed world market parameters in trade in agriculture. More concessional access to existing facilities of international financial institutions should be provided. New facilities and windows might be created. The overall level of assistance to the LDCs needed to be increased substantially.

158. Furthermore, all MFN concessions on tariffs and non-tariff measures agreed in the Uruguay Round on products originating from the LDCs should be implemented in favour of these countries in advance and without staging, on a non-reciprocal basis.

159. He also pointed out that a general relaxation of the discipline of rules of origin would considerably help the LDCs. Owing to their very limited economic and technological capacity in meeting local content requirements, the LDCs could not match countries that possessed higher skills and technologies. Local content requirements should therefore be substantially lowered for them under the rules of origin, as a special consideration, since it would also strengthen the incentives for foreign investments in LDCs. The outward processing done in an LDC should be deemed to have automatically extended the origin of the least developed country to the product to meet the requirement of national/regional systems of tariff preference.

160. He noted that some of the stipulations of the draft Final Act on anti-dumping were too broad, and might be misused to the detriment of the

legitimate trading interests of LDCs. The concrete proposals of the LDCs were still on the table in that respect. The concerns of the LDCs needed to be taken on board.

161. The LDCs also sought specific provisions as regards technical barriers to trade. With regard to safeguards, the LDCs should be allowed to resort to safeguard measures, on a non-reciprocal basis, as long as they remained LDCs. They should be exempted forthwith from the use of safeguard clauses against them by importing countries. The provisions regarding sanitary and phytosanitary measures were too inadequate to ameliorate the severe institutional, economic and technological problems besetting the LDCs. A 10-year period of exemption for LDCs should also be considered.

162. In the field of textiles and clothing, the Final Act did not provide any special measures to enhance access for the LDCs' exports with immediate effect. A special dispensation was made for certain categories of exporters. Such measures permitting meaningful increases in access did not seem to be applicable to LDCs. Most importantly the phasing out of the Multi-Fibre Arrangement would place the LDCs at par with other developed and developing countries. The LDCs therefore requested immediate elimination of all tariff and non-tariff restrictions, including quantitative restrictions on the textiles and clothing exported by them. They should be exempted from the application of the transitional safeguard regime, and from any safeguard measures agreed in the area of textiles and clothing.

163. He hoped that the international community would take note of the special difficulties of the LDCs, and would enable the 47 LDCs to be increasingly associated with multilateral cooperation in the area of trade. He also hoped the Trade and Development Board would call upon the participants in the Uruguay Round to take the concerns of the LDCs fully into account.

164. The representative of Costa Rica stressed that UNCTAD now had a clear mandate with respect to the Uruguay Round to build a consensus aimed at preventing protectionism and discrimination against developing countries and to contribute to the strengthening of the multilateral trading system and improved access to markets. Costa Rica had expected that its profound structural adjustment and trade liberalization would be matched by similar attitudes on the part of its major trading partners. Unfortunately, however, Costa Rica had found itself obliged to invoke the dispute settlement mechanism of GATT to ensure observance of its rights, which were not being respected by

the EC regime for banana imports, to be implemented on 1 July 1993. The representative of Ecuador had described the serious damage that would be incurred by Latin American banana exporters. In the case of Costa Rica, it would amount to a 25 per cent reduction in production and a loss of \$750 million in income over the next five years, as well as a direct loss of 25,000 jobs. Her delegation was confident that mutual efforts would be made in the Board to reach a consensus in the analysis and settlement of the problem, thus meeting the challenge that had been posed in the New International Partnership for Development, which had emerged from UNCTAD VIII.

165. The representative of Australia reconfirmed his country's commitment to the success of the Uruguay Round. Australia was one of the 37 small to medium-sized countries on whose behalf President Menem of Argentina had sent a letter to the leaders of the United States, the EC and Japan, urging that the highest priority be accorded to efforts to bring the Uruguay Round to an early and successful conclusion. While recognizing that the Uruguay Round was a global undertaking, these three major trading entities had a particular responsibility to provide leadership at such a critical time.

166. Australia recognized the valuable role which UNCTAD, as a forum with universal membership and a special role in the promotion of trade and the development prospects of the developing countries, could play in helping to bring about a satisfactory outcome to the Round. It was particularly important for UNCTAD to highlight the contribution which a successful conclusion to the negotiations could make in instilling confidence in the developing countries and economies in transition that their increasing economic competitiveness would not expose them to arbitrary trade barriers and retaliatory actions.

167. Since UNCTAD VIII, UNCTAD had regained a valued and authoritative voice in matters of trade. He therefore suggested that the Board should consider sending an unequivocal message to the major negotiating parties to the Round that the economic growth and development prospects of all countries depended on the major trading partners doing their part in bringing the Round to a speedy and successful conclusion.

168. The representative of China said that, although the Uruguay Round had entered its seventh year, it was still hard to predict when it would be concluded. The suspension of the negotiations had cast a shadow over the

hopes of the majority of participants for a balanced outcome as soon as possible. The major trading nations bore a heavy responsibility for such a situation.

169. He noted that the developing countries had made enormous efforts to create a secure and rational environment for free trade in keeping with the objectives of the Punta del Este Declaration. In the course of the negotiations, although burdened with their own economic difficulties, affected by the unfavourable terms of trade and faced with challenges in various areas of the negotiations, they had made many concessions and had sometimes paid a high price for their domestic policy adjustments and measures of reform. However, in the areas of particular concern to developing countries, their demands for differential and more favourable treatment had not been given full consideration by the developed countries. In such areas as textiles, practices running counter to GATT principles still persisted. Nevertheless, the developing countries continued to be very cooperative in the attempts to establish a new international trading system and to eliminate trade protectionism.

170. With respect to the stalemate in the negotiations and the fact that the conclusion of the Round was at the mercy of the disputes of some major trading nations over agricultural products and other related issues, he hoped that countries with special responsibilities would exert the maximum political efforts to break the impasse and enable the negotiations to resume.

171. The Chinese delegation considered that the draft Final Act could serve as a basis for the conclusion of the negotiations, although it was not entirely satisfactory as it did not accommodate some of the concerns of his country. All sides should respect the package agreements which reflected the balance of interests and should be very prudent about any proposal to reopen negotiations and dismember the package. Transparency should be fully assured in plurilateral, multilateral and, in particular, bilateral negotiations and consultations among certain parties. He pointed out that the failure or stalling of the Uruguay Round negotiations would not only result in immeasurable losses for reform and trade liberalization in developing countries, but would also have extremely harmful effects on world trade.

172. Referring to the mandate of UNCTAD VIII requesting the Board to analyse and assess the outcome of the Uruguay Round, in particular in areas of interest or concern to developing countries, he said that the discussions at

the present session were only the beginning. An assessment of benefits and disadvantages emerging from the implementation of the outcome was of a substantive nature, and he hoped the secretariat would strengthen its work in that respect.

173. Referring to his own country, he informed the Board that while China was in the process of resuming its status in GATT, it had fully participated in the Uruguay Round and made initial commitments with respect to trade in services. Domestically, the reform of its trade regime and the establishment of a market economy had achieved undeniable results and were making further progress. China was prepared for and ready to take up its responsibilities and obligations concerning the outcome of the Round, and to contribute to the healthy functioning of the world trading regime.

174. The representative of Chile, referring to paragraph 143 of the Cartagena Commitment, recalled that his country had subscribed to a message addressed by 37 developed and developing countries to the Heads of State of the EC, the United States and Japan, calling upon them to give top priority to bringing the Uruguay Round to an early and successful conclusion. His delegation considered that a broad and balanced conclusion to the Uruguay Round would not only contribute to reversing protectionist tendencies but also to consolidating the autonomous liberalization undertaken by many developing countries. The present stagnation of the negotiations had particularly penalized countries like Chile, which had promoted their integration into the world market and transformed the external sector into the main engine of economic growth.

175. Chile was committed to the objectives of the Uruguay Round and called upon its major trading partners to show the necessary political will. The draft Final Act provided the basis for agreement, although the conclusion of the negotiations required the completion of the market access negotiations on goods and services. Only if a real improvement in market access for its exports were achieved, including, in the case of agricultural products, the maintenance of current minimum access opportunities and strict respect for the modalities in the Final Act, could Chile consider the outcome to be successful.
