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President: Mr. SOMAVIA (Chile)

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The meeting was called to order at 3.10 p.m.

POLICY DIALOGUE AND DISCUSSION ON IMPORTANT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION WITH HEADS OF MULTILATERAL FINANCIAL AND TRADE INSTITUTIONS OF THE UNITED NATIONS SYSTEM (continued)

Mr. HODA (Deputy Director-General, World Trade Organization) said that the fiftieth anniversary of the multilateral trading system, observed six weeks earlier in Geneva, had symbolized an important change in the world economy. On that occasion, 132 Member States had reached a consensus about the validity of open trade and economic integration under the rule of law. In their statements, leaders had stressed the importance of the multilateral trading system and acknowledged the reality of globalization and the need to improve its governance. Participants had also agreed that the multilateral trading system could no longer be viewed in isolation from other policy issues and concerns relating, inter alia, to investment, the environment, development, health and social affairs. Accordingly, the relevant international institutions must collaborate even more closely, with strong government support. That broad outlook must also be reflected in future trade negotiations.

The joint study on market access prepared by the secretariats of the World Trade Organization and the United Nations Conference on Trade and Development (UNCTAD) (E/1998/55) demonstrated the significant progress achieved in the past 50 years in removing national trade barriers and integrating the developing world in the global economy. Over that same period, membership in the trading system had increased from 23 to 132 and 80 per cent of the members were now developing or transition economies. In addition, average industrial tariff levels of developed nations had dropped from 40 to 4 per cent and the increase in tariff bindings, particularly in the case of developing countries, had greatly improved the security of market access. The establishment of the World Trade Organization in 1995 had led to an improved binding mechanism for settling trade disputes, affording protection to even the smallest country.

Nonetheless, a number of significant tariff barriers remained, particularly with respect to textiles and agriculture. Exports from developing countries, in particular, were affected by those barriers, by a number of non-tariff measures,

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and by national and international product standards that would be difficult to meet without considerable capacity-building. He stressed the need for further liberalization of trade and services. In that connection, progress must be achieved in the 31 accession negotiations currently under way and many more issues confronting an interdependent world must be addressed in a multilateral context.

Mr. CALOVSKI (Observer for the former Yugoslav Republic of Macedonia) said that the preoccupation of the major economic powers with development in Japan and Indonesia had left the small and weaker economies of the developing countries and countries with economies in transition in isolation to grapple with market forces. While the international community and the United Nations system were assisting the least developed countries, insufficient attention had been focused on the marginalization of those economies. Indeed, the reluctance of States to integrate those economies into the developed European economy or the world economy, or to help them regain their lost markets, was difficult to understand. Their marginalization had political, economic and social repercussions; the issue therefore must be addressed on a priority basis.

Mr. ROSENBAUM (United States of America) said that he failed to understand the Council's resistance to collaborating on the issue of core labour standards. Considering that many delegations had called for collaboration on matters of international finance and trade, the negative reaction to proposals for collaboration between the International Labour Organization (ILO) and the World Trade Organization (WTO) on workers' rights was regrettable.

Mr. SYCHOU (Belarus) asked what specific steps would be taken by the World Trade Organization to enhance public understanding of the benefits of the multilateral trading system, in accordance with the recommendations of its most recent ministerial conference. With regard to coordination, a theme sounded by all the bilateral and multilateral donor organizations, he wished to know whether the World Bank had been joined by the United Nations Development Programme (UNDP) and other entities of the United Nations system in its partnership for development initiative.

Mr. BATT (United Kingdom) welcomed the publication of the joint report by the World Trade Organization and UNCTAD, particularly since the outcome of trade negotiations early in the twenty-first century would determine whether it would be possible to halve the number of people living in absolute poverty by

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the year 2015. The presentation and layout of the report, however, could have been more reader-friendly. It was absolutely critical that the report and similar analytical work should be linked directly to the preparatory processes under way in Geneva following the Second Ministerial Conference of the World Trade Organization in May. He would appreciate more information from the Secretary-General and the Deputy Director-General of the World Trade Organization in that regard.

It was not sufficient, however, to produce documents identifying the interests of developing countries for consideration in future trade negotiations; the process must also involve dissemination, the building of trade policy capacity and an integrated programme of support. Perhaps the Secretary-General and the Deputy Director-General of the World Trade Organization could provide details on developments in those areas.

He wondered whether the World Bank agreed with the analysis contained in the joint report of UNCTAD and the World Trade Organization and whether it might be involved in future joint undertakings with a view to harmonizing views concerning multilateral trade policy and domestic policy reform. He would appreciate an indication of how the World Bank, UNCTAD and the World Trade Organization could cooperate more effectively in the preparations for future trade negotiations.

Mr. HODA (Deputy Director-General, World Trade Organization), replying to the representative of Austria, said that members of the World Trade Organization were about to hold consultations on enhancing public understanding of its work. In that connection, it was considering ways and means of issuing shorter, more transparent documents; holding seminars and symposia with non-governmental organizations (a number of sessions had already been held on the topics of trade and environment, trade and development and, more recently, trade facilitation, with input from the business community); and increasing the transparency of the dispute settlement procedure, a proposal which had been put forward during the recent observance of the fiftieth anniversary of the multilateral trading system.

Responding to the representative of the United Kingdom, he drew attention to a proposal made during the Second Ministerial Conference of the World Trade Organization that might lead to new rounds of negotiations, most likely in cooperation with UNCTAD. The secretariat of the World Trade Organization would

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do its utmost to improve the reader-friendliness of its reports, to continue its analytical work in order to identify the interests of developing countries and to launch an integrated programme on the basis of its findings.

Mr. RICUPERO (Secretary-General of the United Nations Conference on Trade and Development), replying to the representative of the former Yugoslav Republic of Macedonia, acknowledged that efforts over several years to integrate the economies in transition in the world economy had not borne fruit. Indeed, the only country with an economy in transition which had acceded to the World Trade Organization was Mongolia; the others continued to be members of the General Agreement on Tariffs and Trade (GATT) or were still involved in complex negotiations for admission to the World Trade Organization. It was extremely difficult for developing countries, the least developed countries and the economies in transition to meet the increasingly stringent requirements for admission. Many of the economies in transition would have to overhaul their trading systems completely in order to aspire to accession. In that connection, he referred to the ordeal of Lithuania described by one of its government ministers during a recent meeting of the working party of the World Trade Organization. It was ludicrous to speak of helping the least developed countries to take advantage of the multilateral trading system when nearly half of them were excluded from it.

Replying to the representative of the United States of America, he said that the UNCTAD membership had refused to consider core labour standards and therefore the issue could not be included in the Conference's programme of work. He believed that the key obstacle to establishing a linkage between labour standards and trade was competition, which the developing and transition countries were ill-prepared to face. He suggested that any discussion of labour standards, environmental regulations or other factors which tended to narrow the opportunities of developing or transition countries should also include proposals on the provision of training to compete in the international market. According to the Organisation for Economic Cooperation and Development (OECD), less than 2 per cent of official development assistance was currently allocated to trade-related technical assistance activities.

He referred to the points made by the representative of the United Kingdom and said that the Bank had been making an effort to help developing countries elaborate a positive agenda for trade negotiations. For a variety of reasons,

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most developing countries tended to adopt a defensive strategy in trade negotiations and many did not have the analytical capacity to formulate trade strategies, or had limited trade interests.

Since defensive strategies would not prosper within the framework of the WTO, the Organization was trying to help developing countries elaborate a positive agenda in two specific ways: firstly, through an informal process to evaluate the results of the Uruguay Round; and then, through the formal mechanism, with a group of about 30 economists helping developing countries to identify areas where they could derive practical advantages. Several expert meetings had been held in Geneva, specifically on the services sector, notably health services and tourism, to discuss how to include these issues in trade negotiations. An increase in tourism was usually the first stage in improving a developing country's economy and it was felt that the definition of tourism in WTO was too narrow and that there was a need for an annex to the agreement which would expand it.

Lastly, he noted the need to take an integrated approach to projects and said that capacity-building must be stressed. Most developing countries, especially the least developed countries, had a supply problem. Consequently it was imperative to increase local capacity to create solid export enterprises, and that should become one of the principal focuses of technical cooperation projects.

Mr. MALLOCH-BROWN (World Bank) confirmed that the Bank agreed generally with the points made in the document under discussion. However, development was not merely a matter of market access; it had to be underpinned by a human and institutional structure allowing the country to take advantage of access. Likewise, the World Bank was slightly more sceptical about regional trading arrangements than the position reflected in the document. It recognized that they were a necessary political route towards free trade but believed that the costs had been somewhat downplayed.

With reference to core labour standards, he pointed out that the Bank always insisted on consultations with labour leaders to stress the importance of labour rights issues. However, it did not want to introduce new conditionality into its lending practices. For the Bank, the primary partnership was with the borrowing country and partnerships with other organizations were considered useful inasmuch as they contributed to the combined programme. There was a need

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to find ways of partnership and coordination that lightened the burden on borrowing countries. The Bank took coordination on issues of trade, labour standards and partnership very seriously, as the combined value of international agencies to borrowing countries was much greater than if they worked alone.

Mrs. FRECHETTE (Deputy United Nations Secretary-General) commented that one of the Secretary-General's priorities was to improve coordination across the United Nations system and that as a first step, time should be devoted to discussing and agreeing on common goals. Coordination was also needed in the partnership with Member States and in the partnership with the member States of each of the agencies.

Mr. ZULU (International Monetary Fund), directing his remarks to the question of how to prevent the marginalization of developing countries, stated that 83 countries had programmes with the Fund, including all the countries in economic transition and most of the developing countries. The programmes were designed to contribute to good governance by strengthening financial and statistical institutions which, in turn, help to strengthen the formulation and implementation of economic policy.

In its dialogue with developing countries, IMF accorded great importance to social policies and stressed human resource development on a par with macro-stability. Accordingly, outlays for health care, education and basic social services were encouraged, as all were critical factors in strengthening a country.

Over the past two years, IMF had been developing mechanisms to enable countries to see the impact of different policies on their income distribution profiles. After consulting with international experts, it had concluded that economic growth and equity were not incompatible and the findings of such discussions would influence future IMF policies.

On the subject of core labour standards, IMF had worked closely with ILO. One of the Fund's objectives was job creation and it sought to strengthen the specific capacities of both agencies to stimulate employment and economic growth. Moreover, the issue of workers' rights needed to be taken into account in the dialogue with member States.

The crisis in South-East Asia had provided a special occasion for dialogue between IMF and ILO, and between IMF and its membership. In the case of South Korea, IMF had brokered a tripartite arrangement between the Government,

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employers and workers to help cushion the impact of explosive issues and he recommended that this approach should be considered by other countries.

Mr. OLHAYE (Djibouti) referred to the mitigation of poverty in the least developed countries and the difficulties faced by such countries who wished to accede to the World Trade Organization (WTO). He wanted to know what WTO was doing to ensure that such countries were not marginalized by globalization.

Mr. POWLES (New Zealand) congratulated UNCTAD and WTO for their combined report and underlined that there were no simple recipes for dealing with the South-East Asia crisis.

Mr. WIBISONO (Observer for Indonesia) remarked that, despite the Uruguay Round negotiations, high tariffs continued to be a problem for the exports of developing countries. He recommended that consideration be given to undertaking activities mandated in the built-in agenda rather than entering into complex negotiations on new areas. He noted that the countries principally affected by the crisis were those which had liberalized trade and performed most dynamically and suggested that trade would seem to be an essential element of the solution to the crisis. The subsequent structural adjustment activities had entailed significant social costs; increased market access therefore should be granted to exports from the affected countries.

Ms. HAGEN (International Labour Organization) reminded delegates that ILO was part of the United Nations system and was working to advance new labour standards and offer constructive support to member countries. In view of UNCTAD's reluctance to address the question of core labour standards owing to concerns about lack of training, she asked whether there was a way of implementing a commitment to fundamental principles that would promote the kind of competitiveness that would make it possible to embrace standards comfortably.

Mr. DE LA PEÑA (Mexico) said that there were two schools of thought on trade and the environment and trade and labour standards, one altruistic that believed that trade measures could serve non-trade ends and the other more protectionist. In a multilateral trading system, the former did not take into account that WTO was a contractual organization with its own balance between rights and obligations. If the specific mechanisms for the settlement of disputes were to be applied to non-trade differences, the outcome would be negative. It should be remembered that market access was negotiated on a

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reciprocal basis and WTO could not establish measures to protect the environment and labour because it would alter the balance of concessions and provide a disincentive for future negotiations. Those with a less altruistic viewpoint should remember that economic growth increased the resources available to protect the environment and improve labour standards, whereas embargo measures reduced resources and impeded improvements.

Commenting on labour rights, he said that Mexico was in favour of labour mobility so as to achieve a balance in production factors, although mobility introduced the factor of differing labour standards.

Mr. SYCHOU (Belarus) said that the current international trade system was still far from perfect and further concerted effort was needed from Governments and the relevant international agencies to make it more effective. Since access to WTO was very important to the transition economies, in their advance towards complete integration, he requested information on how the difficulties impeding that access could be resolved. He also wanted to know if mechanisms existed at the regional level for coordination between the programmes of UNCTAD and the European Commission and what problems persisted in that area.

Mrs. KRISHNA (India) observed that the multilateral trading system negotiations illustrated the difficulty of creating a level playing field for unequal players. She understood that the negotiations were aimed at raising standards of living but the benefits of the Uruguay Round did not appear to have accrued to developing countries. She asked whether any clear guidelines were being prepared to implement the special and differential provisions of the Uruguay Round.

Referring to the development of proprietary patents by enterprises, based on traditional or indigenous knowledge especially in the field of biotechnology, without obtaining prior consent or any agreement on benefit sharing, she asked whether any measures were being taken to address this anomaly and whether the situation could be reconciled with the provisions of the Convention on Biodiversity.

Mr. DENISOV (Russian Federation) recognized the importance of the World Trade Organization in promoting trade and investment, welcomed its efforts to enhance access to markets for goods from the least developed countries, and supported efforts to speed up membership for the 31 observer States. He was gratified to note that the latter would not have to meet any additional

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requirements above and beyond those for current members; imposing new requirements would be discriminatory or unfair treatment. The Secretary-General of UNCTAD had acknowledged the difficulties posed by the candidacy of the economies in transition. They were attempting to create a modern trading system from scratch, and were therefore entitled to special concessions.

Ms. KIZILDELI (Turkey) referred to the frustration felt by Member States because follow-up to the High-level Meeting on the integrated initiatives for least developed countries' trade development had not met their expectations. The Secretary-General of UNCTAD had referred to the difficulties faced by his organization but she wondered whether the other agencies had planned actions, committed resources or developed a calendar for action on those initiatives. They constituted one of the most concrete steps towards enhancing market access for the least developed countries. In that connection, all States, including her own delegation, had stressed the importance of capacity-building, especially at the country level. She wondered what field-level cooperation in capacity-building had been achieved, what was the input of the United Nations system and what improvements were necessary.

Mr HODA (Deputy Director-General, World Trade Organization), replying to the question from the representative of Djibouti concerning the problems in expediting accession of the least developed countries to WTO, said that although the accreditation process was one of bilateral negotiations between the current members of WTO and the least developed countries, the secretariat had received indications that members supported a streamlining of procedures. As for what more needed to be done, he noted that affirmative action should go beyond more liberalized market access in order to prevent the marginalization of those countries. In order to overcome domestic production constraints more work was necessary in the areas of capacity-building and the development of higher value-added export activities. There had been some real successes in that respect and all countries should be able to emulate those successes.

In response to the question from Indonesia concerning high tariff levels and tariff escalation, the joint document presented by WTO and by UNCTAD clearly showed that much work remained to be done. Implementation of the WTO agreements and the built-in agenda were priorities. If the question of tariffs was to become a priority, the WTO must discuss agreements to broaden market access, as had already been done in respect of agriculture.

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In response to the question from Belarus concerning accession of the economies in transition, he stated that, as was the case for the least developed countries, bilateral market access negotiations were an important part of the accession process and the difficulties faced by the economies in transition should be addressed through negotiations with their trading partners.

In response to the question from India concerning guidelines for special and differential treatment, he pointed out that the Committee on Trade and Development had just begun a review of those provisions and their implementation. The developing countries could use the findings of that review to work out new guidelines. On the other hand, no work was currently under way at the WTO in the areas of indigenous knowledge or implementation of the Convention on Biodiversity.

In preparation for action to benefit the least developed countries, the first step was a needs assessment, which had been completed by 39 countries. A consolidated response by six agencies had been prepared and the next step in the follow-up to the High-level Meeting on integrated trade initiatives for the least developed countries would be wider consultations between the least developed countries and other multilateral agencies and bilateral donors. That process had begun; 14 countries had taken advantage of existing mechanisms and three least developed countries had requested discussions with the United Nations Development Programme (UNDP) and the multilateral and bilateral agencies for trade-related technical assistance.

Mr. RICUPERO (Secretary-General, United Nations Conference on Trade and Development), responding to the question raised by India, said that new guidelines for special and differential treatment for the least developed countries were being prepared with a view to finding new and innovative solutions. The general lowering of tariffs had underscored the need to redefine special and differential treatment in the areas of rules and terms of competition.

In the areas of biodiversity and indigenous knowledge, UNCTAD had two major contracts aimed at providing some economic content for the major environmental conventions. First, concerning the Convention on Climate Change, the tradeable permits system for emissions had been created and a working forum with non-governmental organizations had been organized. Secondly, with reference to the Convention on Biodiversity, the biotrade project had been created for the

purpose of building a coalition of governments, organizations, private research and pharmaceutical companies and indigenous communities to enable the latter to reap the benefits of research based on their indigenous knowledge. Although some environmental interests mistrusted the private sector, that attitude was not shared by UNCTAD, which believed that workable market instruments could be created and could be compatible with the relevant environmental agreements.

The question of intellectual property rights and indigenous knowledge was within the province of the World Intellectual Property Organization (WIPO) or some other forum, not UNCTAD, although UNCTAD was acting on a practical level.

As for the difficulties associated with the follow-up to the High-level Meeting on the least developed countries, he stressed the need for additional resources, at WTO, UNCTAD and the International Trade Centre (ITC). The joint programme for Africa created two years earlier to assist the least developed countries and Africa in general was already operational: missions had been sent to the countries concerned and their needs had been assessed. Programmes had begun in eight of the countries in Africa, including four least developed countries. The project should be a model for all least developed countries, at least in trade matters. However, despite requests from two additional countries, no resources were available to extend it. Although all countries agreed that it was necessary to provide assistance to the least developed countries, he pointed out that 8 per cent of WTO's technical cooperation resources came from only four northern European countries. He stressed that it was every country's duty to help provide sufficient resources to ensure effective follow-up.

Mr. ZULU (International Monetary Fund (IMF)) said that financial and economic liberalization should be vehicles and prerequisites for trade liberalization. There should be no dispute on how quickly liberalization should take place, since neither the IMF nor governments could force the issue. The IMF believed that the overriding need for globalization had become the dominant factor and nations' own interests and their desire to integrate into the global economy, not the IMF or any other organization, would be the deciding factors.

MARKET ACCESS: DEVELOPMENTS SINCE THE URUGUAY ROUND, IMPLICATIONS, OPPORTUNITIES AND CHALLENGES, IN PARTICULAR FOR THE DEVELOPING COUNTRIES AND THE LEAST DEVELOPED AMONG THEM, IN THE CONTEXT OF GLOBALIZATION AND LIBERALIZATION
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Mr. RICUPERO (Secretary-General, United Nations Conference on Trade and Development) stated that the Economic and Social Council, in deciding to hold a United Nations Conference on Trade and Employment, had initiated a process which had resulted in the establishment of the General Agreement on Tariffs and Trade (GATT) in 1949, and its successor, the World Trade Organization (WTO), in 1994. That multilateral training system had made an important contribution to world economic progress by promoting the liberalization and expansion of international trade and by providing a framework for the conduct of international trade relations. The establishment of the United Nations Conference on Trade and Development (UNCTAD) was also associated with that process, strengthened by decolonization and the emergence of new nations with development aspirations.

A collaborative and complementary relationship had been established between UNCTAD and WTO, as demonstrated by the report for the High-level segment, which had been prepared jointly by the two secretariats. They were increasingly working together on issues of common interest, including the preparation of reports, technical cooperation activities for developing countries and activities for the least developed countries. He hoped that that collaboration would increase in the future in achieving the common goal of the effective integration of developing countries, in particular the least developed and structurally weak economies, in the open multilateral trading system.

The Uruguay Round had been instrumental in producing impressive improvements in access to markets for trade in both goods and services, substantially reducing tariffs on industrial products and increasing the proportion of imports entering the major industrial countries free of duty. It had dealt with sectors where market access had been impeded and distorted, guaranteeing greater security of access. The Multi-Fibre Arrangement had been dismantled and, in agriculture, non-tariff measures had been converted into tariffs and bound, with tariff quotas providing access in sectors where no trade had previously taken place. Multilateral trade agreements had also provided greater security of access: for example, the agreement on safeguards prohibited the voluntary export restraints in "grey areas" and the General Agreement on Trade in Services (GATS) had introduced binding commitments. Tariff reductions and the dramatic increase in tariff bindings by developing countries themselves

had greatly improved access to each other's markets and facilitated further liberalization initiatives.

The process of implementing the multilateral trade agreements was on track and the WTO continued to serve as a forum for negotiations to further improve market access. Work on the built-in agenda had led to the conclusion of agreements on basic telecommunications and financial services. New rounds of negotiations for further liberalization in services and agriculture had been mandated to start the following year. Work had continued in the area of sectoral trade liberalization initiatives, the current project being the information technology agreement to liberalize duties on trade in information technology products.

There were nevertheless real difficulties in implementing the obligations under the Uruguay Round agreements and taking advantage of the rights inherent therein, especially for the developing and least developed countries. Even many developed countries had not been able to comply fully with all their obligations and implementation of individual agreements must be evaluated at a third ministerial conference. While implementation of the WTO agreement was on track, it was not proceeding at a pace and on a scale satisfying all members. Without full and faithful implementation, the credibility of WTO would be at stake.

Moreover, significant trade barriers still impeded the exports of developing countries in the form of tariff peaks in the major trading countries as well as in other developing countries, where rates ranged from 15 per cent to as high as 300 per cent, affecting both agricultural and industrial products. Most of those products had low value-added and technological content and tended to be produced by low-income and least developed countries. The residual market access barriers therefore tended to affect in particular the trade of the weakest members of the international trading system.

Substantial improvement was necessary in market access for the agricultural and industrial exports of low-income developing countries and least developed countries. Although tariff escalation had decreased in general, certain sectors and products in which developing countries were potentially competitive continued to be subject to rapidly rising tariffs for raw materials, intermediate products and finished industrial products. Food exports from low-income developing countries and least developed countries concentrated at the first stage of processing, were once again the most heavily affected.

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That situation contrasted dramatically with the continuing multilateral market access improvements in information technology products, telecommunication services and financial services, which were of special interest to the developed and newly industrializing developing countries. It was a contrast that had caused concern among developing countries for their legitimate trade and development objectives within WTO.

At the same time, market access improvement under WTO had contributed to increased exports of relatively sophisticated manufactures for some developing countries. However that success had evoked demands from domestic producers in many countries for trade remedies in the form of contingency measures like anti-dumping actions, creating uncertainty about market access amongst the developing countries.

Certain developing countries had begun to adopt non-tariff measures used traditionally by developed countries. Such measures continued to affect exports of textiles and clothing from developing countries as a result of the end-loading of liberalization measures agreed under the WTO Agreement on Textiles and Clothing (ATC). Certain developing countries also had difficulty meeting some of the national and international product standards required by WTO.

The General Agreement on Tariffs and Trade introduced a contractual framework at the multilateral level for ensuring security of market access for trade in services and for negotiating improvements in such access. Considerable scope remained for further liberalization in a range of service sectors. Exports of services by developing countries were hampered by restrictions on the temporary movement of persons and the non-recognition of professional qualifications. The Uruguay Round had also addressed some of the market access concerns of the least developed countries. Market access problems for those countries, however, had not been completely resolved; and some of their most important exports, including clothing, textiles, leather products, footwear and food continued to face significant tariff barriers in major markets.

Accordingly, the full implementation of the Plan of Action for the Least Developed Countries was an urgent priority. In addition, those countries needed to strengthen and diversify their supply capacity and competitiveness in order to maintain their current level of participation in world trade and exploit new trading opportunities. The report emphasized that the Generalized System of

Preferences (GSP) remained a major instrument for further improving market access for developing countries. There was a need to enhance the GSP, especially for the least developed countries.

Developing countries must participate actively and effectively in the ongoing process of implementing WTO agreements and prepare negotiating agendas to protect their trade and development interests at the forthcoming multilateral negotiating rounds. They needed to design a "positive agenda" reflecting their trade programmes and propose concrete negotiating objectives. UNCTAD was providing technical support to developing countries in that regard as a matter of priority. At the same time, developing countries and their enterprises needed to continue efforts to expand their supply capacity and competitiveness to take advantage of the gains from market access improvements.

The challenges of globalization required a more comprehensive approach, a vision of a globalized world where all could enjoy the benefits. Trade liberalization initiatives should be accompanied by a package of measures to help ensure the equitable distribution of benefits from trade liberalization among countries and within countries. In addition, measures to alleviate poverty and protect the environment should complement the liberalization initiatives.

For many developing countries, market access could be effectively supported only through policies to increase competitiveness and supply capacity. Investment policies to promote the transfer of technology, investment in priority areas, debt burden reduction, and trade efficiency were all necessary. Subregional agreements enabling developing countries to improve their efficiency should also be encouraged.

Mr. WIBISONO (Observer for Indonesia), speaking on behalf of the Group of 77 and China, said that the report under consideration (E/1998/55) provided a comprehensive analysis that should prove very useful for the current deliberations. The Uruguay Round of multilateral trade negotiations had resulted in a more open, rule-based and predictable multilateral trading system and significant improvements in conditions of market access. Regrettably, tariffs and other traditional barriers to market access remained an issue in a wide range of sectors. International trade could play a powerful role in promoting development. However, if the majority of the world's people were to benefit from the system, market access, among other things, must be ensured.

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For that reason, the Group of 77 and China fully supported the multilateral trading system and called upon the developed countries to join them in partnership to implement the commitments undertaken at the Uruguay Round. The central challenge at the current session was to identify the key obstacles and problems faced by the developing countries in the area of market access and to strengthen the capacities of the developing countries to implement their obligations under the Uruguay Round agreements.

Although many tariffs had been reduced and quota obstacles removed, the current chapter of trade liberalization faced major challenges that continued to impede the establishment of an open and rule-based multilateral system. Many key areas of the Uruguay Round agreements that were of particular interest to the developing countries were still to be implemented. Certain countries offered only small tariff reductions or none at all for some products. In addition, not all developing countries were able to take advantage of the trading opportunities in the globalized world.

One of the persisting problems that continued to plague the economies of developing countries was lack of technical ability, which was compounded by the chronic external debt problems and supply-side factors affecting the least developed countries. Accordingly, he urged UNCTAD and WTO to continue to provide the necessary technical assistance to the countries in need.

The Group of 77 and China were dissatisfied with the progress made in implementing the provisions on special and differential treatment for the developing countries and called for concrete action in that regard. They welcomed the initiatives taken by WTO in cooperation with other agencies to implement, in an integrated manner, the Plan of Action for the Least Developed Countries. While measures taken by some WTO members might not violate the letter of the agreements, they were clearly contrary to their spirit. The developed importing countries should faithfully adhere to the commitment to fully integrate the textile and clothing sector into the system. The use of discriminatory trade action and the extraterritorial application of national legislation must be totally rejected. The Group of 77 and China also rejected resort to protectionist measures and agreed to work together in UNCTAD, WTO, IMF and the World Bank to improve the coherence of international economic policy-making.

The multilateral trading system should be truly universal. As a matter of principle, the developing countries had always supported countries wishing to accede to WTO agreements. Acceding countries should not be asked to assume higher levels of commitment than that made by countries that had joined WTO earlier. It was hoped that all pending processes for accession could be completed as soon as possible.

While firmly committed to the multilateral trading system, the developing countries also recognized the crucial role played by regional trading agreements.

While globalization brought opportunities and challenges, it was essentially a blind force which did not distinguish between the strong and the weak. Therefore, trade must minimize all negative aspects and maximize the benefits to be shared equitably by all. That was the most important challenge facing WTO in the near future. The liberalization of trade required a global commitment.

Sir Leon BRITTAN (European Union) said that the integration of developing countries into the world trading system was a primary objective of the development policies of the European Union, which granted preferential access to its markets for almost all exports from the developing countries. The Union had recently introduced further positive incentives into its Generalized System of Preferences scheme by providing additional preferences to developing countries that implemented internationally agreed environmental and social norms.

The Uruguay Round had resulted in a significant further liberalization of international trade. The European Union considered that the full implementation of the Uruguay Round commitments was essential for the credibility of the multilateral trading system and stood ready to provide technical assistance to developing countries experiencing difficulties in the process of implementation.

There was still substantial scope in all countries for expanding market access on the basis of mutually beneficial multilateral trade liberalization. Significant tariff and non-tariff obstacles to trade remained in many sectors. A comprehensive trade liberalization agenda leading to a substantial reduction of market access barriers was the best guarantee that sectors and issues of interest to developing countries would be effectively addressed.

The challenges arising from a globalized world economy could be met only through a new, comprehensive round of trade negotiations, which should cater in a balanced manner to the interests of all WTO members. A multilateral framework of rules on investment and competition as well as further liberalization of the services sector should provide an important stimulus for increased flows of foreign direct investment. Further progress was also needed in other areas, such as electronic commerce and the environment.

Particular attention should be given at the current session to the situation of the least developed countries and the implications for the trading system of the Asian financial crisis. The effective integration of the least developed countries into the global trading system should be a priority for all. Ninety-nine per cent of imports from those countries benefited from preferential duty-free access in the Union, which had recently adopted further important steps to enhance their market access. The Union called upon its developed partners and more advanced developing countries to open their markets in a comparable way to products from the least developed countries and was prepared to adopt additional measures to ensure duty-free access for all products from the least developed countries and further simplify rules of origin.

Preferential access alone, however, was unlikely to ensure the effective integration of the least developed countries into the multilateral trading system. A domestic policy framework, which included transparent governance, investment in basic social services and openness to trade and investment, was of fundamental importance. Efforts by the least developed countries required increased support by the international community with a particular focus on capacity-building to enable those countries to participate actively in the multilateral trading system. Official development assistance would continue to be an essential source of finance, in particular for the poorest countries, whose capacity to attract private capital and generate sufficient domestic savings was limited.

Trade policy had an important role to play in the common endeavour to restore stability and growth in the developing countries in Asia that were grappling with financial difficulties. The best indication that the international community had confidence in the economic recovery of Asia would be a clear commitment to pursue further comprehensive trade and investment liberalization.

The Asian crisis showed that trade policy could no longer be divorced from macroeconomic and other policies and underscored the need to promote greater coherence in global economic policy-making. Enhanced cooperation between WTO, the Bretton Woods institutions and the United Nations was crucial in view of the interactions between trade and monetary and financial policy. WTO should further reflect on how to improve coherence between its activities and broader needs and concerns in the global economy. There was also a need for further progress in making trade and environment policies mutually supportive. Trade and environment policy-makers should engage in a positive dialogue to explore means of enhancing the contribution of an open trading system to achieving the objectives of sustainable development.

Transparency was an essential dimension of the relationship between trade and sustainable development. It was more necessary than ever to engage in an open discussion with all groups of civil society in order to build up support for an open multilateral trading system. The European Union intended to submit ambitious proposals to WTO aimed at enhancing transparency and facilitating a dialogue with organizations of civil society.

The challenge was to develop a comprehensive agenda for further liberalization which reflected the interests of all WTO members and was able to deliver results within a short period. He called upon the Union's partners, including the developing countries, to be proactive in setting their priorities for a new multilateral round of trade negotiations. The European Union would actively contribute to efforts to ensure a successful outcome of the 1999 WTO Ministerial Conference.

Mr. HODA (World Trade Organization) said that there were still important policy challenges in the area of market access. Regional arrangements which had been an important vehicle for opening markets in a number of regions, could help countries develop and diversify their production base and could represent an intermediate step before they considered further integration into the multilateral trading system. However, in order to obtain beneficial effects in the long run, the parties to such agreements must continue to liberalize in a fully multilateral context. Regional trade liberalization must supplement multilateral liberalization.

A major challenge facing the international trading system was to ensure that all countries benefited from the system. All trading nations shared

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responsibility in that regard. For the countries affected, mostly the least developed countries, the challenge was to create a political, economic and social framework that fostered growth and development. Their trading partners must guarantee full market access to the least developed countries.

Accordingly, the WTO Director-General had proposed that the industrialized countries should unilaterally grant unrestricted duty-free treatment to their exports on a preferential basis and they had made some progress in achieving that objective. Affirmative action for the least developed countries, however, must go beyond liberalized market access if the threat of marginalization was to be averted. Improved market access must be accompanied by action to help those countries overcome their domestic production constraints, build human and institutional capacities and move into high value-added export activities. The integrated framework for trade-related technical assistance to the least developed countries was designed to provide better technical assistance with increased resources to help those countries enhance their participation in the trading system.

The WTO members would shortly embark on the consultative process for making recommendations on the implementation of the WTO agreements and work programme, including negotiations on agriculture and services which were already mandated. Decisions would have to be taken on whether to enlarge the scope and modalities of negotiations. Whatever modality was chosen, it was quite clear that the new market access negotiations could and would be to the benefit of all countries.

Mr. RI (Democratic Republic of Korea) said that, at the preceding meeting, some speakers had referred to one side of the Korea peninsula as Korea. That might give the mistaken impression that one side represented the entire peninsula. Accordingly, his delegation wished to point out that Member States should be referred to in accordance with the relevant rules of procedure of the United Nations.

The meeting rose at 6.20 p.m.