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Held at Headquarters, New York,
on Tuesday, 7 July 1998, at 10 a.m.

President: Mr. SOMAVIA (Chile)

CONTENTS

The meeting was called to order at 10.15 a.m.

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 (continued) (E/1998/50 (Sect. 2), E/1998/55)

Mr. CHOWDHURY (Bangladesh), speaking on behalf of the least developed countries (LDCs), welcomed the report on that issue prepared by the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) (E/1998/55), which was proof of the close coordination between the two bodies. In that regard, he associated himself with the statement made by the representative of Indonesia on behalf of the Group of 77 and China at the previous meeting. The report rightly emphasized that market access barriers were considerably higher for products with lower technological content, a category into which most exports of LDCs fell. Trade was the most effective tool for development, yet the weakest members of the world's economy faced the largest obstacles in that regard. While industrial exports from the LDCs were almost wholly liberalized in many developed countries, such exports were few because of low levels of industrialization in those countries, which were traditional producers of the primary, unprocessed goods to which high peak tariffs continued to be applied in all major markets. Consequently, LDCs continued to account for less than 0.4 per cent of world trade, and their trade expansion rate lagged far behind that of other developing countries.

Although the LDCs had benefited from schemes under the Generalized System of Preferences (GSP), GSP exclusion and peak most-favoured nation (MFN) duties still applied to most textiles, clothing and leather products, which were among the few exports of many such countries. The Uruguay Round had called for the easing of trade barriers, but many such measures were not compulsory, had proved grossly inadequate or had been extended to LDCs only after considerable delay. Moreover, the consequences for LDCs would be disastrous unless the deadlines for special and preferential measures were removed, an issue which should be taken into account in future trade negotiations.

In order to overcome their continued marginalization, the LDCs required substantially increased financial and technical resources. He was deeply concerned at the reversal of aid flows and at the continued heavy debt burden borne by those countries, particularly at a time when the Asian crisis threatened their development prospects. Such assistance should be provided on preferential terms and should focus on infrastructures, telecommunication networks, human development, diversification of exports and increased supply capacity. In that regard, he welcomed the cooperation undertaken by UNCTAD, WTO, the International Trade Centre (ITC), the United Nations Development Programme (UNDP), the World Bank and the International Monetary Fund (IMF) in order to provide LDCs with technical assistance through the Integrated Framework for Trade-related Technical Assistance.

He made several proposals for concrete action, including full implementation of the plan of action for the LDCs adopted at the WTO Ministerial Conference held in Singapore in 1996: provision of duty-free access to all products and removal of all quantitative import quotas for the LDCs as a group; elimination of tariff escalation on major export commodities; removal of textile import restrictions on all LDC exports, whether or not the exporters were members of WTO; banning of product-specific restrictions on LDC imports; elimination of deadlines for preferential treatment; dissociation of preferential schemes from labour or phytosanitary standards in conjunction with a programme to support national efforts to meet those standards; reversal of current official development assistance (ODA) trends through a substantial increase in the level and quality of aid to LDCs and decisive resolution of the unsustainable LDC debt burden. Without such support from their development partners, efforts made by the LDCs themselves would have little chance of success.

Mr. NIELSON (Observer for Denmark) said that Denmark associated itself with the statement made by the Vice-President of the European Commission on behalf of the European Union at the previous meeting.

Because the 48 LDCs accounted for only 0.4 per cent of world exports, sectors where they had a comparative advantage deserved particular attention. But market access could not bring about the integration of developing countries into the global trading system unless it was accompanied by an improvement in their human and institutional capacities through trade-related technical and financial assistance. His Government therefore attached great importance to the follow-up to the high-level meeting on least developed countries held at Geneva in October 1997. The multilateral institutions had a special responsibility to promote private investment in those countries and to facilitate their participation in trade policy reviews. To that end, follow-up to the high-level meeting must be properly coordinated and its Integrated Framework fully used. In that regard, Denmark had helped to finance capacity-building initiatives in the LDCs and had opened an office for the promotion of imports from developing countries.

The private sector and private capital flows played a crucial role in the growth of production sectors and the transfer of information that was essential to the integration of developing countries into the global trading system. Since 1986, private flows to developing countries had increased five-fold and had accounted for 87 per cent of all external flows to developing countries in 1996. Many industrialized countries had taken measures to encourage such investments. For example, Denmark had implemented a new private sector programme which focused on smaller companies and required greater involvement of the Danish partner in their daily operations. However, the overwhelming share of private flows was directed to only 12 countries.

For that reason, ODA remained essential, and the target of 0.7 per cent of gross national product (GNP) had lost none of its relevance. ODA ensured flows to countries that were too poor to mobilize domestic resources and therefore found it difficult to attract foreign direct investment. It could also serve as a catalyst for private flows and could finance development in sectors not reached by private flows, including capacity-building in the areas of health, education and good governance.

Globalization and free trade were facts of life. But, unless they were accompanied by solidarity, their benefits would be confined to the powerful and affluent while the weak and poor would be marginalized. That was why the Programme of Action of the World Summit for Social Development must become a reality. Market forces might be efficient in allocating scarce resources, but they could not be left to function without regulation. There was a need for an international system or governance comprising both government and the private sector and entailing not only economic, but also ecological, social and political responsibilities.

Mr. ANANI (Jordan) said that the issue of market access greatly preoccupied developing countries, since market liberalization led to falling incomes and rising unemployment in the short to medium term. Therefore, a gradualist approach had been adopted to give the developing countries time to bolster their competitive position, improve production capacity and move towards privatization and elimination of price controls and quotas.

Free trade ultimately strengthened export capacity and resulted in steady export-led growth. Without access to markets, developing countries risked higher levels of unemployment and poverty. Experience had shown, however, that the determining factor was not exports but rather the size of the developing country and its ability to attract investments on the basis of the market opportunities it offered. Despite all the talk about market access, developing countries, particularly small States, were still at a disadvantage.

Jordan had experimented with liberalization, decentralization, elimination of controls, reduction of customs tariffs, export development and capacity-building. The results had been disappointing overall, because other markets had remained closed to it in a variety of ways.

His Government firmly believed in liberalization, globalization and an open economy and appreciated the progress that had been made since the Uruguay Round and the signing of the Final Act and its Protocol. It had strengthened local production capacity and Jordanian firms were encouraged to obtain ISO 9002 and ISO 14000 certificates. His Government hoped to accede to multilateral trade agreements and had already signed an association agreement with the European Union as well as a free trade area agreement under the auspices of the Arab League.

Mr. RIKALOVSKI (Observer for the former Yugoslav Republic of Macedonia) said that the theme of the 1998 high-level segment deserved attention not only because of its impact on economic relations and development, but also because of its political implications at the global and, in particular, the regional level. Although the importance of globalization and trade liberalization was universally accepted, many barriers not only remained, but were being strengthened by increasingly sophisticated methods inconsistent with the generally accepted rules of conduct and trade obligations. Economies in transition were particularly vulnerable to such protectionism because, owing to the reduction of their former domestic markets, their only chance for development lay with increased participation in external markets. The international community must, therefore, find effective ways of eliminating such practices.

His Government had adopted an economic strategy that involved a transition to a market economy through reform of the economic and social sectors aimed at stimulating privatization of State-owned capital. The success of that process had been confirmed by IMF and the World Bank. His country's newly introduced system of customs duties had been harmonized with that of the European Union, and very few products remained subject to import approval. His Government had signed free trade agreements with Slovenia, Croatia and Yugoslavia and had abolished customs duties on trade with Bosnia and Herzegovina. Similar negotiations were under way with Albania, Bulgaria, Romania and the European Free Trade Association (EFTA) countries. The process of economic cooperation in the region would promote political stability and the Europeanization of the Balkans and could be accelerated and strengthened by greater involvement of the relevant United Nations bodies.

His Government attached great importance to its relations with the European Union, of which it hoped to become a member in the near future. Furthermore, it was unfortunate that, two years after submission of his country's candidacy for membership in WTO, the memorandum for its accession to that body had not yet been circulated. His Government expected that that situation would be rectified so that the usual procedures for admission to WTO could begin as quickly as possible. It was in the interests of the developed as well as the developing countries that WTO regulations should be consistently and universally applied and that the remaining countries should be admitted to membership.

Mr. SHREE CHAN (Guyana) said he hoped that the statements made at the previous day's policy dialogue with the heads of financial and trade institutions would be issued as a separate document.

In the aftermath of the Cold War, globalization and trade liberalization offered both opportunities and challenges. However, he wondered whether those opportunities were open to all and whether the so-called challenges were not a euphemism for the effective marginalization of small States such as his own. It was said that since the establishment of the General Agreement on Tariffs and Trade (GATT) 50 years earlier, trade had increased sixteen-fold, worldwide growth and living standards had risen, poverty had been reduced more radically than in the previous 500 years and per capita income was expected to rise by 270 per cent in the developing world and 80 per cent in the developed world by the year 2020. Yet, the 1997 Human Development Report revealed that over a quarter of the developing world's people still lived in poverty and over 50 per cent of the world population had less than 5 per cent of the global income.

Small countries had yet to reap any dividends from globalization and risked being marginalized from the world economy. Their narrow export base and limited production capacity made it difficult for them to compete in the global marketplace, and multinational corporations preferred to direct their flows to larger countries. At the same time, the ODA target of 0.7 per cent of GNP had not been implemented for lack of political will. Small developing States continued to be denied the rapid technological progress evident in the wider world, and therefore risked a slowdown in growth and a rise in poverty. WTO free trade rules denied them preferential access to important markets such as the European Union, and the GSP expansion had eroded preferential treatment and signalled the end of trade incentives for small economies.

Owing to protectionist practices, Caribbean banana producers faced non-tariff barriers in some markets of the European Union, and access of Guyanese timber exports to North American markets was threatened by concern for the preservation of tropical forests even though careful management and conservation practices were in place in Guyana. Such obstacles to developing countries' rational use of their natural resources was a question which should be addressed by WTO, which had the primary responsibility for overseeing free trade. Developing countries should not be forced into premature adoption of the rules of the globalized system; adequate transition measures were required in order to avoid the hardships of strict regulation. Moreover, to ensure protection of their interests, developing countries must be more deeply involved in the WTO decision-making process. UNCTAD remained indispensable to the effectiveness of those countries' negotiations, and the Council and General Assembly must ensure the equity and transparency of the global trading system. He therefore urged the industrialized countries to restore and increase ODA levels, offer more debt-reduction and cancellation measures and support fair commodity prices so that small economies such as that of Guyana could integrate into the rapidly changing global trading system.

Mr. RODRÍGUEZ GARCÍA (Cuba) said that it was impossible to analyse the current complex world trade conditions just by looking at the achievements of the Uruguay Round and its implications for the underdeveloped countries; one needed to look further, into the globalization of economic activity. Globalization was an objective response to the internationalization of the capitalist system’s production process, which had begun a century earlier and was currently accelerating thanks to modern communications and transport technologies. The increasing interdependence of the world’s economy over the post-war period was thus reflected in its trade patterns.

Those patterns demonstrated a feature of trade that was of particular importance for the third world countries but which appeared to have been forgotten: to act as a stimulus to economic activity, trade must go hand in hand with development rather than counteracting it, thus perpetuating backwardness and some countries’ exploitation of other countries. Whereas the United Nations Conference on Trade and Development had been established in 1964 to ensure that trade was used positively, and had been behind the far-reaching changes in international trade in the 1960s and 1970s, neither the World Trade Organization nor its predecessor, the General Agreement on Tariffs and Trade, had proved capable of properly integrating the third world’s demands for development into the trade policies they promoted. The problems involved in using trade to lever development remained unsolved and were even becoming more serious, however hard the world pretended to ignore them.

The fundamental factor behind the deterioration in developing countries’ terms of trade was the erosion in commodity prices. That erosion had been largely responsible for the increase of about 6 per cent per year in the third world’s indebtedness between 1989 and 1998. The continuing downward trend in ODA was a secondary factor.

Against that background of deterioration, there had been many rounds of negotiations over the past 50 years aimed at a form of trade liberalization that would take participating countries’ unequal levels of development into account. The results had been far from stimulating for the least developed countries, the more so in the past 15 years during which neoliberalism had become the predominant economic policy. In the trade deregulation free-for-all, the protection which the third world’s products needed had dropped off the agenda in favour of a "level playing field" that took down tariff barriers entirely, replacing them by other, more subtle forms of protectionism that were discretionary and politics-based, i.e. discriminatory and unjust.

Whereas the Uruguay Round had in general resulted in improved access to markets, most of the benefits had been reaped by the developed countries, which showed no interest in applying the agreements reached to areas of sensitivity for the developing countries. Labour standards were worth looking at in that context, because freedom of movement was not a recognized freedom when it came to labour markets: when it was claimed that low wages in the underdeveloped world were in fact subsidies, third world workers found that even their doubtful advantage of being poorer and weighing less in the cost equation was stripped from them.

Amongst the many frustrations and contradictions in international trade had been the major agreements reached in 1997 within WTO on liberalizing trade in basic telecommunications services, information technology and financial services, areas in which the developed countries, the United States of America in particular, were predominant. Integrationism between the developed countries was obviously stimulating trade between them and bolstering their economic might, their unity and their negotiating powers, whereas in the mid-1990s, the underdeveloped countries had been at the bottom in terms of interregional trade.

Institutionalized State integrationism had been merely part of the process of transnational integration over the past 25 years: States no longer regulated trade as transnational corporations basically did it for them through the market. Another aspect of that phenomenon had been the impressive growth of financial speculation in recent years, thanks to the deregulation of the financial markets and the lack of control over the international monetary system.

The financial crisis in South-East Asia showed what could happen when imaginary capital began to have so little to do with the real economy that it left room for speculators to swoop and destroy in a few days wealth that had been built up over years. Thus, a deep-seated crisis was becoming manifest that was more than just a market adjustment and would have unforeseeable consequences not only for trade but for the whole global economy.

Globalization was also reflected in increasing direct investment flows that could either stimulate or depress international trade. However, there was no getting away from the deregulatory pressures of neoliberalism. The volatility of direct investment capital and its role in increasing financial speculation had led to moves towards a multilateral agreement on investments within the Organisation for Economic Cooperation and Development (OECD) with almost no participation of developing countries. Under the agreement, not only would international financial flows increase, they would be turned into a new tool for exerting pressure and domination.

Essential aspects of the Helms-Burton Act would be included in the agreement, which would form part of the unprecedented economic war that the United States of America was waging against Cuba. While Cuba shared other developing countries' difficulties in gaining access to markets and conducting foreign trade, it had also been under blockade for 37 years, despite the condemnations of the General Assembly. In that connection, Cuba could not accept the understanding recently negotiated between the United States and the European Union. Whereas it was claimed that the understanding would resolve a dispute between the United States and the European Union, it was Cuba that would bear the cost; the understanding showed that United States policy towards Cuba - attempting to annihilate the Cuban people by famine and disease simply because of the political system they had chosen on 1 January 1959 - continued. Although the economic cost to Cuba of the blockade could be set at some $60 billion, no price could be set on the suffering it had caused.

The blockade should be lifted completely and unconditionally as it was an unacceptable use of force, ethically inadmissible and in violation of the most basic norms for international coexistence.

Despite the blockade and its other difficulties, Cuba had begun its recovery not just in order to survive but to rejoin the global economy while sharing, on the most equitable basis possible, in the impact of the crisis. Given the predominance of neoliberal globalization worldwide, Cuba had had to accept its inevitable costs and painful realities. However, Cuba had not abandoned its dreams; it had simply postponed them. It had maintained its independence and its sovereignty but had not sacrificed its principles.

He expressed the hope that his comments would lead to an examination in their entirety of the complex trade problems besetting the underdeveloped countries, and that that examination would help deal with the crisis in the world economy in general and with the problems of the third world, of which Cuba was part, in particular.

Mr. ROSENBAUM (United States of America) said that although there was universal agreement on the importance of promoting exports, there was no such consensus on the value of imports. American consumers rarely distinguished between domestic and imported products, a fact which helped to explain the country's trade deficit. The Constitution had enshrined unrestricted domestic trade as an economic cornerstone of the new nation, and his Government had carried those principles into the international marketplace by championing trade liberalization and vigorous, open competition. In some countries, however, there was a cultural prejudice against imports which Governments sometimes exploited, declaring their purchase to be unpatriotic or subversive.

A study of tariff levels and non-tariff barriers gave an incomplete picture of the forces that determined market access. Factors such as exchange rates, transportation costs, decisiveness and levels of protectionism could make it impossible for potential exporters to exploit even the most liberal of markets. For example, sub-Saharan Africa, with the largest concentration of LDCs, had an average tariff rate of 28 per cent, the highest in the world. There was also a need for an enabling environment, including domestic policies to encourage investment in human and physical capital and infrastructure, and for the ability to satisfy the price and quality requirements of foreign buyers.

Although further liberalization of United States import policies was possible, the country's average duty was already less than 4 per cent, and most of the imports of developing countries were covered by tariff preference programmes. Quotas in the textile sector were being phased out in accordance with commitments made during the Uruguay Round, and there were few other non-tariff barriers. Moreover, despite high tariffs on apparel and shoes, imports of those products had captured over 55 per cent and 85 per cent of the domestic market, respectively. However, market accessibility did not ensure success since domestic producers and exporters must compete as to price, quality and delivery time. If importers could develop a market in the United States, they were likely to be competitive elsewhere. The real problem for developing countries was not market access but the high degree of competition.

Trade balances were one way of measuring market access, and in that connection the United States ran an enormous trade deficit with developing countries: with only 4 per cent of the world's consumers, it bought 20 per cent of the developing countries' exports. Thus, the United States economy was vibrant enough to provide jobs both at home and abroad. Had it been stagnant or declining, access to it would not have been of much value to the developing countries.

The United States was committed to helping the LDCs take advantage of trading opportunities, although to integrate them successfully into the international trading system would require all countries to participate and assist, whatever their income level. The role of the LDCs themselves and their neighbours was particularly important. He was gratified that so many developing countries had pledged under WTO auspices to help the least developed, but less gratified that so many relatively prosperous developing countries had shown so little interest.

The benefits of GSP programmes were going disproportionately to a handful of the most competitive developing countries, which should pass on those benefits to their less competitive, least developed neighbours by opening up their own markets to them.

The United States Administration was promoting the passage of the African Growth and Opportunity Act, which would authorize duty-free treatment for some products, particularly textiles and apparel, from African countries that were currently excluded by statute from the United States GSP programme. Beneficiaries of the Act would be exempt from textile quotas, preferences would be extended for 10 years and regional cumulation would be permitted under the United States GSP rules of origin. The Act also contemplated eventual negotiation of trade agreements with sub-Saharan countries and provided for non-market-access tools to assist them in such areas as trade capacity-building, implementation of market-based economic reforms, membership in WTO and effective implementation of their obligations under WTO agreements.

There was little point in improving market access for countries that were consumed by violence. Although there had been clear economic progress in sub-Saharan Africa, it was fragile: sub-Saharan economies were fragmented and weak and transportation costs, taxes and tariffs were high, as were the rates of poverty and infant mortality, while literacy rates and life expectancy were low. However, across a region of 600 million people, Governments were taking a new look at their policies, justifying belief in Africa’s economic promise. Even so, the violence would have to be taken out of politics for any economic initiative to work, because such initiatives needed open policy debates and impartial judicial rulings.

Mr. FERNÁNDEZ (Chile) said that the current crisis must not be allowed to hold back international negotiations or regional and national measures to liberalize trade further and open up access to markets, because the multilateral trade system, based on universal rules of non-discrimination, had already contributed to economic growth, increased employment and international stability. However, although the negotiations now covered almost every aspect of trade and investment, progress was needed to ensure that the benefits of increasingly fair and transparent trade were reflected, equitably, in the worldwide prosperity of workers, producers and consumers alike.

In recent years, Chile had opened up its markets and was seeking improved access for its exports, multilaterally by bringing down and consolidating tariffs and bilaterally and regionally through negotiations towards achieving free trade with countries and trade groupings in its region; intraregional trade had expanded and diversified significantly as a result of such negotiations.

The goal for the Americas was a free trade area from Alaska to Cape Horn, on which negotiations had begun; Chile was open also to other regional economic integration initiatives such as the Asian-Pacific Economic Cooperation Conference and the European Union; it had already signed a framework agreement with the latter. It was also interested in seeing negotiations between the European Union and other Latin American countries succeed, as they would lay the groundwork for a major interregional economic and trade agreement between Latin America and Europe.

Chile believed that all the bilateral and regional agreements it had entered into were compatible with and complementary to the general WTO system and contributed towards a future free trade area in the Americas, relations between Latin America, Europe and Asia, and, in the near future, with Africa.

Whereas international trade law had progressed substantially, much remained to be done that would require the support of all members of the international community, particularly in areas where progress had been slow; also, many members would need international assistance to comply fully with the Final Act of the Uruguay Round.

The excessive emphasis placed by some Governments on sectoral negotiations was worrying in that it tended to increase existing asymmetries in international trade, especially when the sectors in question were of interest to the world's major trading Powers. In such cases, small countries' negotiating strength was dwarfed. Trade negotiations should not a priori exclude any economic sector or activity, and all trade should be governed by the same rules.

Future negotiations within WTO should extend the process of tariff reduction and consolidation, with special attention to tariff escalation and tariff peaks because they held back growth in developing countries' industrial activities that might otherwise achieve international competitiveness. Also, there should be a quick end to other types of trade barrier, including international anti-competitive practices, because success would mean a better regional distribution of the benefits of globalization.

The new round of negotiations would not be complete if it did not deal with the shortcomings and distortions in world agricultural trade resulting from excessive aid programmes and increasing export subsidies. His Government believed in supporting and developing rural life to prevent a massive exodus to the cities, but that aim would be better and more transparently served by subsidizing or supporting rural people or farmers directly rather than by subsidizing farm inputs or products and as a result generating trade distortions that openly offset comparative or competitive advantages elsewhere. After all, the future of the developing countries would lie in being able to export their products free of the shackles that gave the lie to expressions of political will for worldwide open and free trade.

Much had been said about cooperation for development, and in that connection he recalled a phrase from the 1970s: "aid by trade". The phrase had fallen from grace since then, but should be resurrected because the concept could be a major tool for development. There could be no better cooperation extended to developing countries than allowing them to produce and export without fear of being kept out of markets by third parties.

Mr. ARANEO (Observer for Uruguay) said that the structural reforms Latin America had undertaken had enabled the region to join the globalized economy, open up its markets and enter into subregional economic integration processes. The positive effects of increased gross domestic product (GDP), lower inflation and easier management of foreign debt were offset by such growing social deficits as marginalization and unemployment.

The countries of the Southern Cone Common Market (MERCOSUR) had achieved a stable macroeconomic framework capable of stimulating faster economic and social development and enabling the MERCOSUR countries to open up their markets: intra-MERCOSUR trade had increased five-fold since the foundation of MERCOSUR in 1991, while trade with the rest of the world had more than doubled. The regional integration process was an open one: MERCOSUR was engaged in negotiations for free trade areas, complying with WTO norms, in the Americas and with the European Union.

As a result of adjustment policies, Uruguay's GDP had risen significantly while inflation had fallen to manageable levels. Uruguay had also managed not to neglect the sensitive and essential areas of education, health and social security, enabling it to achieve for 1998 one of the highest human development indexes of any developing country.

Uruguay's principal concern about the Uruguay Round related to implementation. He believed that WTO was aware where the main tariff and non-tariff barriers to free access to markets lay and, in that regard, hoped that the commitment of WTO to begin negotiations on agricultural trade in 1999 would be reaffirmed, as agriculture was Uruguay's primary economic activity, both domestically and in terms of its foreign trade.

The first necessary step towards achieving proper access to markets for developing countries' agricultural products would be to bring down tariffs, particularly tariff peaks. Such peaks could sometimes reach 600 per cent, which was absurd in a world supposedly devoted to free and open trade. Second, domestic price support mechanisms would have to go, as they distorted production and trade, and the so-called "Green Box" mechanisms would have to be adjusted to prevent their being used as an alternative. Third, all export subsidies should be eliminated, whether for industrial or agricultural products, because of their distorting effect on the international market. Given that the OECD countries' subsidies to agriculture exceeded the total value of Latin America's exports, liberalizing agricultural trade would advantage not only exporting countries but also net food importing countries and their consumers, because the resources they were currently spending on subsidies would be freed for economic and social development and increased cooperation.

Mr. ÖZCAN (Turkey) said that GATT had provided a foundation for further trade liberalization within a transparent and rule-based multilateral system. He expressed optimism that such a system could be achieved following the successful conclusion of the Uruguay Round and the establishment of WTO and hoped that such obstacles as tariff barriers and unequal market access would be overcome so that developing countries would enjoy a more secure and broad-based trade liberalization process.

His Government was strongly committed to free trade and fully supported the establishment of a liberal international trading system based on free competition, non-discrimination and the elimination of barriers. It had fulfilled all its commitments under the Uruguay Round agreements and urged that every member of the Council should do likewise. In that context, due consideration should also be given to the special needs of the developing and least developed economies, whose integration into the multilateral trading system was important for global trade expansion as well as for their own development. His Government attached great importance to preventing the marginalization of such economies and fully supported the implementation of the plan of action to improve their market access conditions and trading opportunities, as agreed at the WTO Ministerial Conference in 1996. It had already implemented its own preferential tariff regime to provide favourable market access for the least developed countries, and it was also determined to provide technical assistance and capacity-building programmes to such countries.

His Government looked forward to the implementation of commitments in the area of the General Agreement on Trade in Services (GATS) and welcomed the successful conclusion of recent negotiations on financial services. Moreover, it was participating in the recently initiated deliberations of the working group on the relationship between trade and investment.

Mr. MAURETTE (Argentina) said that, while the recent development of world trade had been generally positive, resulting in a better distribution of global resources, broader competitiveness and efficiency and expanded investment opportunities, certain negative aspects and socio-economic distortions persisted, which were due in large part to the liberalization of trade. The international community should work to ensure that trade liberalization was viewed not simply as an end in itself, but as a fundamental element in a complex of policies designed to provide lasting improvement in living conditions throughout the world, especially for the 1.5 billion people still living in poverty.

In its 50 years of existence, the multilateral trading system had contributed to growth, employment and general stability, but much remained to be done in order to ensure that all the world's peoples fully participated in its benefits. Industrialized countries continued to apply high protective tariffs and other special treatment to the exports of developing countries, especially agricultural products, textiles and apparel, thereby distorting those countries' economic and industrial development and depriving them of possible new sources of income. Such measures were intended to protect declining or uncompetitive industries in the industrialized countries from the products of developing countries, whose lower costs and environmentally friendly production methods were perceived as threatening. Many developing countries had doubts about the benefits of trade liberalization, especially as they faced the domestic economic problems it engendered and the protests of social groups displaced or marginalized as a result of it. Appropriate domestic economic and social policies were needed to ensure that all sectors of society shared in the benefits of trade expansion and economic growth, and that trade, investment, environmental, educational and social policies at the national level were coordinated to that end.

Despite such doubts, his Government believed that further trade liberalization was the sole viable alternative, and it reiterated its commitment to the broadest possible distribution of the benefits of the multilateral trade system, especially for developing member States, and to the effective implementation of ministerial decisions regarding the least developed countries. It welcomed the agreement reached at the Second WTO Ministerial Conference regarding the upcoming round of negotiations on agriculture and the decision to work with IMF and the World Bank to improve the formulation of international economic policy so as to maximize the open trade system's contribution to the stable growth of economies at all levels of development. The international community had before it a vast programme of cooperation and assistance to developing countries, designed to confront the challenges presented by trade liberalization and grasp the opportunities arising from it; establish efficient internal systems to facilitate access of products to international markets; readjust its institutions and laws to meet international health, quality, safety and environmental-impact requirements; and ensure that capital flows and direct foreign investment would contribute to stable and sustained growth.

MERCOSUR, of which Argentina was a member, adhered to a vision of open regional trade in which the customs union served as a means of facilitating the participation of its members in global trade. It had held negotiations designed to set up a free trade area with the Andean Community and throughout the Americas. Latin America as a whole was the most dynamic import market in the world, and would continue to make significant contributions to trade liberalization through coherent national policies and other actions to ensure stable and sustainable growth, as well as the participation of society as a whole in the system of production and trade.

Mr. AMORIM (Brazil) agreed with the Secretary-General that there was an immediate need for the Council better to fulfil its unique role in the macroeconomic policy dialogue. He cited the commitment of WTO members, renewed at the Second Ministerial Conference, held in Geneva earlier in 1998, to achieving the progressive liberalization of trade in goods and services, ensuring that the benefits of the multilateral trading system were extended as widely as possible, fully implementing WTO agreements and decisions, responding to the particular trade interests of developing countries, and urgently addressing the marginalization of the least developed countries.

As stated in the report prepared by UNCTAD and WTO (E/1998/55), despite efforts undertaken during the Uruguay Round and the increased momentum of negotiations on services and investments, protectionism persisted and a battery of tariff and non-tariff barriers continued to apply in sectors of export interest for developing countries. Accordingly, full implementation of the Uruguay Round commitments remained a paramount objective.

Developing countries continued to make important contributions to liberalizing international trade, and most were making enormous efforts to open up their own markets and launch privatization programmes, despite lingering doubts about such programmes' sustainability. As an example, Brazil had significantly lowered its tariffs and exposed its domestic industry to import competition, resulting in increased imports. Exports to Brazil's major developed trading partners had not increased at nearly the same pace, however, and its trade deficits with them persisted. Meanwhile, Brazil continued to vigorously pursue its privatization programme and had achieved skyrocketing rates of foreign direct investment as a result.

Mr. QIN Huasun (China) said that the growing interdependence of national economies had increased the need for an equitable, rules-based and non-discriminatory international trading system. However, the Uruguay Round agreements mainly benefited the developed countries, while the needs and interests of the developing countries had not been fully accommodated and those of the least developed countries had been largely ignored. Moreover, the implementation of agreements related to market access had encountered a series of problems, including new hurdles raised by developed countries against imports of textiles and clothing from developing countries; the selective expansion of trade liberalization to include new areas such as the services sector without regard to the present level of development of many developing countries; the use of tariffs, "green" protectionism and labour standards to undermine the comparative advantages of products from developing countries; increasing demand for full reciprocity in violation of the principle of special and differential treatment for developing countries; and delay in admitting new members because of political considerations or in order to reap maximum benefits.

To resolve such problems, China urged that the economic development goals of developing countries should be fully respected; the developed countries should scrupulously honour their Uruguay Round commitments to improve market access for developing countries; WTO should concentrate on implementing the Uruguay Round agreements regarding market access; and developing countries should strengthen their coordination, enhance their capacity for participating in the multilateral trading system and develop strategies for defending their legitimate rights and interests.

China had been a full participant in the Uruguay Round and would fully implement the Uruguay Round agreements when it became a member of WTO. In the past 12 years, it had made tremendous efforts to open up its market, lower its tariffs and reduce its non-tariff measures. It had also formulated a plan to open up its service sector once a member of WTO. However, negotiations on China's accession to that body had dragged on owing to the unreasonable demands of a few members for further concessions. Yet, its accession would enhance the universality and balance of the multilateral trading system, which would be in the interest of China's trading partners as well as of China itself.

Mr. DE LA PEÑA (Mexico) said that Mexico's integration into the world economy, particularly following its accession to GATT in 1986, had enabled its external sector to become the main engine of growth and of job creation. In 1997 exports had represented nearly one third of GDP. In respect of total trade, Mexico held eighth place in WTO and first place in Latin America. In addition to its participation in the North American Free Trade Area (NAFTA), Mexico had free trade agreements with Bolivia, Chile, Colombia, Costa Rica, Nicaragua and Venezuela, and was negotiating agreements with other Latin American and Caribbean countries and with the European Union and Israel.

At the next WTO Ministerial Conference, it would be important to define the substantive topics of most relevance to the developing countries, and the rules of negotiation which would best protect their common interests. To that end, the "built-in agenda" of the Uruguay Round might need to be expanded.

Mexico believed that sectoral negotiation did not protect the interests of the developing countries, or indeed of the multilateral trading system. By lifting tariffs on finished products while maintaining tariffs on inputs, sectoral negotiations created distortions in the chain of production of the sector concerned and of other sectors which depended on those products as inputs; they also caused imbalances, since the countries with the strongest economies chose the sectors in which tariffs were to be eliminated, leaving aside other sectors. Moreover, since sectoral negotiations tended to reflect the export interests of the countries with the largest economies, once those interests were satisfied, there was little desire to take up areas of concern to the developing countries. His Government believed that the "built-in agenda" was necessary, but not sufficient. In both agriculture and services, Mexico, like many other developing countries, was essentially an importing country; it therefore preferred an expanded built-in agenda which would enable it to receive benefits in its areas of interest to offset what it was prepared to concede in other areas.

The inclusion of non-agricultural products would also help reduce the difference between the most-favoured nation tariffs of WTO and the preferential tariffs applied by the members of regional agreements, consolidate liberalization measures in exchange for better access to the main import markets, and contain neoprotectionist pressures. International trade was not the cause of the crisis, but it should be an important component of its solution.

The negotiations should cover questions relating to the implementation of the WTO agreements; the topics included in the "built-in agenda"; follow-up of the decisions taken in the WTO ministerial declaration; and negotiations on access to markets for industrial products. From the procedural point of view, all the topics should form part of a single package, regardless of the mandate agreed upon for each of them. His Government believed that those two components would be the best guarantee that all the topics were taken up and considered on an equal basis.

Mr. KONISHI (Japan) said that a free and open multilateral trading system had laid the foundations for world economic prosperity and that WTO had played a leading role in that process. It was very encouraging that, in the face of the recent economic crisis in Asia, participants in the recent WTO Ministerial Conference had reconfirmed their support for the multilateral free trading system. Efforts must be made to promote further liberalization in order to achieve and maintain vigorous world economic growth.

Japan was fully aware that its economic recovery would have an essential bearing on the economic stability of other Asian countries and on the world economy as a whole. On 24 April 1998, his Government had announced an unprecedented economic stimulus programme, entitled "Comprehensive economic measures", to which it was allocating a total of more than 16 trillion yen. It was determined to stabilize its financial system and bring about economic recovery.

Global economic prosperity must be pursued in such a way that all countries fully benefited from the free trading system. To that end, developing countries must diversify their products and enhance their competitiveness, and developed countries must assist them by opening their markets sufficiently to the products of developing countries. For its part, Japan accorded duty-free treatment to all products from the least developed countries listed under the GSP and was considering further improvements, including simplification of the procedure for certification of origin. Japan believed that trade and market access were of great importance in securing financial flows for the economic growth of developing countries; foreign direct investment was an important complement to official development assistance. Socio-economic infrastructure, in terms of both hardware and software, was equally important. The development strategy must include all those relevant factors, and should promote ownership of the development process. Japan would host the Tokyo International Conference on African Development II as part of an effort to apply the new development strategy to the countries of Africa.

In order to integrate developing countries into the world economy, it was important to build trade capacity through the development of human resources and institutions. Good civil administration required dedicated and capable civil servants, and the private sector needed innovative ideas and the highest level of managerial ability. At the same time, an environment that would foster free economic activities, with a transparent legal system, efficient administrative organization and a strong entrepreneurial spirit, was indispensable. Capacity-building meant both the capacity to produce what the market demanded, and in that respect South-South cooperation could be quite successful, and the capacity to sell those products, which required the necessary transportation infrastructure and speedy customs procedures. Japan had been carrying out a number of human development and institution-building cooperation projects that should enhance the trade of developing countries and promote their access to markets.

As the world economy became increasingly interdependent and globalized, the prospects for trade among developing countries were improving and could be further enhanced through the conclusion of regional trade agreements, as well as the adoption of the GSP by the more advanced developing countries and of the Global System of Trade Preferences (GSTP) by developing countries in general. Such regional arrangements should conform with and supplement the multilateral trading system and should contribute to its reinforcement.

Japan had been working actively on the issue of trade and the environment. On 17 and 18 March, at the initiative of Japan and some other countries, the WTO secretariat had held a symposium on trade, environment and sustainable development. The durable expansion of the world economy could only be realized in conformity with environmental sustainability.

Mr. HACHANI (Tunisia) said that globalization had helped accelerate the universal integration of markets for goods and services and, to some extent, of capital and technologies. The growing interdependence of States had increased the impact of macroeconomic decisions on the world economy; measures adopted by one group of countries directly affected the economic growth and well-being of the rest of the world. A strengthening of vigilance at the international level and better channelling of financial flows would enable national and international operators and above all international financial institutions to gain a timely perspective on financial crises which could pose a threat to the world economy.

The growing participation of the developing countries in trade relations represented a structural change in North-South relations; the liberalization policies undertaken by the developing countries had played a catalytic role in increasing international trade flows. To sustain that momentum, liberalization of trade regimes must be continued and an open, equitable and non-discriminatory multilateral trading system must be promoted, in the interests of all countries. The agreements concluded within WTO were of great significance; in particular, the Dispute Settlement Body was an essential basis for the credibility of the multilateral trading system. The commitments made in the Final Act of the Uruguay negotiations must be scrupulously respected; all parties must avoid and prevent any unilateral protectionist measures. Appropriate follow-up measures must be put in place to ensure that when the Final Act was implemented, the rights and interests of all countries were protected and their concerns taken into account. The specific provisions relating to the least developed countries and also to the needs of the developing countries which were net importers of foodstuffs must be fully implemented.

His Government supported the adoption of environmental protection measures; however, environmental policies should not become a means of arbitrary trade discrimination or a disguised form of protectionism. Similarly, social concerns must not be exploited for protectionist ends.

With regard to commodities, the international community should work to improve the operation of markets through greater transparency, stability and predictability. The developed countries should respond favourably to requests for technical assistance to diversify the export sector of developing countries.

Ultimately, it was up to each country to decide on the economic and social policies which would ensure its development and its integration into the global trading system. Tunisia had concentrated on the development of human resources in creating wealth and had always taken into account the social aspect of development and the need to give priority to job creation. It had applied trade and financial liberalization measures, particularly after signing a partnership and free trade agreement with the European Union in July 1995. The marked improvement in Tunisia's economic performance had been favourably received by the main international bodies, enabling Tunisia to gain access to new segments of external capital markets under more favourable terms; that access should facilitate a policy to attract direct foreign investment. At the same time, external constraints accentuated by the globalization process made it necessary for Tunisia to be prudent in its economic choices and vigilant about the changing external environment.

Mr. SHARMA (India) said that India had always believed that the Council should more effectively discharge its role in providing direction to the international community not only on social issues but also on core economic issues. The imperatives of multilateral cooperation in an era of globalization and liberalization necessitated ever-greater coordination between various macroeconomic actors.

The collaboration between UNCTAD and WTO in preparing the report on market access (E/1998/55) was a useful precedent; however, it would have been helpful if there had been a sharper focus on the opportunities and challenges for developing countries arising from the Uruguay Round and developments since then, including the establishment of WTO.

Globalization and liberalization had certainly generated unprecedented optimism regarding the potential for growth through trade. At the same time, there was a questioning of the efficacy of the State as an instrument of development, and ODA, had sharply declined. Against that negative backdrop, it was increasingly argued that developing countries must generate the resources required for their own development. While trade was a major engine of growth, it must be recognized that significant distortions occurred in the resources that developing countries could generate through trade, as a result of inequities in the structure and implementation of commitments under the Uruguay Round agreements.

There were a number of issues which required urgent attention by the international community in order to ensure the equity of the WTO system and its responsiveness to the special concerns of the developing countries. It must be borne in mind that one of the primary objectives of the multilateral trading system was to promote development; it had to be recognized that different economies had different features and problems, and that the pace of change should take into account such differences. All members should guard against unilateral action, which struck at the very roots of multilateralism.

His delegation felt that it was premature to state that the Uruguay Round had resulted in "significant improvements in conditions, as well as security, of market access" (E/1998/55, para. 1). A range of reports suggested that, since the establishment of WTO, the net share of world trade of developing countries had actually declined, in large part because of the decline in real commodity prices. It must be ensured that the multilateral trading system was equitable and that its benefits were equally distributed among developed and developing countries.

Although GATT and WTO had played a crucial role in encouraging open, predictable trade regimes and the dismantling of tariff and non-tariff barriers, much more still remained to be done. The liberalization and opening of markets had been applied only selectively to product and capital markets, largely excluding the market for unskilled labour. Similarly, little attention had been paid to market access for professionals: in the new round of service negotiations, the objective should be to achieve substantial liberalization in sectors and modes of supply of export interest to developing countries, particularly the movement of natural persons.

Tariffs and other traditional barriers to market access remained crucial impediments in a wide range of sectors, particularly those of export interest to developing countries. The developing countries attached great importance to the integration of the textiles sector within the multilateral trading system so as to ensure reasonable market access. The subsidization of agriculture in developed countries had far-ranging adverse implications for developing countries. At the same time, it was imperative for the multilateral trading system to address the imperatives of food security, particularly for developing countries like India where a large percentage of the population was dependent on agriculture for employment and survival. Another major area of concern was tariff escalation, which locked developing countries into volatile primary commodity export markets, where real prices were declining.

India was fully committed to a transparent, rule-based, predictable and equitable multilateral trading system, and supported the full implementation of the Uruguay Round agreements. However, far more needed to be done to clarify and implement the special provisions in favour of developing countries. The implementation of existing commitments, particularly by developed countries, needed to be reviewed. It was imperative that the Uruguay Round agreements should be implemented not only in letter, but also in spirit. Protectionism must be resisted: trade measures, including anti-dumping, countervailing duty provisions, phytosanitary and other standards and regulations, including labour and environmental standards, must not be misused for protectionist ends.

There was a need to address inconsistencies in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which worked to the disadvantage of developing countries, for example in respect of product patents and geographical protection; the development of proprietary patents by enterprises without seeking consent or entering into any agreement on benefit sharing was of grave concern. The provisions of TRIPS must be rationalized with the Convention on Biodiversity to ensure protection for traditional knowledge, which was largely based in developing countries.

It must be recognized that regional trading arrangements should be consistent with the principles governing the multilateral trading system and remain open and outward-oriented. It was also a matter of concern that the multilateral trading system had to bear the burden of adjustment to inadequacies in the financial system. Only an equitable multilateral trading environment, which effectively ensured the integration and participation of all developing countries, including the least developed countries, would maximize gains for the global community in the long run.

Mr. BAALI (Algeria) said that developing countries had been granted special treatment under WTO agreements to help them adapt to the new international trade regime. They had been given more time to adjust and greater access to export markets, the latter representing a key factor in their integration into the multilateral trading system.

The Uruguay Round had been helpful in offering greater guarantees for market access, as had the creation of a body for the settlement of disputes. However, developing countries could only have limited access to that body in order to defend their rights and interests.

Developing countries still faced high tariffs on a large number of their exports and non-tariff barriers. The least developed countries, particularly in Africa, were far more vulnerable than most to such trade barriers. The international community had made laudable efforts to remedy that situation and the commitments undertaken in international forums should be translated into practical action to ensure greater market access for the LDCs.

In order for the countries of the South to play a more active role in world trade, a number of problems needed to be resolved affecting the nature of their markets, the international economic and financial climate for development, which was unfavourable, and the level of development in those countries as a whole.

Developing countries' partners should accelerate the process for the enlargement of WTO. Particular attention should be given to the special treatment for developing countries and to the possible negative effects of reform on the LDCs and developing countries that were net importers of food.

Further measures should include real opening up of markets and an end to all protectionist policies; progressive lowering of tariffs on products of vital importance to developing countries; elimination of non-trade barriers; an end to restrictive policies and the arbitrary use of technical, social or environmental clauses; transparency of norms, standards, administrative, commercial and customs procedures; improvement of the preferences system through the GSP and regional or sub-regional agreements; consolidation of technical assistance to developing countries, including in the area of electronic trade; consideration of the particular issues facing developing countries in opening up their markets, particularly in the services sector; improvement of the international economic and financial environment; and a better response from the international community to problems of external debt, poor distribution of capital and investment, and imbalances in the international financial and monetary system.

The meeting rose at 1.15 p.m.