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TRADE AND DEVELOPMENT BOARD  
Ad Hoc Working Group on Trading Opportunities  
in the New International Trading Context  
First session  
Geneva, 9 October 1995  
Agenda item 7

**DRAFT REPORT OF THE AD HOC WORKING GROUP ON TRADING OPPORTUNITIES  
IN THE NEW INTERNATIONAL TRADING CONTEXT  
ON ITS FIRST SESSION**

Rapporteur: Mr. M. Nishioka (Japan)

**INTRODUCTION AND ITEMS 3 and 4**

Speakers: Secretary-General of UNCTAD  
China  
Russian Federation  
Bangladesh (for LDCs)  
European Union  
Switzerland  
Thailand

**Note for Delegations**

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated **by Friday, 20 October 1995 at the latest** to:

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## INTRODUCTION

1. The Ad Hoc Working Group on Trading Opportunities in the New International Trading Context held its first session at the Palais des Nations, Geneva, from 9 to 13 October 1995. In the course of its session, it held ... formal plenary meetings and ... informal meetings.

### Introductory statements

2. The Secretary-General of UNCTAD, in his opening statement, stated that trade had always been the *raison d'être* of UNCTAD and that, despite considerable changes in the world economy and the creation of the WTO, UNCTAD still had a central role to play in all the fields that complement the WTO's work. It had to be demonstrated in practice that UNCTAD did make a difference in the international trading context.

3. He further said that the meeting was intended to enhance the ability of developing countries and countries in transition to take advantage of the Uruguay Round Agreements. He stressed the importance of the Agreement on Agriculture as it eliminated virtually all non-tariff barriers, bound all tariff rates in the sector and placed disciplines on support measures. It had also achieved a binding standstill and rollback commitment and provided a firm basis for the continuation of the process to an open, market-based world agricultural economy. Similarly, the agreement to terminate the discriminatory and restrictive regime that distorted world trade in textiles for over three decades, and, in particular, that penalized developing countries, was one of the greatest successes of the Uruguay Round.

4. He pointed out, however, that while the overall result of the Uruguay Round in these specific areas was unequivocally positive, there might be many pitfalls facing the actual translation of the commitments into concrete trading opportunities. Therefore, it was necessary to identify the actions that were required to ensure that the opportunities presented by these Agreements were, in fact, realized.

5. Developing countries participated in the Uruguay Round and undertook more stringent obligations in the belief that the longer-term gains would compensate for the short-term sacrifices. The fuller integration of developing countries, and of countries in transition, into the international trading system would therefore necessitate that the momentum towards trade liberalization was continued and that any protectionist trends were countered by effective application of the WTO rules and disciplines by major trading partners.

Substantial efforts would also be needed to identify trading opportunities resulting from the Agreements and to enable developing countries and countries in transition to take full advantage of such opportunities. They would need support for strengthening their institutions for trade policy formulation, coordination and implementation, for enhancing their negotiating capacities, for adapting their domestic trade legislation to the new international trading system and for obtaining access to trade information. With respect to the threat of marginalization for the least-developed and net food-importing countries, he suggested that specific components of a safety-net mechanism would need to be established. In addition, supportive measures would have to be devised to raise the level of competitiveness and export capacity. In this respect, more precise recommendations should be drawn up by the Ad Hoc Working Group.

6. Concerning the situation of non-WTO members, many of which were going through the difficult process of transition to a market economy, he said that these countries should be permitted to benefit from the opportunities of the Uruguay Round Agreements while their accession negotiations were under way.

7. UNCTAD had been called upon at Cartagena to carry out the important responsibilities of policy analysis and consensus building in the area of international trade. With the conclusion of the Uruguay Round, and in light of the new issues that had arisen, the international community had entered a period where no consensus yet existed as to the appropriate course of action. The policy analysis and consensus-building process for the future was a continuous activity, taking place at the international, regional and national levels, in both official and non-governmental bodies. UNCTAD's role was to ensure that the development dimension did not get lost in this process. He added that he was determined to ensure that UNCTAD would live up to its responsibilities and that he looked to the Group to provide guidance to the Conference in setting out UNCTAD's programme on trade matters for the next four years.

Chapter I

IDENTIFICATION OF NEW TRADING OPPORTUNITIES ARISING FROM  
THE IMPLEMENTATION OF THE URUGUAY ROUND AGREEMENTS IN  
SELECTED SECTORS AND MARKETS

(Agenda item 3)

and

ANALYSIS OF THE MODALITIES TO GIVE EFFECT TO THE DECISION  
ON SPECIAL PROVISIONS FOR THE LEAST DEVELOPED COUNTRIES  
AS CONTAINED IN THE FINAL ACT OF THE URUGUAY ROUND

(Agenda item 4)

8. For its consideration of these items, the Ad Hoc Working Group had before it the following documentation:

"An analysis of trading opportunities resulting from the Uruguay Round in selected sectors: agriculture, textiles and clothing, and other industrial products - report by the UNCTAD secretariat" (TD/B/WG.8/2 and Add.1) (agenda item 3).

"Translating Uruguay Round special provisions for least developed countries into concrete action: issues and policy requirements - report by the UNCTAD secretariat" (TD/B/WG.8/3 and Add.1) (agenda item 4).

9. Introductory remarks by the UNCTAD secretariat will be incorporated here.

10. The representative of China said that UNCTAD's role in analysing and assessing the results of the Uruguay Round and in monitoring the implementation of WTO Agreements should not be questioned. Although the Uruguay Round had established a new international order for trade, the challenges and difficulties faced by many developing countries could not be resolved in the near future and therefore UNCTAD's task in this regard would be lengthy and arduous. He hoped that the deliberations of the Group would contribute to the preparatory work for UNCTAD IX and to the institutional set-up of UNCTAD's intergovernmental machinery during the post-UNCTAD IX period.

11. With regard to the Uruguay Round Agreement on Agriculture, he said that due to the predominant position of the developed countries in world agricultural trade, the implementation of the Agreement by these countries would have an important impact on the creation of new trading opportunities for developing countries. Ten months after the entry into force of the Agreement, it was still difficult to foresee any new trading opportunity. In implementing their commitments, developed countries should take into account the trade interests of developing countries with a view to providing a fair competing environment and increasing market-access opportunities for developing countries. On the question of non-WTO members, he noted that while those countries would not benefit from the opportunities accorded by the Uruguay Round, the accession process had increased the scope and intensity of their multilateral trade obligations. Thus, developed countries, in implementing their commitments, should take into account the interests of non-WTO members so as to facilitate their integration into the international trading system.

12. As for textiles and clothing, an area of significant interest to many developing countries, he recalled that these countries had made a great contribution in terms of both tariff and non-tariff measures to the conclusion the Uruguay Round Agreement on Textiles and Clothing. As in the case of agriculture, developed countries also had a predominant position in world textiles trade; they, therefore, had a key role to play in the implementation of the Agreement. However, no product of export interest to developing countries could be found in the list of products notified for the first stage of integration. He hoped that developed countries would take the interests of developing countries into account to speed up the integration process. Furthermore, he urged countries to avoid resorting to the application of anti-dumping and countervailing measures on textile imports from developing countries.

13. He requested that the two background reports, UNCTAD/ITD/16 and 17, be translated into Chinese.

14. The representative of the Russian Federation emphasized that his country's integration into the international trading system was a strategic objective of his Government in its process of creating a market-based economy. One of the important elements of this integration was the Russian Federation's participation in WTO. It was already in the process of acceding to that organization, and he hoped for a speedy and successful completion of the complex negotiations. He noted UNCTAD's valuable contribution of technical assistance in support of his country's accession to the WTO.

15. He underscored the importance of the full implementation of the Uruguay Round Agreements in a manner which would not have a negative impact on the non-WTO members. That was one of the prerequisites for a further liberalization of world trade. He expected that the Agreements would also apply to the countries in the process of accession, which would be an important indicator of WTO's vitality.

16. He commended the secretariat's documentation for the meeting and supported its proposal for UNCTAD to conduct a continuous analysis of the implementation of the Agreements on Agriculture and on Textiles and Clothing. He noted that the latter Agreement was an obvious success of the Uruguay Round, but that it could also have negative implications, including for non-WTO members, especially from the short- and medium-term perspective.

17. Finally, he stressed the importance of the Ad Hoc Working Group's analysis of regional integration processes and their implications for trading opportunities for developing countries and economies in transition.

18. The statement by the representative of Egypt will be inserted here in the final report. For the draft summary, see addendum.

19. The spokesman for the least developed countries (Bangladesh) speaking on behalf of the LDCs, noted that since the Uruguay Round Agreements have yet to be fully implemented, it would take some more time to assess their impact. However, it already appears from the secretariat document that, despite the commitments in the area of agriculture, agricultural products still face high rates of protection and subsidization. The distribution of tariff quotas would, therefore, be crucial for determining the trading opportunities available to producer countries. In the area of textiles, export opportunities could even be reduced in the short run as a result of recourse to transitional safeguard provisions. Reductions in tariffs on products of interest to developing countries, moreover, were less significant. A matter of concern for developing countries was the erosion of preferential tariff margins. Referring again to the secretariat's documentation, he said that while the move towards greater global trade liberalization was welcomed, there was a risk of increased aggravation of the LDCs' precarious economic situation. Given the size and structure of their trade, and the overall level of development and competitive strength of their economies, trade liberalization could worsen their current account balance in the medium term. The further marginalization of the LDCs in world trade suggested that their external accounts would become harder to manage as debt-servicing capacities and capital inflows declined. The internal

adjustment requirements associated with reduced investment inflows might dampen their long-term growth and development prospects.

20. He added that the objective should be to translate into concrete action the commitment to improve the LDCs' trading opportunities, taking into account the impact of the Uruguay Round and their capacity to participate in an increasingly competitive global economy. A package of measures was needed to assist the LDCs to compete in world markets. These measures could include flexible application of the anti-dumping and countervailing duty provisions, safeguard measures and rules of origin. Further improvement of GSP schemes was also necessary. More favourable treatment was needed in the area of textiles, as indicated in the secretariat document. He stressed that just as goods are allowed to move freely, the export of manpower from LDCs should be allowed without any hindrance, since transition arrangements have limited impact on capacity creation for trade and production. In order to ensure increased and effective participation of LDCs in the international trading system, the provisions concerning LDCs included in the various Agreements and in some Marrakesh Ministerial Decisions must be supplemented by more concrete operational measures, even if this called for more political will. He emphasized that in order to overcome administrative, financial and structural handicaps that the LDCs face in adjusting to the Agreements, concerted action should be taken at both the national and international levels so that those countries would not be further marginalized. Finally, the recommendations of the recent High Level Intergovernmental Meeting on LDCs, including UNCTAD's proposal for a "safety net", should be taken into account by the Ad Hoc Working Group.

21. The representative of the European Union considered that it was positive that the analysis of the modalities to give effect to the decisions on special provisions for the least developed countries, as contained in the Final Act of the Uruguay Round, was being taken up at the first meeting of the Ad Hoc Working Group, since there were many references to the LDCs' needs in UNCTAD documents, but only a few were devoted to the problems. As the biggest trading partner and aid donor to the LDCs, the EU believed that an in-depth discussion of trading opportunities for LDCs was required in accordance with the Group's terms of reference. He also said that the positive outcome of the New York High Level Intergovernmental Meeting on LDCs, in particular as far as the trading opportunities of LDCs were concerned, was, to a large extent, the result of the EU's contribution to the negotiations. He recalled that the fundamental mission of the Ad Hoc Working Group was to "identify new trading opportunities arising from the implementation of the Uruguay Round Agreements". Accordingly, the focus of the discussion should be on the positive effects of the Round. He also recalled that the recommendations which had served as a basis for the

negotiations in New York were virtually the same as those contained in the secretariat document TD/B/WG.8/3. While the results of the New York meeting showed that the EU could agree to many of these recommendations, the EU, nevertheless, considered that the approach in the analytical part of the document was not in line with the Group's terms of reference.

22. He noted that instead of providing some expected transitional effects of trade liberalization on LDCs, discussing various provisions in favour of LDCs in the Uruguay Round Agreements and identifying policy measures for translating the modalities envisaged in the Final Act into concrete action, including a package of "safety net" measures, the document delved into all possible negative effects of the Agreements on LDCs in all areas covered by the new multilateral trade regime and submitted proposals for compensation. Furthermore, it discussed the merits of policy options that would not necessarily be in conformity with agreed disciplines, and even indicated areas in which LDCs might find an opportunity to renegotiate the results of the Round.

23. With regard to measures in favour of LDCs, he said that the terms of reference of the Working Group clearly referred only to one of the Marrakesh Ministerial Decisions. This stated that the LDCs would only be required to undertake commitments and concessions to the extent consistent with their individual development, that special and differential treatment should be implemented rapidly, and that most-favoured-nation concessions on products of export interest to LDCs may be implemented autonomously in advance and without staging. He added that the terms of reference did not allow scope for dealing with the Marrakesh Decision on measures concerning the possible negative effects of the Reform Programme on LDCs and net food-importing countries. This did not, however, rule out the possibility of discussing these issues at some other level of UNCTAD's intergovernmental machinery, provided that the UNCTAD membership agreed on the method, focus and purpose of such discussion in order to ensure a balanced and useful outcome.

24. In the view of the EU, the UNCTAD trade policy model was not entirely adequate for assessing the impact of the Round, since it ignored the dynamic effects of increased income, savings and investment and the relatively long-term implementation phase of the Agreements. In this context, he referred to the reports and assessments made by FAO and the World Bank.

25. The fundamental mission of the Working Group with regard to the LDCs was to conduct an analysis on the lines suggested in paragraphs 59 to 61 of document TD/B/WG.8/3 and to undertake an in-depth study of the provisions which provide for flexibility in domestic policy options in order to address the development



needs of LDCs. Furthermore, the analysis should include such positive developments as the EU's new generalized system of preferences scheme.

26. With regard to document TD/B/WG.8/2, he acknowledged that the terms of reference spoke of "particular sectors and markets", but the intention had not been to limit the work to a few sectors or markets, since the purpose of the Round certainly went beyond improved access for agriculture, textiles and clothing on the markets of the Quad countries. There was a need to identify more new trading opportunities for developing countries. In this context, he mentioned the outcome of the Lomé IV mid-term revision, which both improved the EU's import regime and placed increased stress on trade development.

27. The representative of Switzerland said that his intervention was aimed at presenting some of the measures and concrete proposals that his country intended to implement in order to help developing countries, in particular the least developed countries, to take better advantage of the opportunities offered by the new multilateral trading system.

28. He remarked that a number of developing countries were less equipped than others to take advantage of the growth and development opportunities resulting from the globalization of markets, as well as from the implementation of the results of the Uruguay Round and the autonomous trade and investment liberalization measures adopted by individual countries. For this reason, Switzerland had undertaken a revision of its policy on cooperation for development. A first major objective was to ensure coherence between the latter and trade policy. These policies should be mutually supportive and each should aim at allowing developing countries, especially the LDCs, to derive maximum benefits from the results of the Uruguay Round.

29. Three instruments had been identified to reach this objective. The first was the reform and deepening of Switzerland's GSP scheme; the second was increased support to the UNCTAD initiative on trade efficiency; and the third related to the technical cooperation activities needed to reinforce the capacities of developing countries' administrations, in particular those of the LDCs, with regard to trade policy matters. He noted with satisfaction that the recommendations of the New York High Level Meeting on the Least Developed Countries had confirmed and acknowledged similar priorities at the multilateral level.

30. While making reference to the variety of technical cooperation needs and the potentially numerous institutional sources of such assistance, he stressed the importance of cooperation among the various international organizations.

He announced his country's intention to organize a seminar in the framework of the preparations for UNCTAD IX. The objectives of this seminar, to be held on 23 and 24 November 1995, were, on the one hand, to identify needs in the area of technical cooperation with a view to allowing the countries concerned to get the best out of the new multilateral trading system, and, on the other hand, to promote one of the objectives defined at the New York meeting in relation to the strengthening of cooperation among the competent international organizations so as to take the best advantage of the available resources and synergies. Several relevant multilateral organizations would be invited to this seminar and that a wide participation of countries, as representative and balanced as possible, was being sought. He ended by saying that the conclusions of this seminar would be an input to the preparatory process for UNCTAD IX.

31. The representative of Thailand said that, as a member of WTO, her country was not opposed to food-related assistance programmes for developing net food-importing countries, since it was understood that procedures and the way in which those programmes were implemented would be carried out within the appropriate framework and commitments laid down under the Uruguay Round Agreements. However, her country also wished to state one specific and important reservation to the effect that such food-assistance programmes should not in any way distort or disrupt the normal trading pattern of net food-exporting developing countries like Thailand.

## Chapter II

### ORGANIZATIONAL MATTERS

#### A. Opening of the session

32. The first session of the Ad Hoc Working Group on Trading Opportunities in the New International Trading Context was opened on 9 October 1995 at the Palais des Nations, Geneva, by Mr. R. Ricupero, Secretary-General of UNCTAD. (For the opening statement made by the Secretary-General, see Introduction).

#### B. Election of officers

(Agenda item 1)

33. At its 1st (opening) plenary meeting, on Monday, 9 October 1995, the Ad Hoc Working Group elected its officers, as follows:

<u>Chairman:</u>	Mr. Seung Ho	(Republic of Korea)
<u>Vice-Chairmen:</u>	Mr. M. Zewdie Michael	(Ethiopia)
	Ms. V. Fonseca	(Venezuela)
	Mr. W. Prodjowarsito	(Indonesia)
	Mrs. J. Wright	(United Kingdom)
	Mr. S. Mikhnevidtsh	(Belarus)
<u>Rapporteur:</u>	Mr. M. Nishioka	(Japan)

#### C. Adoption of the agenda and organization of work

(Agenda item 2)

34. Also at the opening plenary meeting of its first session, the Ad Hoc Working Group adopted the provisional agenda for the session (TD/B/WG.8/1). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work

3. Identification of new trading opportunities arising from the implementation of the Uruguay Round Agreements in selected sectors and markets
4. Analysis of the modalities to give effect to the decision on special provisions for the least developed countries as contained in the Final Act of the Uruguay Round
5. Provisional agenda for the second session of the Ad Hoc Working Group
6. Other business
7. Adoption of the report of the Ad Hoc Working Group to the Trade and Development Board

**D. Provisional agenda for the second session  
of the Ad Hoc Working Group**

(Agenda item 5)

(To be completed)

**E. Other business**

[To be completed as appropriate]

**F. Adoption of the report of the Ad Hoc Working Group  
to the Trade and Development Board**

(Agenda item 7)

[To be completed]