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in the New International Trading Context
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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)

ADDENDUM

ITEMS 3 and 4 (continued)

Speakers: Secretariat (paras. 1-3 and 10)
Egypt (for African Group)
Uruguay (for MERCOSUR and Chile)
Mexico

Note for Delegations

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

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The UNCTAD Editorial Section
Room E.8102
Fax No. 907 0056
Tel. No. 907 5656 or 5655

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)

(continued)

1. In introducing agenda item 3, the Chief of the Systemic Issues Section, International Trade Division, recalled that the secretariat had presented its assessment of the outcome of the Uruguay Round to the Trade and Development Board in September 1994. The Board had considered that more policy analysis was required, particularly in key sectors, such as agriculture and textiles and clothing and services, with a view to making concrete proposals, and that the activities of the Ad Hoc Group on Trading opportunities in the New Trading Context would be relevant to many of these issues. This had provided guidance for the secretariat in preparing the documentation for item 3. This documentation consisted of TD/B/WG.8/2, the main analytical sessional document, supported by its statistical annex, TD/B/WG.8/2/Add.1, as well as by two detailed studies, UNCTAD/B/ITD/16 on agriculture, and UNCTAD/B/ITD/17 on textiles and clothing. These studies highlighted the concrete trading opportunities resulting from the tariff concessions in the Uruguay Round, by both developed and developing countries. In the industrial sector, the application of the "zero for zero" approach had resulted in substantial tariff liberalization and an important increase in the proportion of trade enjoying duty-free entry, covering some products of interest to developing countries. In a number of sectors of interest to developing countries, however, reductions had been less than average and high tariffs and a degree of tariff escalation remained.

2. The opportunities deriving from the Agreement on Textiles and Clothing which phased out the Multi-Fibre Arrangement (MFA) over a 10-year period, would arise from the removal of product categories from quotas over the four stages, the growth rates which would enlarge the quotas until they were eliminated, particularly for small suppliers, and the removal of other GATT-inconsistent restrictions on imports of textiles and clothing. This would provide major market opportunities, including for many developing countries which were rapidly becoming important importers of textiles. The immediate opportunities might be limited by the fact that the importing countries had generally postponed the "integration" of those products actually subject to restriction to the latest possible date. Furthermore, unless countries exercised restraint in resorting to transitional safeguard measures, trading opportunities in the short run would be frustrated.

3. By converting frontier non-tariff barriers into tariff rates and binding all tariffs in this sector, and by setting ceilings and providing for specific reductions in domestic support and export subsidies, the Agreement on Agriculture constituted a binding standstill and rollback of protection and provided a firm basis for future trade liberalization. Tariff reductions in certain sectors of interest to developing countries had been significant, and in general the elimination of non-tariff barriers and the binding of tariffs had provided greater transparency for traders. The reduction in domestic support and in export subsidies should provide market opportunities for efficient suppliers. However, the tariffs resulting from the tariffication process were usually prohibitively high, leaving the main immediate opportunities to be the ones provided by the tariff quotas, the opportunities of which were mitigated by significant in-quota tariff rates and their allocation to specific suppliers under the "current market opportunity" provision. The modalities for implementation of even the most-favoured-nation (MFN) "minimum access opportunities" may give rise to difficulties for developing country suppliers. The tariff quota system and that for the reduction of domestic support and export subsidization leave for manoeuvre by Governments in implementing their commitments. It is hoped that they will adopt the most liberal of the options left to them and those most favourable to imports from developing countries. The experience in the operation of the Agreement and the assessment of its economic impact would provide guidance as to the most propitious approach to developing new initiatives. Developing countries would have to study carefully the operation of the tariff quota systems of the main importing countries, while other approaches for liberalizing their trade, such as an extension of the GSP to agricultural products, covering both in-quota and above-quota rates, could be explored. Furthermore, the exclusion of non-WTO members from the integration

programme on textiles and clothing and the tariff quotas on agriculture could cause difficulties.

4. The spokesman for the African Group (Egypt) spoke of the importance of the Ad Hoc Working Group which was the only one of those created at UNCTAD VIII to focus on issues relating to trade, and of the interest of developing countries, especially the African countries, in having full information about new trading opportunities, which could be regarded as an instrument for the integration of these countries in the world economy.

5. The documents prepared for this session included a report on the difficulties facing the developing and the least developed countries, most of which are in Africa, following the Uruguay Round. In many ways, that report was tantamount to a warning about the magnitude of the challenges ahead. The report did not cover the implications of other important Uruguay Round Agreements, such as trade-related investment measures (TRIMS) and trade-related intellectual property rights (TRIPS), for the trade opportunities of the developing countries. He said it was important that the implications of those Agreements should be considered at UNCTAD IX.

6. The secretariat reports concerned the quest for new trade opportunities in the wake of the Uruguay Round and an analysis of the decisions applicable to the least developed countries within the framework of the Uruguay Round Agreements. He called upon the secretariat to make a similar endeavour in regard to the remaining items in the terms of reference, that is the manner in which the developing countries could be assisted in their endeavours to implement and benefit from the Uruguay Round Agreements, and particularly from the preferential treatment accorded to them. There was also a need to identify technical cooperation activities called for by those Agreements in the light of the secretariat's analysis of the results of the Uruguay Round.

7. With regard to the implications of the Agreement on Agriculture for new trade opportunities, the report suggested that the full evaluation of those implications had been impeded by the failure of countries to provide the relevant notifications. He called on the secretariat to follow up this matter closely with a view to completing the useful preliminary evaluation prepared for the current session. He added that the secretariat should focus on the following topics when completing its work of the implications of the Agreement on Agriculture: the tariffication process and the imposition by developed countries of tariffs that sometimes impeded access to the products of developing countries; the possibility that the developed countries might use the special safeguards as a pretext to prevent an influx of low-cost imports from the developing

countries; the rules concerning the distribution of quotas and the extent to which the developing countries can benefit from the methods that the developed countries adopt to establish these quotas; and the increasing cost of foodstuffs in the short- and medium-term as a result of the Agreement on agriculture. For the next session, the secretariat should undertake an in-depth study on the implementation of the Ministerial Decision concerning compensation for the net food-importing developing countries, as referred to in paragraph 58 of document TD/B/WG.8/3.

8. He added that the assumption that the first stage of the Agreement on Textiles and Clothing was unlikely to provide any new opportunities for access by the developing countries to the markets of the developed countries was alarming. He called on the secretariat to follow up this matter closely with a view to identifying the opportunities that might be provided during the two subsequent stages. The reports made only very brief reference to the trade opportunities that would be available for other industrial exports of the developing countries. He hoped that this matter would be dealt with in a more comprehensive and detailed manner at the next session.

9. He added that the challenges facing the LDCs, and particularly the African countries, after the Uruguay Round would be even greater than indicated in the reports unless the international community took effective action to help those countries. He said that in view of the complex implications of the Uruguay Round Agreements, the secretariat should continue to monitor the effects of the Agreements on the developing countries and undertake a thorough analysis.

10. The Chief of the Economic and Social Policy Analysis Branch, Least Developed Countries Division, situated the outcome of the New York High-Level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action for the Least Developed Countries for the 1990s in the context of the Working Group's current session. He pointed out that the deliberations of the New York Meeting on trade complemented the work of the Working Group in important respects. The Meeting had considered external trade prospects of LDCs in the aftermath of the Uruguay Round. It had recognized the continued marginalization of these countries in world trade, and highlighted their trade liberalization efforts, that were undertaken despite many structural constraints. One of the important consensual outcomes of the Meeting was the commitment of the international community to assist LDCs expeditiously, both financially and technically, so as to be able to benefit from the special and differential measures agreed in the Final Act of the Uruguay Round. Another major outcome was the identification of technical cooperation activities in favour of LDCs. These were: (i) enhancing institutional and human capacities to comply with the

new obligations arising from WTO membership, or assist LDCs to accede to the WTO, as well as to formulate and implement future trade policy; (ii) developing and strengthening supply capabilities of tradeable goods and services and the competitiveness of enterprises; (iii) improving the micro-economic trading environment and expanding the use of new communication technologies through UNCTAD's "trade efficiency" programme; (iv) enhancing the capability of LDCs to make full use of GSP schemes; (v) supporting commodity diversification and marketing efforts; and (vi) expanding the trading and investment opportunities of LDCs.

11. The representative of Uruguay, speaking on behalf of the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) and Chile, said that the terms of reference of the Working Group were sufficiently explicit on what was expected from the secretariat, that is an analysis by market and by product of opportunities in the new international trading context. He stated that a fresh and creative approach was expected, since a comprehensive assessment of the Round had already been made by the secretariat in the Trade and Development Report, 1994. He said that the MERCOSUR countries had assessed the Round in a more positive manner than that presented in document TD/B/WG.8/2.

12. With regard to agriculture, the benefits of its integration into GATT disciplines and the ensuing impact on the conditions for agricultural production were of an inestimable value. That point was not clearly made in the secretariat document, which also failed to mention the clear trading opportunities for high value-added agricultural products. He expressed the view that the limited results attained in terms of commitments for reduction of domestic support and export subsidies mentioned in the secretariat document should not be taken in isolation but assessed in the wider context of the strengthening of disciplines as from 1999. The resulting predictability for the sector would clearly contribute to improving its competitiveness. He added that the opportunities from tariffication with regard to the GSP lessened their value because, in his view, it was a "false choice" between such proposals and those formulated in the document dealing with LDCs. While the countries that he represented were supportive of the serious efforts aimed at improving the special situation of the LDCs, he considered that solutions which reinforce common interests should be sought without showing up eventual differences.

13. With regard to textiles, while recognizing that the MFA integration may not bring about any immediate trade liberalization, the secretariat's analysis did not respond to the objective of identifying concrete trading opportunities for developing countries. The complementarity between UNCTAD and the WTO should lead the former to assist developing countries in finding such opportunities and

the latter to deal with the implementation of the Round Agreements. Turning to industrial products, he said that rather than a qualitative analysis, what was needed was a study comparing developing countries' export structure with the developed countries' most significant concessions. This could have led to an indicative list of opportunities, from which elements for technical cooperation could be drawn. A new approach in this field would have been to analyse trading opportunities among developing countries, and between these and the LDCs. He went on to say that the secretariat's proposal for a continuous analysis with regard to the implementation of the Agreements on agriculture and textiles did not compensate for the lack of identification of concrete trading opportunities.

14. Turning to item 4 of the agenda, he stressed that the MERCOSUR countries and Chile were fully committed to the letter and spirit of the Marrakesh decisions regarding the LDCs and the net food-importing developing countries. He said that discussion on this issue needed factual analyses on a solid basis, viable proposals and the avoidance of politicization. With regard to the double impact of the Round on the LDCs, he said that combining tariff reductions with the possible increase of food prices was methodologically not correct since this would automatically assimilate two categories of countries which were different in nature and were the object of two different Decisions. With regard to tariff reductions affecting LDCs, he said that it would be more appropriate to look at the deepening of the present preferences, the inclusion of new ones following the tariffication in agriculture, as well as the comparison of the LDCs' export structure with concessions of developed countries and those of other developing countries. With regard to losses incurred by LDCs due to the increase in food prices, he referred to studies by other international organizations whose results differed from those of the secretariat, and said that the estimated losses shown in the secretariat document needed to be more fully documented.

15. It was important to put into effect the measures which were deemed necessary to make the Marrakesh Decisions operational. Some of the proposals in the document were appropriate, to the extent that reinforcing the Food Aid Programme was in conformity with the budget of that Programme and as far as no attempt was made to modify the spirit of that text or of the Agreement on Agriculture. This would require eligibility conditions in the context of the Decision on net food-importers developing countries to be defined. The issue raised in the secretariat document should now be taken up in the Committee on Agriculture of the WTO. The competence of the Bretton Woods institutions and of FAO should also be kept in mind. With regard to the specific decision on the LDCs, UNCTAD, with the support of the developed countries, should exploit its comparative advantage in the field of technical cooperation. The proposals

contained in paragraph 66 of the document should become an important element of the next session of the Group.

16. The representative of Mexico said that the documentation prepared for the meeting formed an adequate basis for the discussions and represented progress in the fulfilment of the tasks entrusted to the Working Group. He stated that the Uruguay Round Agreement on Agriculture constituted the appropriate framework for attaining liberalization of world trade in agricultural products. He considered, however, that complementary measures were needed in order to attain the full liberalization of trade. In this regard, it was necessary to circulate in a broader manner the lists of products with tariff quotas established by the major importers, and to increase efforts and support geared to the accession of non-member developing countries to the WTO, so that they could be entitled to enjoy the benefits of the Agreement on Agriculture.

17. With regard to the textile sector, he said that market access opportunities would be increased following the implementation of the Agreement on Textiles and Clothing. He nevertheless considered that further efforts should be made in order to enhance transparency, security and predictability with regard to the access of developing countries to world markets for textiles and clothing. Moreover, it was also necessary to improve the conditions specified in the Round to achieve a better access of industrial products to the markets of developed countries.

18. Turning to item 4 of the agenda, he said that complementary measures in favour of the least developed countries were needed so that the results of the Round did not aggravate their precarious economic condition. Concrete measures should be adopted to enable these countries to compete in world markets, through the utilization of the possibilities afforded by the preferential treatment currently in force. Technical assistance should be provided to the least developed countries with a view to make possible their participation in ongoing and future multilateral trade negotiations so that they could take advantage of the benefits derived from improvements in the multilateral trading system. He supported the view that the situation of the LDCs should be closely watched, making possible a more precise assessment of the effects of the implementation of the Round on these countries. Country studies would be suitable for this purpose.

19. He finally stated that the Working Group should take into account the work undertaken in other international organizations. It would be convenient in this regard to analyse the results of the recent high-level meeting on the LDCs held in New York.