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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION:
TRADE AND DEVELOPMENT

Protectionism and structural adjustment

Note by the Secretariat

1. By decision 41/437 of 5 December 1986, the General Assembly, on the recommendation of the Second Committee, decided to defer until its forty-second session, consideration of the draft resolution entitled "Protectionism and structural adjustment". The Assembly has postponed consideration of the draft resolution annually since its thirty-sixth session. 1/
2. By decision 41/436 of 5 December 1986, the General Assembly, on the recommendation of the Second Committee, decided to defer until its forty-second session consideration of draft resolution entitled "Commodities". The Assembly had also postponed consideration of the draft resolution at its fortieth session (decision 40/474).
3. By decision 42/438 of 11 December 1987, the General Assembly, on the recommendation of the Second Committee, decided to defer until its forty-third session consideration of the draft resolutions entitled "Protectionism and structural adjustment" and "Commodities". The texts of the draft resolutions and the synoptic table containing the comments on the former are reproduced below.

1/ See General Assembly decisions 36/429, 37/441, 38/438, 39/432 and 40/439.

Protectionism and structural adjustment

The General Assembly,

Recalling its resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States, 3362 (S-VII) of 16 September 1975 on development and international economic co-operation, 31/163 of 21 September 1976 and 33/196 of 29 January 1979,

Bearing in mind the relevant resolutions adopted by the United Nations Conference on Trade and Development, particularly resolution 96 (IV) of 31 May 1976, entitled "A set of interrelated and mutually supporting measures for expansion and diversification of exports of manufactures and semi-manufactures of developing countries", 2/

Recalling also resolution 131 (V) of 3 June 1979 of the United Nations Conference on Trade and Development, entitled "Protectionism and structural adjustment", 3/

Taking note of resolution 226 (XXII) of 20 March 1981 of the Trade and Development Board, entitled "Protectionism and structural adjustment", 4/

Recognizing that international trade should play an essential role in economic growth and development, particularly that of developing countries, and that the expansion of international trade on an equitable basis should be beneficial to all countries,

Noting with concern the increase in many developed countries of subsidies to inefficient and internationally less competitive lines of production which are of particular export interest to developing countries,

Noting also that increasing domestic subsidies to agricultural production in developed countries, a matter which is not sufficiently negotiated in the multilateral trade negotiations, disrupts international trade and seriously affects production in and export from developing countries,

2/ See Proceedings of the United Nations Conference on Trade and Development, Fourth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.76.II.D.10 and corrigendum), part one, sect. A.

3/ Ibid., Fifth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A.

4/ See Official Records of the General Assembly, Thirty-sixth Session, Supplement No. 15 (A/36/15), part one, annex I.

Recognizing also that a healthy world economy would require, inter alia, the establishment of long-term industrial structural adjustment policies and measures to facilitate a greater transfer of industrial capacities from developed to developing countries, in order to attain an equitable and effective international division of labour, as well as the promotion of a substantial increase in the share of developing countries in the industrial production and exports of manufactures and semi-manufactures, in the light of the targets set out in the Lima Declaration and Plan of Action on Industrial Development and Co-operation, 5/

Noting the deep concern of all countries about intensified protectionist pressures and that of the developing countries in particular about the serious consequences which the increase in recent years of protectionist measures in developed countries may have for them by affecting their exports, particularly in sectors in which the comparative advantage has shifted in their favour and opened up important perspectives for growth in their economies,

Recognizing further that the current economic problems of developed countries cannot be solved by concealed or open protectionism and that trade-restrictive measures could touch off chain reactions involving a widening series of actions by an increasing number of countries,

Noting with deep concern that such measures, by delaying the process of necessary structural change in the developed countries and consequently limiting the market access for agricultural, manufactured and semi-manufactured exports of developing countries, have adverse effects on the economies of developing countries,

Realizing that increasing protectionist measures have, inter alia, aggravated inflation in the developed countries which is, in turn, transferred to the developing countries,

Emphasizing the importance of structural adjustment for the elimination of protectionism and for the promotion of greater international trade, taking into account the interests of developing countries and with a view to the early attainment of their development objectives,

1. Urges developed countries to implement fully and to adhere strictly to the standstill provisions they have accepted by refraining from introducing new tariff and non-tariff barriers affecting the exports of developing countries and to reduce substantially tariff escalation so as to provide improved access to exports of manufactures, semi-manufactures and processed primary products from the developing countries;

5/ See A/10112, chap. IV.

2. Calls upon developed countries to eliminate promptly their existing tariff and non-tariff barriers, particularly quantitative restrictions and other measures having an equivalent effect on the exports of developing countries;

3. Agrees that structural adjustment should be a constant and global process which the international community, in particular the developed countries, should facilitate by conscious efforts aimed at ensuring accelerated and sustained overall growth of the developing countries, including the development and diversification of their economies and an effective international division of labour involving both interindustry and intra-industry specialization, enabling developing countries to secure an increase in their share of world trade, of processed goods and of manufacturing;

4. Calls upon developed countries to implement long-term industrial structural adjustment policies with a view to facilitating the establishment of an equitable and effective international division of labour;

5. Welcomes the decision of the Trade and Development Board to establish a Sessional Committee at the twenty-fourth session of the Board in accordance with its resolution 226 (XXII) to deal with the problems of protectionism and structural adjustment;

6. Calls upon that Sessional Committee to undertake sectoral reviews within the framework of the annual review referred to in resolution 131 (V) of the United Nations Conference on Trade and Development with a view to the effective and full implementation of section A, paragraph 3, of that resolution, and invites the Conference, on the basis of such annual reviews, to formulate general recommendations which national Governments would take into account in implementing section A, paragraph 3, of resolution 131 (V) and to review continuously developments involving restrictions of trade affecting exports of developing countries with a view to examining and formulating appropriate recommendations, and to ensure that this comprehensive review also deals with the monitoring of the evolution of the industrial capacity in the developed countries in order to recommend the measures necessary to prevent protectionist demands in those countries.

Synoptic table of comments on the draft resolution entitled
"Protectionism and structural adjustments"

Draft resolution	Suggestions made
<u>Protectionism and structural adjustment</u>	
<u>The General Assembly,</u>	
Recalling its resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States, 3362 (S-VII) of 16 September 1975 on development and international economic co-operation, 31/163 of 21 September 1976 and 33/196 of 29 January 1979,	No comments
<u>Bearing in mind</u> the relevant resolutions adopted by the United Nations Conference on Trade and Development, particularly resolution 96 (IV) of 31 May 1976, entitled "A set of interrelated and mutually supporting measures for expansion and diversification of exports of manufactures and semi-manufactures of developing countries",	The European Economic Community suggested the deletion of the reference to the relevant resolutions adopted by the United Nations Conference on Trade and Development and proposed that specific reference be made to certain sections of 96 (IV), as in preambular paragraph 9 of 131 (V); <u>reaffirming</u> sections IC, ID, IF and IIC of Conference resolution 96 (IV) of 31 May 1976."
<u>Recalling also</u> resolution 131 (V) of 3 June 1979 of the United Nations Conference on Trade and Development, entitled "Protectionism and structural adjustment",	No comments
<u>Taking note of</u> resolution 226 (XXII) of 20 March 1981 of the Trade and Development Board, entitled "Protectionism and structural adjustment",	No comments

Draft resolution

Recognizing that international trade should play an essential role in economic growth and development, particularly that of developing countries, and that the expansion of international trade on an equitable basis should be beneficial to all countries,

Suggestions made

1. The United States of America suggested the deletion of the words "on an equitable basis"
2. The European Economic Community suggested the deletion of the word "international" and proposed that the sentence end with the word "countries" in the second line

Noting with concern the increase in many developed countries of subsidies to inefficient and internationally less competitive lines of production which are of particular export interest to developing countries,

1. Japan, the European Economic Community, Austria and Norway suggested the deletion of both paragraphs

Noting also that increasing domestic subsidies to agricultural production in developing countries, a matter which is not sufficiently negotiated in the multilateral trade negotiations, disrupts international trade and seriously affects production in and export from developing countries,

2. The United States of America proposed the following reformulation of paragraph 6:
"Noting with concern the increased pressures during the current period of economic difficulties to extend import protection to economically troubled industries, many of which are of particular export interest to developing countries."

and proposed that paragraph 7 should read as follows:

"Noting also that increasing domestic subsidies to agricultural production is a matter which is not sufficiently negotiated in the multilateral trade negotiations, disrupts international trade and seriously affects production in and exports from efficient agricultural producers."

3. Finland suggested the deletion of the phrase "which are of particular export interest to developing countries."

Draft resolution

Recognizing also that a healthy world economy would require, inter alia, the establishment of long-term industrial structural adjustment policies and measures to facilitate a greater transfer of industrial capacities from developed to developing countries, in order to attain an equitable and effective international division of labour, as well as the promotion of a substantial increase in the share of developing countries in the industrial production and exports of manufactures and semi-manufactures, in the light of the targets set out in the Lima Declaration and Plan of Action on Industrial Development and Co-operation,

Suggestions made

The European Economic Community suggested the following reformulation of the paragraph:

"Recognizing that a healthy world economy would contribute to the satisfactory pursuit by developing countries of their export policies and industrialization and that structural adjustment for the containment of protectionism and for an effective division of labour is essential in order for developing countries to obtain an increased share of world production, as well as of world trade in manufactures, bearing in mind the target of developing countries of a 25 per cent share of world production by the year 2000, as set out in the Lima Declaration and Plan of Action."

Noting the deep concern of all countries about intensified protectionist pressures and that of the developing countries in particular about the serious consequences which the increase in recent years of protectionist measures in developed countries may have for them by affecting their exports, particularly in sectors in which the comparative advantage has shifted in their favour and opened up important perspectives for growth in their economies,

1. The European Economic Community suggested the following reformulation of the paragraph:

"Noting the deep concern of all countries about intensified protectionist pressures and that of the developing countries in particular about the serious consequences which the increase in recent years of protectionist measures in the world trading system may have for these countries by affecting their exports."

2. The United States of America suggested the following reformulation of the paragraph:

"Noting the deep concern of all countries about intensified protectionist pressures and that of the developing countries in particular about the serious consequences which an increase of protectionist measures in developed countries would have for them by affecting their exports, particularly in sectors in which they have a comparative advantage and important perspectives for growth in their economies."

3. Finland suggested that the word "measures" in the third line be replaced by the word "pressures"

Draft resolution

Recognizing further that the current economic problems of developed countries cannot be solved by concealed or open protectionism and that trade-restrictive measures could touch off chain reactions involving a widening series of actions by an increasing number of countries,

Noting with deep concern that such measures, by delaying the process of necessary structural change in the developed countries and consequently limiting the market access for agricultural, manufactured and semi-manufactured exports of developing countries, have adverse effects on the economies of developing countries,

Suggestions made

1. The United States of America suggested the deletion of the words "of developing countries"
2. The European Economic Community suggested that the paragraph begin with the words "Recalling further that today's world problems cannot be solved ..."

1. The European Economic Community suggested that the paragraph be replaced by the following:

"Noting with concern the adverse effects of protectionist measures on the economies of developing countries,"

2. The United States of America suggested the following reformulation of the paragraph:

"Noting with deep concern that protective measures, by delaying the process of structural change and limiting market access, have adverse economic effects on the economies of developing countries,"

3. Finland suggested replacing the word "measures" by the word "pressures"

Realizing that increasing protectionist measures have, inter alia, aggravated inflation in the developed countries, which is, in turn transferred to the developing countries,

1. Finland suggested replacing the word "measures" by the word "pressures"

2. The United States of America, the European Economic Community and Austria suggested the deletion of the paragraph

Draft resolution

Suggestions made

Emphasizing the importance of structural adjustment for the elimination of protectionism and for the promotion of greater international trade, taking into account the interests of developing countries and with a view to the early attainment of their development objectives,

1. The European Economic Community stated that the idea contained in this paragraph was covered in its proposal for preambular paragraph 8 (see above), and suggested the deletion of the paragraph

2. The United States of America suggested the deletion of the words "for the elimination of protectionism and for the promotion of greater international trade"

Japan proposed a new preambular paragraph to read as follows:

"Bearing in mind the work being undertaken by other organizations, such as the United Nations Industrial Development Organization, the Food and Agriculture Organization of the United Nations, the International Labour Organisation and the General Agreement on Tariffs and Trade."

The European Economic Community proposed a new preambular paragraph to read as follows:

"Welcoming the recent decision of the General Agreement on Tariffs and Trade contracting parties to convene a ministerial meeting with a view to examining the overall conditions of trade and to seek solutions to the remaining questions of the Tokyo Round."

The European Economic Community proposed the following new operative paragraphs:

"1. Urges all countries to maintain and improve the open and multilateral trading system and to this end strengthen in particular the role of the General Agreement on Tariffs and Trade;"

"Endorses the positive conclusions of the multilateral trade negotiations and urges all participating countries fully and effectively to continue to implement the commitments made, both in their letter and spirit;"

Draft resolution

1. Urges developed countries to implement fully and to adhere strictly to the standstill provisions they have accepted by refraining from introducing new tariff and non-tariff barriers affecting the exports of developing countries and to reduce substantially tariff escalation so as to provide improved access to exports of manufactures, semi-manufactures and processed primary products from the developing countries;

1. The United States of America suggested the following reformulation of the Paragraph:

"Urges developed countries to implement fully and to adhere strictly to the standstill provisions they have accepted in particular concerning imports from developing countries and to co-operate in exploring whether, following the tariff reductions of the Tokyo Round, there remain areas of tariff escalation where reductions might improve access to exports of manufactures, semi-manufactures and processed primary products from the developing countries;"

2. The European Economic Community suggested the following reformulation of the Paragraph:

"Welcomes the commitments of OECN countries to implement fully and to adhere strictly to the substantial provision, in particular concerning imports from developing countries and refrain from introducing new tariff and non-tariff barriers;"

3. Finland suggested the deletion of the words "and exports of manufactures, semi-manufactures and processed primary products from the developed countries"

2. Calls upon developed countries to eliminate promptly their existing tariff and non-tariff barriers, particularly quantitative restrictions and other measures having an equivalent effect on the exports of developing countries;

1. The United States of America suggested the following reformulation of the paragraph:

"Calls upon developed countries to seek ways to move towards the reduction of quantitative restrictions and other measures having an equivalent effect, particularly in relation to products exported by developing countries;"

2. The European Economic Community and Finland suggested the deletion of the paragraph

3. Sweden suggested replacing the words "eliminate promptly" by the words "seek to reduce"

Draft resolution

3. Agrees that structural adjustment should be a constant and global process which the international community, in particular the developed countries, should facilitate by conscious efforts aimed at ensuring accelerated and sustained overall growth of the developing countries, including the development and diversification of their economies and an effective international division of labour involving both interindustry and intra-industry specialization, enabling developing countries to secure an increase in the share of world trade, of processed goods and of manufacturing)

Suggestion made

1. The United States of America suggested the following reformulation of the paragraph:

"Agrees that structural adjustment should be a constant and global process which the international community should facilitate by conscious efforts aimed at ensuring accelerated and sustained overall growth including the development and diversification of the economies of developing countries and an effective international division of labour involving both interindustry and intra-industry specialization, enabling developing countries to secure an increase in their share of world trade, of processed goods and of manufacturing;"

2. Sweden suggested replacing the words "should be" in the first line by the word "is"

4. Calls upon developed countries to implement long-term industrial structural adjustment policies with a view to facilitating the establishment of an equitable and effective international division of labour)

1. The European Economic Community suggested the following reformulation of the paragraph:

"Calls upon developed countries to implement policies which facilitate long-term structural adjustment with a view to facilitating the establishment of an equitable and effective international division of labour;"

2. Finland objected to referring only to "developed countries" in this paragraph

3. The United States of America suggested the following reformulation of the paragraph:

"Calls upon developed countries to facilitate structural adjustment by allowing market-place decisions to proceed without interference with a view to facilitating the establishment of an efficient international division of labour;"

Draft resolution

5. Welcomes the decision of the Trade and Development Board to establish a Sessional Committee at the twenty-fourth session of the Board in accordance with its resolution 226 (XXII) to deal with the problems of protectionism and structural adjustment;

Suggestions made

1. The European Economic Community suggested the following reformulation of the paragraph:

"Welcomes the decision of the Trade and Development Board to establish a Sessional Committee at the twenty-fourth session of the Board, in accordance with its resolution 226 (XXII) on the question of protectionism and structural adjustment;"

2. The United States of America suggested the following reformulation of the paragraph:

"Applauds the progress being made by the Secretary-General of the United Nations Conference on Trade and Development in implementing the decision of the Trade and Development Board at its twenty-second session, Board decision 226 (XXII) of 20 March 1981, providing for follow-up action to section A, paragraph 2, of resolution 131 (V) of the United Nations Conference on Trade and Development;"

6. Calls upon that Sessional Committee to undertake sectoral reviews within the framework of the annual review referred to in resolution 131 (V) with a view to the effective and full implementation of section A, paragraph 3, of that resolution, and invites the Conference, on the basis of such annual reviews, to formulate general recommendations which national Governments would take into account in implementing section A, paragraph 3, of resolution 131 (V) and to review continuously developments involving restrictions of trade affecting exports of developing countries with a view to examining and formulating appropriate recommendations, and to ensure that this comprehensive review also deals with the monitoring of the evolution of the industrial capacity in the developed countries in order to recommend the necessary measures that would avoid protectionist demands in those countries.

1. The European Economic Community suggested the following reformulation of the paragraph:

"Notes that the Sessional Committee established by the Trade and Development Board resolution 226 (XXII) is to:

(a) Carry out the annual review of the patterns of production and trade in the world economy as provided for in section A of United Nations Conference on Trade and Development resolution 131 (V);

(b) Together with the United Nations Conference on Trade and Development subsidiary bodies concerned, continue to review developments involving restrictions of trade as provided for in section B of United Nations Conference on Trade and Development resolution 131 (V) with a view to examining and formulating appropriate recommendations concerning the general problem of protectionism."

Draft resolution

Suggestions made

2. The United States of America suggested the following reformulation of the paragraph:

"Calls upon States members of the United Nations Conference on Trade and Development to take the reviews of the Secretary-General of the United Nations Conference on Trade and Development and any general recommendations flowing from them into account in following up the provisions in section E of Conference resolution 96 (IV) and to review continuously developments involving restrictions of trade affecting exports of developing countries, including restrictions by other developing countries, with a view to examining and formulating appropriate recommendations, while examining the structural adjustment measures in the economies of the developing countries, which would facilitate the transition from import substitution to export promotion to take advantage of these market opportunities newly opened through trade negotiations and generalized systems of preferences."

Commodities

The General Assembly,

Recalling its resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States, 3362 (S-VII) of 16 September 1975 on development and international economic co-operation, and 35/56 of 5 December 1980, the annex to which contains the International Development Strategy for the Third United Nations Development Decade,

Recalling also resolutions 93 (IV) of 30 May 1976, 6/ 124 (V) of 3 June 1979 7/ and 155 (VI) and 156 (VI) of 2 July 1983, 8/ concerning the Integrated Programme for Commodities, and 153 (VI) of 2 July 1983 9/ on the Common Fund for Commodities, adopted by the United Nations Conference on Trade and Development at its fourth, fifth and sixth sessions,

Reiterating its deep concern at the slow pace of progress to bring the Common Fund for Commodities into operation, owing to the lack of ratification of the Agreement Establishing the Fund, 10/ particularly by some major commodity exporting or importing countries, as well as those accounting for a significant share of the capital of the Fund,

Expressing deep concern at the present state of world trade in commodities, which is characterized basically by market instability and market structures detrimental to the interests of developing countries, excessive and continuing deterioration in prices, the virtual non-participation of the developing countries in the processing, distribution and marketing of their commodities and the existing serious problems confronting the international commodity agreements such as the sugar, tin and cocoa agreements, thus placing commodity trade in a cycle of severe and unpredictable fluctuations to the detriment of both producers and consumers,

6/ See Proceedings of the United Nations Conference on Trade and Development, Fourth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.76.II.D.10 and corrigendum), part one, sect. A.

7/ Ibid., Fifth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A.

8/ Ibid., Sixth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A.

9/ Ibid.

10/ United Nations publication, Sales No. E.81.II.D.8 and corrigendum.

Noting with serious concern the adverse social and economic impact of depressed prices on commodity producers, in particular those in the developing countries,

Recognizing the major responsibility of developed countries with regard to commodity trade liberalization,

Emphasizing that significant improvement in international commodity trade can only be effected by urgent and concerted international action based on the mutuality of interest between producers and consumers, in accordance with the objectives of the Integrated Programme for Commodities,

Mindful of the approaching seventh session of the United Nations Conference on Trade and Development, which will be held in 1987 and which constitutes a major opportunity for progress in key issues of international economic co-operation for development,

1. Stresses the need for urgent action to address the deteriorating situation of the developing countries in the field of commodities;
2. Reaffirms the importance of the Common Fund for Commodities, and urges States that have not yet done so to sign and ratify the Agreement establishing the Fund without any further delay so that the Common Fund can become operational, thus contributing to the full implementation of the Integrated Programme for Commodities;
3. Calls upon developed countries to refrain from instituting new barriers to the importation of commodities or strengthening existing ones and to take systematic action for the elimination of all existing barriers and subsidies so as to permit freer access to their markets of commodities, in primary forms as well as semi-processed and processed forms, thus, inter alia, reducing the costs to consumers of end-products;
4. Also calls upon producing and consuming countries, particularly those participating in international commodity agreements, which face particular constraints on their effective operation to meet as soon as possible, in accordance with their established procedures, to work out both short-term and medium-term solutions to the problems affecting commodity markets, including measures to restore prices to levels remunerative to producers and equitable to consumers, which would ultimately facilitate the implementation of the Integrated Programme for Commodities;
5. Appeals to producing and consuming countries to undertake measures designed to promote effective international co-operation in commodity trade, in accordance with the objectives and principles of the Integrated Programme for Commodities, inter alia, through their participation in international commodity agreements;
6. Calls upon States to enhance international co-operation leading to the greater participation of the developing countries in the processing, distribution and marketing of commodities;

7. Welcomes Trade and Development Board decision 317 (S-XIV) of 27 June 1985 ^{11/} on compensatory financing of export earnings shortfalls, and urges States to pursue its implementation;

8. Requests the Secretary-General of the United Nations Conference on Trade and Development, in co-operation with relevant organs of the United Nations system, to continue to examine long-term trends and prospects for primary commodities with a view to recommending policy measures to facilitate and support efforts undertaken by producer developing countries to maximize the contribution of commodity trade to their development on a long-term basis;

9. Also requests the Secretary-General of the United Nations Conference on Trade and Development to continue to monitor closely movements in international commodity trade and the progress in the implementation of the present resolution and to report thereon to the General Assembly at its forty-first session.

^{11/} See Official Records of the General Assembly, Fortieth Session, Supplement No. 15 (A/40/15), vol. I, part two, sect. II.