LATIN AMERICAN CO-ORDINATION MEETING REGARDING THE MEETING
OF THE CONTRACTING PARTIES TO GATT AT THE MINISTERIAL LEVEL

Communication from Colombia

The following Final Report of the Latin American Co-ordination Meeting regarding the meeting of the CONTRACTING PARTIES to GATT at the Ministerial Level, held in Geneva from 4 to 6 October 1982, has been received from Ambassador Jaramillo, Colombia, Chairman of the meeting, for distribution to all members of the Preparatory Committee.

1. Pursuant to Decision 123 of the Latin American Council, a Latin American Co-ordination Meeting was held in Geneva from 4–6 October 1982, regarding the meeting of the GATT CONTRACTING PARTIES at the ministerial level.

2. H.E. Ambassador Felipe Jaramillo, Deputy Permanent Representative of Colombia to the United Nations Organizations in Geneva, was elected Chairman of the meeting. Ms. Gladys García de González, Counsellor of the Permanent Mission of Cuba to the United Nations Organizations in Geneva, was elected Vice-Chairman-Rapporteur.

3. The meeting adopted the following agenda:

1. Election of the Chairman;
2. adoption of the agenda and organization of work;
3. reports on the state of the preparatory work for the GATT Ministerial meeting;
4. global strategy of the member States in relation to the subjets to be dealt with at the Ministerial meeting of the GATT CONTRACTING PARTIES;
5. adoption of the Final Report.
4. After expressing his gratitude for the expression of confidence by the Latin American Co-ordination Meeting, the Chairman suggested initiating the discussion with item 3 of the agenda, offered the floor to Mr. Miguel Rodríguez Mendoza, Director of Consultations and Co-ordination of SELA, who introduced document SP/RCLA-GATT/DT No.1, "The GATT Ministerial meeting: A Latin American Perspective", which had been prepared by the Permanent Secretariat as a contribution to the discussions of the Co-ordination Meeting.

5. Secondly, the Chairman of the Co-ordination Meeting, acting as Co-ordinator of the Group of Developing Countries in GATT, informed of the state of the preparatory work for the GATT Ministerial meeting, referring to the position adopted by developing countries with respect to the various issues which had been prepared for consideration by the Ministerial meeting.

6. Finally, Mr. Reinaldo Figueredo, Director of the Manufactures Division of UNCTAD, underlined the adverse effects of the world economic situation for developing countries, especially for Latin America, and stressed the importance of the Ministerial meeting of GATT as a forum in which commitments might emerge addressed toward correcting this situation.

7. During the discussions, the participants expressed various views and opinions with respect to the situation in the world economy and the functioning of the international trading system. They pointed out the fact that the GATT Ministerial meeting would take place at a time in which the international economy was undergoing a profound crisis of a structural order, which had been exacerbated by the economic policies pursued by the most important industrial countries.

8. In addition, it was stressed that the problems of the world economy were such, that they could not be resolved by unilateral decisions of any particular group of countries, regardless of their economic importance, and that, given the gravity of the situation, the search for adequate solutions translated into firm, multilaterally-agreed commitments had become imperative, as well as the political will not to obstruct such commitments through national policies and actions.

9. Attention was called to the fact that the international crisis had had particularly serious repercussions on the economies of the Latin American countries, demonstrating their situation of dependence, and, consequently, their vulnerability to external developments. This vulnerability was certainly not a recent phenomenon, but, in the present situation, it had serious implications for economic security, autonomy, and the long-term development prospects for the region.

10. It was recognized that the GATT Ministerial meeting would provide the opportunity to examine, and adopt decisions regarding various aspects of the international trading system, which had experienced a serious erosion
of its fundamental principles and rules. These rules and principles were being contradicted by the non-implementation of the commitments accepted, in particular those in favour of developing countries, and arrangements arrived at within GATT itself, as well as by decisions taken outside the GATT framework.

11. Since the early years of the GATT system, developing countries had encountered difficulties to insert themselves into a free and open trading system. The incorporation of Part IV into the General Agreement (1965) constituted the recognition that the developing countries required preferential and non-reciprocal treatment. Unfortunately, the provisions of Part IV were not completely satisfactory. Furthermore, they had never been fully applied and, in recent years, a clear, regressive tendency had been observed, a tendency not only to ignore the special situation of developing countries, but also to extract from an important number of them, the same level of obligations as the developed countries themselves. In other words, without having enjoyed the benefits of their rights, that is, without the developed countries having fulfilled their commitments, attempts were being made to impose upon developing countries a level of obligations equivalent to those of developed countries. In addition, efforts were being made to enlarge the scope of the General Agreement with a view to incorporating new areas as services, investments, technology and trade in counterfeit goods.

12. It was also emphasized that several countries of the region had felt the brunt of coercive economic measures applied for essentially political reasons, which brought in question the very principles that would govern the international trading system in the future.

13. In view of these serious problems, it was considered essential that the GATT Ministerial meeting result in clear, unequivocal political commitments to take positive action in respect of those issues crucial to the developing countries. From the point of view of Latin America, it was considered of paramount importance that the commitments deal with those issues which were of crucial interest to the countries of the region, and that these commitments were adopted in such a way as to demonstrate that the GATT system was capable of resolving the dramatic trade and economic problems facing Latin America.

14. The work accomplished by the GATT Preparatory Committee, to date, had not given adequate treatment to the problems confronting developing countries, neither in the "political" section of the draft Ministerial Declaration, nor in the decisions being prepared for the Ministers, nor even in the studies which it was proposed be undertaken by the GATT secretariat. It did not appear, therefore, that the GATT Ministerial meeting would resolve satisfactorily the critical situation confronting developing countries in the international trading system. As a consequence, it would be necessary for the Preparatory Committee to exert...
further intensive efforts to overcome the difficulties which were preventing it from carrying out its mandate. In this context, it was considered desirable that those SELA member States not contracting parties to GATT, participate more actively as observers in the work of the Preparatory Committee.

15. In its consideration of item 4 of the agenda, the Co-ordination Meeting based its discussions on document SP/RCLA-GATT/DT No.1. As a result of this examination and the related discussion, the meeting agreed on the conclusions contained in paragraphs 16 to 28 of this report.

16. It was stressed that the various specific issues being examined by the GATT Preparatory Committee should be considered in the context of the fundamental objectives to be pursued by the member States of SELA at the GATT Ministerial meeting. These issues were analysed in the light of the following:

(i) The obligation, on the part of the developed countries, to fulfill the commitments made in favour of developing countries in the past and which were still outstanding;

(ii) the elimination of discriminatory protective measures applied against exports from developing countries, and of the possibility that such discriminatory measures could be applied in the future;

(iii) a strengthening of those disciplines and functions of GATT intended to protect the rights and interests of developing countries;

(iv) the assurance that matters foreign to the GATT system of rights and obligations, and those relating to basic domestic development policy objectives, would not be brought artificially within GATT auspices.

17. With respect to the fulfilment of commitments, it was recalled that a series of commitments had been accepted in GATT to adopt specific trade policy measures to further a continuous increase in the exports of developing countries and a diversification of these exports. Such commitments included the 1963 Ministerial Declaration and the 1979 GATT Work Programme. These commitments referred to measures affecting the trade of developing countries as well as to product categories of special interest to them. Within the subjects being examined by the Preparatory Committee, emphasis was given to those related to the application of the GATT provisions in favour of developing countries with respect to tariffs, non-tariff barriers and the specific sectors of priority interest to the region, namely, tropical products, agriculture, metals and minerals, forest products and fisheries.
18. In view of the general failure to implement commitments in favour of developing countries in these areas, the Co-ordination Meeting agreed that there would be no point in the Ministers merely deciding to conduct further studies and analyses. The Co-ordination Meeting considered that a clear, unequivocal political commitment was required to implement commitments, aimed at eliminating measures adversely affecting the exports of developing countries, liberalizing and otherwise resolving the other problems facing trade in sectors of crucial interest to them, and, particularly, to immediately abolishing illegal restrictions in these sectors. The proposals put forward by the developing countries at the forty-seventh session of the GATT Committee on Trade and Development, could form the basis for initiating such action. This could, perhaps, be complemented by negotiations on a sectoral basis which would cover all barriers to trade in these sectors, and address those domestic policies of the developed countries which interfered with the expansion of Latin American exports.

The priority of the tropical products sector for developing countries was stressed, and that, given the extent to which work in this area had progressed, negotiations should now be initiated. Furthermore, the Co-ordination Meeting agreed that, as a first step towards the fulfilment of the outstanding commitments, the GATT Ministerial meeting should take a decision on an immediate standstill on the application or intensification of trade barriers affecting imports from developing countries, including the reinstitution of tariffs or non-tariff measures under the unilateral application of the so-called "graduation" concept.

19. With respect to the issues linked to discrimination against developing countries, the issues of textiles and safeguards were considered to be of particular relevance. It was stressed that the prolongation of the discriminatory régime embodied in the Multifibre Arrangement has had increasingly negative effects on the export possibilities of developing countries. In addition, it was indicated that certain developed countries were seeking changes in the general GATT safeguard clause (Article XIX) to permit the "selective" application of safeguards in general, which would inevitably lead to discriminatory action being taken against Latin American exports considered "sensitive" by the developed countries.

There was also a link between these issues and those MTN Agreements which deviated from Article I of GATT, and did not contain special and differential treatment from the point of view of satisfying developing countries' interests.

20. The Co-ordination Meeting rejected the application of discriminatory measures against developing countries and agreed that the GATT Ministerial meeting should take decisions to achieve:

1GATT documents COM.TD/111 and 112
(i) an improved multilateral safeguard clause firmly based on the principle of most-favoured-nation treatment;

(ii) the elimination of "conditionality" and bilateral approaches in the application of multilateral agreements; and

(iii) implementation of the position of developing countries on textiles as contained in GATT document PREP.COM/W/30.

21. The meeting agreed that the application of economic measures of a coercive character for political reasons was unacceptable, and incompatible with the provisions of GATT, and recalled that the Latin American Council, in its Decision 112, had condemned the application of such measures. It was also agreed that the GATT Ministerial meeting should at least express its preoccupation over the adoption of economic and trade measures for political reasons, and that towards this end, Article XXI should be interpreted with a view to avoiding future use of such measures.

22. The examination of the functioning of GATT and the necessity of strengthening the mechanisms in favour of developing countries, was given special attention by the participants, who, to this effect, agreed that:

(i) The provisions of the MTN Agreements in favour of developing countries should be strictly applied. The factors contributing to the very limited participation of developing countries in these Agreements should be examined with a view to implementing the measures necessary to render them more suited to the interests of developing countries. In addition to the objective mentioned in paragraph 20(ii), the Co-ordination Meeting rejected the conditions imposed by certain developed countries on developing country participation in the Agreements.

(ii) Regarding notification, consultations, dispute settlement and surveillance, any improvement of these provisions should be based on the strict adherence to multilateral disciplines with a view to more effectively protecting the rights of developing countries and assuring that developed countries fulfilled their obligations.

(iii) Trade in agricultural products should be considered as a matter of priority with the activities of GATT, with the application of special and differentiated treatment in favour of developing countries and the establishment of equivalent treatment between agricultural and industrial products.
(iv) In relation to export credits, it was considered that export credits on capital goods to developing countries should be seen more as a development, rather than a subsidy issue.

(v) Regarding the issue of exchange rate fluctuations, it was emphasized that UNCTAD could make an important contribution in this area.

23. It was reiterated that the implementation of GATT rules relating to developing countries was obviously an item crucial to GATT's credibility, given the necessity mentioned above, of achieving a meaningful implementation of Part IV and the other commitments. In this sense, the credibility of GATT from the point of view of developing countries depended on the adoption of provisions leading to an effective participation of these countries in the international trading system.

24. The Co-ordination Meeting considered it to be of paramount importance to counter certain developed countries' arbitrary use of the "Enabling Clause", to justify the application of so-called graduation criteria in a unilateral and subjective manner.

25. The new issues proposed for consideration in the GATT Ministerial meeting not included within the ambit of GATT (services, high-technology goods, trade-related investment and trade in counterfeit goods), were the subject of a detailed analysis. Emphasis was given to the heterogeneous nature of these subjects, which could be considered as constituting many different categories of activities. It was also emphasized that a deeper examination of the services issue in general, such as the one which had been carried out in the Preparatory Committee, indicated that the underlying problem was basically one of "right of establishment", clearly an investment, not a trade issue. This conclusion also seemed valid for the trade-related investment issues, and for certain aspects of high technology.

26. It was mentioned that, at present, there existed no international framework of rights and obligations governing international investment flows or service transactions. It was also agreed that regardless of the importance of establishing such a framework, it could be questioned whether the GATT was the appropriate forum for the analysis, discussion and negotiation of investment, services and technological issues. This would mean that GATT principles and rules including the changes brought about by the MTN negotiations and other developments, would inevitably guide the negotiations. It was considered seriously debatable whether the application of such principles and rules to these areas would be in the interest of developing countries.
27. It was also recognized that these issues were very significant for the
development policies and strategies of developing countries and that their
governments should retain the flexibility of implementing such policies
without being required to accept commitments at the international level.
It was emphasized that the very fact that these issues were important did
not, in itself, justify their inclusion within the contractual framework of
GATT. In addition, it was stressed that any initiatives to adopt
international guidelines and commitments in these areas should be
channelled through the institutions with competence either in these
subjects or in the problems of developing countries, taking into account
the particular problems of these countries and only once the necessary
studies and analyses had been made at the national, sub-regional and
interregional levels.

28. It was mentioned that new issues should not be proposed for
consideration in GATT until the commitments which had been agreed in favour
of developing countries had been fulfilled.

29. Concern was expressed regarding recent suggestions for a "north-south"
round of negotiations on market access in that, as in the manner presented,
they would appear to have serious implications for the future of the
trading system. These would include an undermining of the basic principles
of the Generalized System of Preferences, including its non-reciprocal
character, acceptance of a link between commitments on trade and on
services and investment, and implicit acceptance of unilaterally applied
"graduation" and the obvious temptation for developed countries to
"graduate" as many beneficiaries as possible in order to enhance their
negotiating prospects.

30. The participants stressed the importance of the Co-ordination Meeting
in achieving a better co-ordination of the Latin American countries with
respect to the GATT Ministerial meeting and the necessity to follow up on
the conclusions adopted by this meeting through closer co-ordination.

31. It was considered that the satisfactory results of the Latin American
Co-ordination Meeting would stimulate an intensification of this type of
consultative and co-ordinating activity and lead to a strengthening of the
joint actions of Latin American countries with respect to other events and
international negotiations. In this context, it was considered desirable
that the Permanent Secretariat of SELA intensify its contacts with the
member States' permanent missions in Geneva, in order to assure closer
co-ordination.

32. It was decided to recommend that the Permanent Secretariat
participate, in an observer capacity, in the GATT Ministerial meeting, and
to this effect, that the appropriate steps be taken to ensure its presence
at this meeting.
33. The participants in the Co-ordination Meeting underlined the importance of the role being played by the Informal Group of Developing Countries in GATT and, in this respect, indicated their full support of, and solidarity with, the work being carried out by this Group.

34. In view of the important results achieved by this Co-ordination Meeting and their relevance for the work being carried out in the Preparatory Committee, the meeting requested its Chairman to transmit the report of the meeting to the Director-General of GATT with the request that it be circulated to the contracting parties participating in the Preparatory Committee, for their information.

35. In conclusion, the participants expressed their gratitude to the Permanent Secretariat of SELA for the quality of the documentation presented and for the organization of the meeting, and to the UNCTAD Secretariat for its support and co-operation.