GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
Forty-Seventh Session

DRAFT REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT
TO THE CONTRACTING PARTIES

Chairperson: H.E. Ambassador Narcissa L. Escaler (Philippines)

Introduction

1. Since the Forty-Sixth Session of the CONTRACTING PARTIES in December 1990, the Committee on Trade and Development held two meetings, comprising its Seventieth and Seventy-First Sessions.

2. The Seventieth Session of the Committee was held on 4 June 1991. At this Session, the Committee reviewed developments in international trade and in the Uruguay Round and also carried out a review of recent developments in regard to the implementation of Part IV and the operation of the Enabling Clause. In this context, the Committee reverted to some specific topics previously discussed such as trade and finance link and credit and recognition for autonomous trade liberalization measures. He also had an initial exchange of views on the question of its future rôle after the Uruguay Round. The Committee reviewed the technical assistance activities to developing countries in the context of the Uruguay Round. Document COM.TD/131 contains the note on the proceedings of the Seventieth Session of the Committee.

3. For its Seventy-First Session, held on 22 and 28 October 1991, the Committee had the following items on its agenda: review of developments in international trade and in the Uruguay Round; review of the implementation of the provisions of Part IV and the operation of the Enabling Clause; technical assistance to developing countries in the context of the Uruguay Round; work of the Sub-Committee on Trade of Least-Developed Countries; annual report of the Committee of Participating Countries on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries.
4. The Chairperson recalled that at the June 1991 meeting of the Committee, delegations had an exchange of views on the rôle of the Committee after the Uruguay Round. Many delegations stated that whatever the final results of the negotiations, the Committee's rôle should be strengthened in the future with a view to making its work more action-oriented. It was generally felt that informal consultations would be useful in order to identify issues which would appear to merit further consideration by the Committee in the light of its future rôle. The Chairperson informed the Committee that in pursuance to this understanding, she had discussed with some delegations how best to approach these consultations. Most of these delegations felt that, given the present stage of the Uruguay Round, such informal consultations should be pursued at a later date, when the results of the Round would be known.

Item (i): Review of developments in international trade and in the Uruguay Round

5. The Chairperson recalled that at its last meeting in June, the Committee had a very substantive and useful exchange of views under this agenda item and addressed a number of important issues relevant to developing countries' trade such as the trade and finance link, and credit and recognition for autonomous trade liberalization measures adopted by developing countries. As requested by the Committee, she had conducted preliminary informal consultations with some delegations on how to pursue the discussions on those specific topics. It was felt that, given the very intensive work underway in the Uruguay Round, these consultations should be pursued at future meetings of the Committee.

6. The Committee agreed to revert to these matters including the holding of further informal consultations at its meetings in 1992.
Item (ii): Review of the implementation of the provisions of Part IV and the operation of the Enabling Clause

7. The Chairperson recalled that the Committee was keeping under continuous review the implementation of the provisions of Part IV and the operation of the Enabling Clause. For the purpose of the review at the present meeting, the Committee had before it a number of notifications made by Austria, Japan, Norway and the United States since the Seventieth Session in June 1991.

8. The Chairperson also informed the Committee that as requested at the June meeting, she had conveyed to the Chairman of the GATT Council the concern of a number of developing-country delegations on delayed implementation or non-implementation of panel reports. The Council Chairman indicated that he would take this into consideration in the course of the informal consultations he was pursuing on this matter. As agreed by the Committee, the Chairperson also held informal consultations with some delegations on how to improve the work of the Committee in reviewing the operation of the GSP schemes. It was felt that these informal consultations would be more useful if pursued at a later stage, before the next meeting of the Committee.

9. One representative reiterated the concern of his country regarding the non-implementation by major trading partners of panel reports approved by the Council. Such cases led to imbalances which put at a disadvantage in particular developing countries, and had a negative impact on the normal process of the Uruguay Round negotiations. He requested the Committee to revert to the matter at its next meeting. Another representative expressed his delegation's readiness to continue consultations on the follow-up of panel reports and hoped that these consultations would lead to a satisfactory result.
10. The representative of India recalled that the Generalized System of Preferences as established by Resolution 21(II) adopted by UNCTAD in 1968 should be generalized, non-reciprocal and non-discriminatory. The only exception foreseen in this respect was special measures in favour of least-developed countries. However, recent trends indicated that GSP schemes were becoming increasingly discriminatory, less generalized and reciprocal. Granting of GSP benefits were linked to access in beneficiary-country markets and even to non-trade factors such as intellectual property rights. One example was provided by the United States' GSP programme whose benefits had been linked to the beneficiary-country's practices regarding inter alia the access conditions offered to US goods and services, protection of intellectual property rights, investment practices and workers' rights. For example, as a result of the 1990 Annual Review of the United States GSP programme, the Administration had decided to withdraw GSP benefits to imports of Ibuprofen from India on grounds of inadequate protection of intellectual property rights. India had a substantial interest in that item. Turning to the GSP scheme of the European Community, the representative pointed out that the 1991 scheme included special preferential arrangements to imports originating in a group of countries which were granted duty-free and quota-free treatment for textiles and industrial products and duty-free treatment for agricultural products. This treatment, granted temporarily for a period of four years to some non-least-developed countries, was adversely affecting India's exports of a number of products such as marine products, cut flowers, edible fruits and nuts, coffee, animal and vegetable oils, fats and animal fodder, tobacco, certain petroleum products, cotton yarn and cotton fabrics, articles of apparel and iron and steel products. Furthermore, the EEC had recently extended a similar preferential treatment to certain products originating in another group of countries that would further affect India's exports, in particular that of coffee. He believed that these aspects of the EEC and US schemes were contrary to the provisions of the Enabling Clause and of Resolution 21(II). In view of the forthcoming extensions and revisions of the GSP schemes, he wished to express in the Committee his country's deep concern over those developments.
11. Referring to the treatment for least-developed countries under GSP schemes, the representative of Bangladesh observed that the reduction or elimination of preferential margins resulting from m.f.n. tariff negotiations would erode the benefits accruing to the least-developed countries from GSP schemes. These countries should be compensated for such erosion through reduction of internal barriers on products where duty-free m.f.n. treatment would be agreed upon. He further noted that the rules of origin were becoming trade barriers to the least-developed countries. Given their low levels of development and accumulated technology, special flexibility under the rules of origin should be applied to them in order not to impede the access of their products in the various markets. Moreover, he believed that the product and country coverage of the GSP schemes should be further widened and that in order to increase predictability and stability of the GSP treatment and thus give incentives to investors, the application of these benefits to the least-developed countries should be extended for a longer period, for example ten years.

12. Commenting upon previous statements, the representative of the European Community stated that the problem of erosion of GSP preferences was inevitable since the GATT long term objective was the m.f.n. reduction of obstacles to trade including tariffs. On the question of compensation, in principle two measures could be contemplated: purchasing obligations and compensation for loss of export income. However, any discussion on such measures could not take place in GATT since they did not fall within its purview. As to the extension of the GSP scheme to those countries whose economic situations justified such treatment, this might have sometimes an adverse impact on exports of other beneficiary countries. Nevertheless, he felt there should be more solidarity among beneficiary countries, even if sometimes the preferential treatment granted to them was not equal.

13. Another representative supported the remarks made by the previous speaker with regard to the erosion of preferences. Concerning the
reduction of some internal measures, such as excise taxes or value added taxes, he stated that the application of different levels of taxes would strongly go against the thinking of most experts on tax policy in many countries who believed that greater uniformity in tax rates enhanced economic efficiency in the importing country and provided gains for its trading partners.

14. The Committee took note of the statements and agreed to revert at its next meeting to the issues raised, including informal consultations on how to improve the work of the Committee in reviewing the operation of GSP schemes.

Item (iii): Technical assistance to developing countries in the context of the Uruguay Round

15. The Committee had before it a note outlining the technical assistance activities provided by the GATT Secretariat since the beginning of 1991 (COM.TD/W/490). It was suggested that in reviewing technical assistance activities Committee members might also initiate an exchange of views on future technical assistance activities of the GATT. It was also recalled that as agreed by the Committee at its Sixty-Third Session in April 1988, governments and international organizations which provided technical assistance to developing countries in relation to work in the Uruguay Round were invited to keep the Committee periodically informed on activities which they had carried out, as well as of facilities which were available under their programmes.

16. A number of developing-country representatives expressed appreciation for the technical assistance provided by the GATT Secretariat and, in particular, by the Technical Cooperation and Training Division. The technical assistance activities had proved to be very useful in assisting developing countries to understand specific issues under negotiation in the Uruguay Round and to formulate their negotiating positions at both Geneva delegations and national administrations levels. These activities had also been helpful for smaller developing-country delegations which did not
have the necessary resources to follow all the negotiating groups in keeping themselves informed and assessing the implications of developments in the Round. Some representatives also noted with appreciation the special effort made in the context of technical assistance activities in favour of the least-developed countries. GATT's technical assistance programme reflects its commitment to help developing countries to become more active participants in international trade and in the Uruguay Round. Appreciation was also expressed to developed countries' individual governments which had provided voluntary financial contributions for technical assistance purposes.

17. Several representatives re-emphasized the need to strengthen and intensify the GATT's Technical Cooperation Programme after the completion of the Uruguay Round in order to help developing countries assess, make use of and implement the results of the negotiations and further enhance their participation in international trade. It was suggested that the question of strengthening GATT's future technical assistance programme be included among the topics for informal consultations to be held in relation to the future rôle of the Committee on Trade and Development.

18. A number of developing-country representatives also expressed appreciation for the technical assistance provided during the! negotiations by other international organizations and, in particular, by UNCTAD, UNDP and SELA. Some representatives expressed appreciation for a number of activities carried out by UNCTAD on specific issues such as services, as well as in the context of the "Software for Market Analysis Programme" (SMART) and the "Microcomputer-Based Commodity Information and Analysis System" (MICAS). It was hoped that technical assistance programmes of UNCTAD and other international organizations would be continued and strengthened after the end of the Uruguay Round in order to help developing countries benefit from and implement the results of the negotiations.
19. The representative of UNCTAD welcomed the opportunity to keep the Committee on Trade and Development periodically informed on technical assistance provided by his organization in relation to the Uruguay Round. He recalled that, as indicated at the previous Session of the Committee in June this year, an update paper regarding UNCTAD/UNDP Programme of Technical Assistance had been provided for information of the Committee (subsequently circulated as document COM.TD/W/493). This paper was intended to provide updated information on the Programme and details of the activities carried out since its initiation. Those activities involved a great deal of collaboration with other international organizations in particular with the GATT Secretariat. The representative also noted that developing countries had recently indicated the wish that such technical assistance should be continued and expanded. UNCTAD was consulting with UNDP to develop new regional and interregional programmes of technical assistance within the Fifth Programming Cycle of the UNDP. It was expected that other UN Agencies and UN regional Commissions, as well as regional development banks, would be involved in these programmes. Proposals had also been made for assistance at the country and sub-regional levels aimed at consolidating institutional infrastructures to enable such governments to implement the results of the Uruguay Round and participate effectively in the post-Uruguay Round framework.

20. The Committee took note of the statements. It also agreed that the question of GATT's future technical assistance be further considered in the context of the informal consultations on the Committee's future rôle.

Item (iv): Work of the Sub-Committee on Trade of Least-Developed Countries

21. It was recalled that the Sub-Committee on Trade of Least-Developed Countries met on 11 October 1991 and that a Draft Note on the proceedings of the meeting was contained in document Spec(91)82.
22. In the absence of Ambassador E. Selmer (Norway), Chairman of the Sub-Committee on Trade of Least-Developed Countries, the representative of Norway presented on Ambassador Selmer's behalf a brief oral report to the Committee. As requested by the Sub-Committee at its meeting on 11 October, the Chairman of the Sub-Committee had sent a letter to the Director-General in his capacity as Chairman of the Trade Negotiations Committee (TNC) at official level. The letter had drawn attention to the Draft Decision presented last year by Bangladesh (MTN.TNC/W/34) which had contained a number of proposals by the least-developed countries still to be considered by the TNC, as well as to the more specific proposals that had been addressed to specific negotiating groups.

23. The representative of Bangladesh drew the Committee's attention to the views and concerns expressed by his delegation at the meeting of the Sub-Committee on 11 October, as reflected in document Spec(91)82. He said the understanding and the goodwill shown by trading partners with respect to special concerns and problems of least-developed countries had still to translate themselves into concrete results of the Uruguay Round. The Committee could play a positive role in drawing attention to the proposals of least-developed countries within the negotiating structure of the Uruguay Round. The representative also emphasized the importance of ensuring the participation of least-developed countries in agreements on new issues such as TRIMS, TRIPS and Services. Furthermore, negotiations should reflect the fact that the least-developed countries were not able to undertake commitments and should not be requested to make any commitments in these areas. The representative of Tanzania supported this statement.

24. The Committee took note of the statements and reappointed Ambassador E. Selmer (Norway) as Chairman of the Sub-Committee on Trade of Least-Developed Countries for 1992.
Item (v): Annual Report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries

25. The Committee adopted the Eighteenth Annual Report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries (L/6921 and Addenda) for submission to the CONTRACTING PARTIES.

26. In concluding the meeting, the Chairperson said that while it was understandable that, due to intensive negotiations within the Uruguay Round, the Committee could not pursue at the present session the substantive debate initiated at the June session regarding the question of the Committee's future rôle, she considered it important that delegations continue to reflect on how to further strengthen the rôle that the Committee could and should play within GATT, in the light of the decision taken at the present Session to revert to this matter at a later stage.

Next meeting of the Committee

27. The Committee agreed that the date of its next meeting would be set by the Chairman of the Committee in consultation with delegations and the Secretariat.