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## COMMUNICATION FROM BRAZIL, COLOMBIA, CUBA, ECUADOR, DOMINICAN REPUBLIC, GUATEMALA, HONDURAS, INDONESIA, MALAYSIA, NICARAGUA, PAKISTAN, PANAMA, PARAGUAY, PERU, PHILIPPINES, SENEGAL, URUGUAY AND VENEZUELA

### Autonomous Liberalization and Developing Countries

The following communication has been received from the above-mentioned delegations with the request that it be circulated to the Members of the Council for Trade in Services.

## I. INTRODUCTION

1. This document<sup>1</sup> refers to autonomous liberalization and developing countries with the aim of making a contribution to the current discussions on autonomous liberalization in the Special Session of the Council for Trade in Services, through an analysis of the origin, historical background and discussion of this issue during the Uruguay Round.

2. This paper is based on the WTO's Secretariat note (WT/TF/COH/S/1, 18 June 1999) entitled "Autonomous Trade Liberalization", among other documents. The WTO's Secretariat was requested to prepare that note during the General Council meeting of 16 February 1999 under the agenda item "Agreements between the WTO and the IMF and the World Bank" and it was prepared within the framework of the issue "Coherence in Global Economic Policy-Making: WTO cooperation with the IMF and the World Bank".

## II. URUGUAY ROUND

3. Based on this WTO's Secretariat note and other documents prepared during the Uruguay Round, a brief background summary of this issue is as follows:

1. The issue of giving credit in GATT for autonomous trade liberalization measures adopted by *developing countries* was raised in the World Bank/IMF Development Committee in 1985<sup>2</sup> and at the OECD Ministerial meeting in 1986.<sup>3</sup> The issue was

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<sup>1</sup> This proposal is not a legal text. It is submitted solely for the purpose of negotiation and does not prejudice the position of Brazil, Colombia, Cuba, Dominican Republic, Ecuador, Guatemala, Honduras, Indonesia, Malaysia, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Senegal, Uruguay and Venezuela regarding the issues raised in it and they reserve the right to modify this proposal during the negotiations.

<sup>2</sup> Background paper (Number six) for the Development Committee on "Trade and Development", World Bank (September 1985).

<sup>3</sup> 1986 OECD Ministerial Communiqué (April 1986).

introduced into the Uruguay Round negotiations by the United States in a communication to the Negotiating Group on the Functioning of the GATT System (FOGS) in June 1987.<sup>4</sup>

2. In September 1989, a report by the Director-General on Ways of Achieving Greater Coherence in Global Economic Policy-making Through Strengthening GATT's Relationships with Other Relevant International Organizations<sup>5</sup> referred to the issue in these terms:

"Much interest has been shown by FOGS Group participants in the possibility that *developing countries* might obtain negotiating credit in GATT for trade policy reforms introduced by them under Fund or Bank programmes. This interest is shared by the heads of the Fund and Bank, and their staffs have enquired about the modalities which governments intend to adopt for granting negotiating credit. Although such reforms will generally be fully justified by their favourable effects on the economy of the country which undertakes them, they can serve a double purpose if they also provide negotiating credit which can secure market-opening concessions from a country's trading partners..."

3. The issue of autonomous liberalization was taken up in the Negotiating Groups on Tariffs and on Non-Tariff Measures with respect to all autonomous liberalization measures, whether or not these were undertaken in the context of IMF or World Bank Programmes.<sup>6</sup>
4. At the Mid-Term Review<sup>7</sup> (Montreal, 5-9 December 1988 and Geneva 5-8 April 1989), paragraph 7 (f) "Increasing participation of *Developing Countries*" of Part II. Negotiations on Trade in Services states that "Autonomous liberalization of market access in favour of services exports of *developing countries* should be allowed".
5. In December 1991, at the Negotiating Group on Market Access under the title "Uruguay Round Market Access Negotiations and *Developing Countries*", the Chairman issued the *Chairman's Guidelines*<sup>8</sup> on a common approach towards granting credit and recognition for autonomous liberalization measures, and paragraph 3 states that "The guidelines below are ... aimed at supplementing the traditional GATT approach to assessing the value of specific tariff bindings by individual *developing countries* within the Uruguay Round. The guidelines would be applied in accordance with the relevant provisions of the Punta del Este Declaration and the Mid-Term Review on Market Access, including the principle of differential and more favourable treatment". Paragraph 4 also establishes that "These guidelines would provide a minimum level of credit which should be given practical effect in the

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<sup>4</sup> MTN.GNG/NG14/W/9, Section 3 ("Strengthening the GATT's relationship with other international organizations responsible for monetary and financial matters") states that "Strengthening the GATT's relationship with the international organizations responsible for international monetary and financial issues, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) would lead to greater coherence and mutually reinforcing economic policies at both the national level and at the level of international organizations. The OECD Ministers have already endorsed increased cooperation among the GATT, the IMF and World Bank by agreeing to consider giving credit in the multilateral trade negotiations for trade liberalization measures that developing countries undertaking in IMF and the World Bank adjustment programmes..."

<sup>5</sup> MTN.GNG/NG14/W/35, para. 32.

<sup>6</sup> MTN.GNG/NG1/6 y 7, MTN.GNG/NG2/W/15.

<sup>7</sup> MTN.TNC/11.

<sup>8</sup> MTN.GNG/MA/W/13.

negotiations where each participant can make a qualitative assessment of tariff bindings and reductions, including on what constitutes a meaningful rate of ceiling bindings. This could take into account the trade coverage of the tariff bindings, and have regard to particular *developing countries'* trade and economic development stage. ... *Developing countries* which reduce substantially or eliminate totally NTMs should be given additional credit towards achieving the Montreal target". Furthermore, paragraphs 6, 7, 8 and 9 of these Chairman's Guidelines include express references to *developing countries*.

6. No further discussion of the issue is recorded in the Uruguay Round documentation.

### III. FINAL COMMENT

4. As a result of the summary above, and as it was expressed by many WTO Members during the current discussions in the Special Session of the Council for Trade in Services, the origin of this issue of autonomous liberalization and the subsequent discussions during the Uruguay Round show that it was specially thought up in favour of developing countries and to establish how these countries could obtain recognition and/or credit for their autonomous liberalization measures. Moreover, it is clear that this point should have even more validity now if we consider the general framework of what various WTO Members have called the "Doha Development Agenda". In this context, we consider that the close link between autonomous liberalization and developing countries must, during the current negotiations on trade in services, be specially taken into account when establishing the modalities and/or criteria for the treatment of autonomous liberalization referred to respectively in GATS Article XIX and in paragraph 13 of the Guidelines and Procedures for the Negotiations on Trade in Services (document S/L/93).

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