

# WORLD TRADE ORGANIZATION

RESTRICTED

**WT/COMTD/M/9**

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## **Committee on Trade and Development Ninth Session**

### NOTE ON THE MEETING OF 12 SEPTEMBER 1996

Chairman: Mr. Nacer Benjelloun-Touimi (Morocco)

#### **A. Adoption of the Agenda**

1. The Committee adopted the following agenda:

- A. Adoption of the Agenda
- B. Implementation of Uruguay Round Provisions in Favour of Developing Country Members
- C. Provision of Guidelines for WTO Technical Cooperation
- D. Review of the Participation of Developing Country Members in the Multilateral Trading System, including the Review of the Impact of the Results of the Uruguay Round on Developing Country Members
- E. Other Business

2. The Chairman suggested taking up the question of observer status at a future meeting, noting the adoption by the General Council of guidelines on the attendance of international organizations. For the time being, he intended to follow the Committee's ad hoc procedure of inviting the same organizations for the next meeting which were invited to this meeting.

3. The Committee so agreed.

#### **B. Implementation of Uruguay Round Provisions in Favour of Developing Country Members**

4. The Chairman recalled that the work programme of the CTD for 1996 was directed at making a significant input into the Ministerial meeting and that review of the implementation of Uruguay Round provisions in favour of developing countries was one of its priorities. He drew delegations' attention to the following documents: WT/COMTD/W/16, containing responses received so far from the Chairpersons of the subsidiary bodies of the General Council responsible for WTO Agreements containing provisions in favour of developing countries; WT/COMTD/W/17, containing a specific response from the Textiles Monitoring Body on the implementation of the Agreement on Textiles and Clothing with particular reference to aspects of direct relevance to developing and least-developed country members;

WT/COMTD/W10, distributed last year, and containing a compilation of all provisions in WTO Agreements in favour of developing countries.

5. The Chairman urged delegations to inform the Committee of their experience with the implementation of those provisions, since some of them were only triggered if specific requests were made. Unless information based on individual experience of countries was received, any evaluation of the implementation risked being incomplete. The debate served to evaluate the extent to which, and how, the different provisions were applied or used by developing countries since the entry into force of the WTO in January 1995, and to help provide an input into the Committee's report to Ministers with appropriate recommendations on this matter.

6. The representative of the European Communities welcomed document WT/COMTD/W/16 as the first document to show the extent to which provisions in favour of developing countries had been implemented as well as the extent to which developing countries had been able to take advantage of them. Though incomplete, it nevertheless showed positive evidence of the flexibility of the multilateral trading system and its ability to take into consideration the special needs of developing countries. He hoped that in coordination with other WTO Bodies further information in the form of addenda to the document would become available.

7. The representative of Canada suggested that the Committee request the Secretariat to prepare an outline of those provisions which would only be triggered upon request. He also referred to the Questionnaire on Technical Assistance Needs, which had been circulated earlier to delegations, and suggested that replies to it would be a useful input to determine the extent to which the provisions in favour of developing countries relating to the needs for technical assistance were considered effective. This, in turn, would enable technical cooperation agencies in countries such as his to put together an effective technical assistance package.

8. The representative of Norway said that document WT/COMTD/W/16 took a systematic approach to survey the practical application of the concessionary provisions and looked forward to receiving inputs from delegations on their individual experiences, as well as further information from other WTO Bodies. Since these provisions were intended to facilitate the integration of developing countries into the legal framework of the multilateral trading system, the Committee's report to the Ministers in Singapore had to reflect their use. It was possible to conclude, even at this stage, that developing countries had made use of these special provisions.

9. The representative of Korea underlined the importance of the special provisions in the WTO Agreements for the integration of developing countries, particularly the least-developed, into the multilateral trading system. The survey set out in document WT/COMTD/W/16 was an important input into the Committee's report to the Ministerial Meeting. There was room to elaborate the note with supplementary information; the development perspectives of the implementation of the WTO Agreements merited examination on a regular basis.

10. The representative of India, supported by the representative of Pakistan, said that the implementation of the special provisions ought not to be viewed in a formalistic way, in terms of the legal provisions, but rather at a substantive level. An evaluation of the provision allowing for transitional periods was desirable since they constituted the majority of the provisions. Additional substantive information was useful, for example on safeguard actions involving developing countries' exports under the provisions of the Agreement on Textiles and Clothing. Although this was not legally included in the realm of special provision listed in favour of developing countries, these types of action nevertheless had an impact on the export performance of developing countries. Likewise, even if there were no specific provision in the Anti-Dumping Agreement relating to developing countries, a large

number of products exported by developing countries had been subject to anti-dumping actions. Actions taken resulting in negative effects for market access for products exported by developing countries should also be listed in the document with a view to presenting Ministers with a complete picture.

11. The representative of Canada said that the suggestion made by the representative of India went beyond the Committee's mandate. The Secretariat had been requested to provide a clear picture of the implementation of the provisions in favour of developing countries, rather than evaluate such implementation. Document WT/COMTD/W/16 gave such a picture. The Committee on Trade and Development was not the proper forum to evaluate such elements.

12. The representative of Tanzania said that delegations such as his attributed great significance to provisions contained in the preamble paragraphs of the various agreements and in the Decision on Measures in Favour of Least-Developed Countries in assisting their countries to expand their export base and escape the constraints on their economies. He therefore questioned their exclusion from the information contained in document WT/COMTD/W/16. He asked how the Secretariat intended to evaluate the implementation of the Decision on Measures in Favour of Least-Developed Countries.

13. A representative of the Secretariat recalled that the Committee had requested the Secretariat to compile the responses received from the Chairpersons of other WTO Bodies on the implementation of the measures in favour of developing and least-developed countries. The Secretariat had not been requested to evaluate the implementation.

14. The representative of India, in his capacity as Chairman of the Council on Trade in Goods, said that he would ensure the prompt dispatch to the Secretariat of all additional responses from WTO Bodies with a view to complement information in document WT/COMTD/W/16.

15. The representative of Uruguay said that it would be useful to analyse whether the special and differential provisions in favour of developing countries, which were contained in the agreements, were actually of use to developing countries. This would be useful in deciding initiatives in future rounds of negotiations.

16. The Chairman said that it was up to the Committee, rather than the Secretariat, to discuss and evaluate the implementation against the background of the document. He said that he intended to conduct private consultations with a view to identifying points to be included in any recommendation on implementation to Ministers.

17. The Committee took note of the statements made and agreed to revert to this item at a future meeting.

### **C. Provisions of Guidelines for WTO Technical Cooperation**

18. The Chairman recalled that, at its July meeting, the Committee had a comprehensive and fruitful discussion on this item on the basis of a non-paper from the delegation of Switzerland, an Informal Note by the Chairman containing a checklist of points related to Guidelines for WTO Technical Cooperation, and a Secretariat's status report on technical cooperation activities contained in document WT/COMTD/W/14/Add.1. Based on the outcome of that discussion and comments received from delegations, the Committee had agreed that he come forward with a revised version of Draft Guidelines for WTO Technical Cooperation for discussion at today's meeting. Such guidelines had been circulated to delegations and incorporated comments received from them. The revised draft guidelines contained a framework for considering specific action as well as the specific matters addressed. He also recalled

that, at the Committee's last meeting, he had noted that a number of replies had been received from Members to the questionnaire which he had sent in May of this year to ascertain the overall needs for assistance in trade-related matters. He urged those Members who had not yet done so to provide comments, since a critical mass of replies was needed before an authoritative picture could be drawn. He invited comments with a view to the Committee agreeing on a set of guidelines as soon as possible.

19. The representative of Switzerland said that the practical modalities for providing technical assistance still had to be defined. Referring to her delegation's proposal that an annual review be conducted by the CTD, she suggested that this review would be based on these guidelines. It was not clear to her delegation what a balanced relationship between trade and development signified. Her delegation continued to question the appropriateness of including representatives of the private sector in capacity building activities. Representation at the WTO was at governmental level and given its limited resources, activities directed at the private sector should be left to organizations such as the ITC.

20. The representative of Egypt thanked the Chairman for his efforts in drawing up the revised guidelines and said that they should note, as had been done in the informal note presented by the delegation of Switzerland, that the entry into force of the Uruguay Agreements had increased the need for technical assistance. The Preamble to the Agreement establishing the WTO noted the need to ensure that developing countries, specially the least-developed, secured a share in the growth of international trade commensurate with the needs of economic development. The guidelines needed to underline both the importance of technical assistance and the vital importance of implementing the commitments on technical assistance. She questioned whether the aim of maintaining geographic balance was compatible with the priorities implied in the draft guidelines and the designation of African countries as priority countries. She furthermore recalled that the General Council's Decision of 31 January 1995 relating to technical cooperation activities referred only to developing countries. Additional funds would therefore need to be secured for assistance to economies in transition. The section headed "Principles and Objectives" rather than "Subject Matter" should mention that increased knowledge of the multilateral trading rules was vital for the full integration of developing countries in the trading system. She furthermore suggested to include the supply of data bases and training in their effective use and information technology in general as one of the principles and objectives.

21. The representative of Tanzania said that he agreed with the representative of Egypt, but that he would refrain from further elaboration in deference to the Chairman's remarks. He agreed that technical assistance should be above all demand-driven, but nevertheless called on the Secretariat to also engage in a proactive role in this respect, with a view to assisting developing countries in identifying their technical assistance needs.

22. The representative of Norway clarified that the subject matter of technical assistance activities was also of relevance to Members other than developing countries, and welcomed the fact that Norway's comments made at previous meetings had been taken into account in the revised draft which he could agree to with the exception of its reference to the private sector as beneficiary of WTO technical assistance. Technical assistance activities of each organization should be restricted to areas of their competence. He agreed with the Chairman that this was neither the stage nor the forum to make general declarations or to ask for additional funds. An agreement on the guidelines could however act as a spur for increased funding.

23. The representative of India suggested that the first inset should be redrafted to say "contribute to expansion of trade and development". As presently drafted it could be interpreted to mean that technical assistance was conditional on full integration in the global system. He also asked that priorities not exclude other developing countries than those specified. He had doubts whether the guidelines needed to include principles for technical assistance and suggested that Section 1 be entitled simply "Objectives", rather than "Principles, Objectives and Priorities".
24. The representative of Japan thanked the Chairman for the revised guidelines and suggested the following wording to be included among objectives: "Address the difficulties developing countries may face in implementing the WTO Agreements with a view to ensuring a steady implementation thereof". He said that, in addition to coordination, cooperation among international organizations would sometimes be necessary and suggested that the relevant item be redrafted as follows: "Be in full cooperation and coordination with other assistance provided by multilateral and bilateral institutions".
25. The representative of Pakistan stressed that needs, rather than geographical considerations, should be the basis for determining priorities.
26. The representative of Australia supported the objective that technical assistance be demand driven and responded to specific needs. It was her understanding that the UN list of least-developed countries and the World Bank definition of low-income countries would be used and that Papua-New Guinea and some Pacific Island countries would be among countries in the priority groups.
27. The representative of Cuba thanked the Chairman for his enthusiastic efforts in establishing the draft guidelines. He suggested the addition of the words "entrepreneurial sector" to the concept of "private sector", referring to joint ventures between the public and private sectors. He emphasized the importance, particularly for smaller developing countries, of technical assistance in the area of information technology with a view to enhancing their capacity for analysis and decision making, and to providing them access to information on ongoing programmes.
28. The representative of the European Communities said that, at this stage of the discussions, the Committee should be finalizing the document. The guidelines were operational rather than political and should set an operational framework for technical assistance activities. His delegation was satisfied with the broad principles underlying the revised version of the draft guidelines. He acknowledged that there could be disagreement on details; such as to whom, in addition to the public sector, activities should be extended, and on the modalities for their review. While agreeing that beneficiaries should be primarily those countries in greatest need, others should not be excluded. Technical assistance activities should remain as flexible as possible. He warned that a tight definition of implementation modalities would give the programmes not enough flexibility to respond to future needs. While he did not think it was reasonable to exclude economies in transition from the programmes, he was willing to discuss this further.
29. The representative of Paraguay thanked the Chairman for his efforts and commitment. He questioned whether the aim of maintaining geographic balance was compatible with the priorities implied in the draft guidelines and the designation of African countries as priority countries, unless referring specifically to African least-developed countries. What were the criteria for defining low-income countries? While he agreed that the private sector should not be the principal beneficiary of WTO's technical assistance activities, their total exclusion was not acceptable.

30. The representative of El Salvador supported the intervention made by the Egyptian representative and disagreed that it was too late to open up discussion on such an issue. She did not agree with the representative of Norway that a rapid finalising of the guidelines would result in an increase of funds for such activities. She asked that traineeships within the WTO Secretariat be included as part of technical assistance provided by the WTO. She stressed the importance of the private sector and agreed that participation of the private sector in technical assistance activities should be organized in consultation with the government. Criteria for evaluation were necessary. There seemed to be a conflict between the objective of keeping a geographical balance and giving priority to a geographical region.

31. The representative of Hungary said that it was inappropriate to question the extension of technical assistance to economies in transition. The broadest participation of these countries in the multilateral trading system was in the common interest of all Members, and technical assistance was of vital importance.

32. The representative of Thailand welcomed the Chairman's latest draft and suggested that the inclusion of the private sector should be considered on a case-by-case basis. He agreed that the establishment of priorities must not have the effect of denying technical assistance to any developing country.

33. The representative of Brazil said that the criteria used by the Secretariat in selecting officials to participate in seminars should be clear, since this would help governments in their nomination of candidates.

34. The representative of Argentina expressed concern that priority to low-income countries could deprive countries such as his from access to activities such as trade policy courses and national and regional seminars in which his country had a particular interest. He suggested that reference be made to "other developing countries".

35. The representative of Romania agreed with the Chairman that, at this stage, the Committee's work should not be concerned with operational details and that work on evaluation criteria and modalities would continue. As an economy in transition, his country looked forward to continuing to benefit from WTO technical assistance activities.

36. The representative of the United States considered the guidelines balanced. They were sufficiently flexible to permit a geographical balance and yet not to exclude any developing country. He was of the view that WTO should be involved, in collaboration with ITC, in technical assistance activities including the private sector.

37. The representative of the Czech Republic said that the exclusion of economies in transition from the technical assistance activities would diminish WTO's role in this area.

38. The representative of Switzerland said that she had taken note of the Chairman's assurance that the priorities established would not exclude any developing country nor any economy in transition. She suggested that the guidelines be clearer on the concept of low-income countries and in that context supported the definition by the World Bank which was on the basis of precise criteria. She wondered whether, in addition to the subjects listed under "Priorities", there would be other subject priorities. Her delegation was of the opinion that, rather than at national level, trade policy courses conducted at a regional level or conducted on the basis of language would be more cost-effective. She wondered whether the resources of a multilateral institution such as WTO should be used for bilateral assistance programmes. If this were the case, what types of programmes would they be funding? Would finances come from the regular budget? Her delegation placed particular importance on the Decision of the

General Council establishing certain modalities for managing trust funds. She proposed that the relevant language in the draft guidelines be redrafted as follows: "The WTO Trust Fund shall be managed in conformity with the Decision adopted by the General Council on 18 July 1996." In all, she considered the draft a good basis.

39. The representative of El Salvador suggested that, if categorization of priority countries were to be maintained, the section on "Priorities" be redrafted as follows: "least-developed countries, in particular African countries, low-income developing countries and small economies". She furthermore suggested the deletion of "and at the national and regional level" in relation to the comprehensive trade policy courses in Geneva. She suggested that short courses be given for officials coming to Geneva, since courses in Geneva gave candidates the widest possible exposure to experts and officials.

40. The representative of Japan suggested that non-Member countries in the accession process be included in the list of countries eligible for technical assistance as a demonstration of goodwill. He also recalled that the modes of delivery in the draft were not exhaustive. In his delegation's view, national and regional seminars were more cost-effective.

41. The representative of Egypt said that the difference between technical missions and technical seminars as set out under "Modes of Delivery" was unclear. The modes of delivery depended on the requirements and no attempt should therefore be made to establish priorities. She proposed the following reformulation of the item on coordination: coordination and cooperation with relevant international organizations, with a view to ensuring coordination and the complementing of various programmes as well as to avoiding duplication. She also suggested that specific reference be made to joint efforts with the ITC and UNCTAD, particularly in establishing a central inventory of programmes. She suggested to add the exchange of information with recipient countries so as to attain a more complete picture of different technical assistance programmes. She proposed, for management purposes, a two-year, rather than a three-year plan to coincide with the cycle of Ministerial conferences, with adjustments on an annual basis. She agreed that the plan be submitted to appropriate bodies of WTO. The role of the General Council and the Budget Committee should be further elaborated. The concept of national cost sharing should be clarified: it should not become a precondition for technical assistance, particularly to least-developed countries. She suggested that dispute settlement be specified as an area eligible for technical assistance. She would send her observations in writing.

42. The representative of Tanzania recalled an earlier statement that countries such as his needed much wider, much more targeted and coordinated technical assistance which would lead to improvements in their economies and make them viable trading partners. Measures such as seminars and technical missions did not suffice.

43. The representative of Paraguay shared the concerns of the delegation of El Salvador concerning the need to maintain geographical balance in establishing priorities. Technical assistance could be directed towards assessing the weaknesses and strengths of national trade and economic policy: this would increase the interest of his country in technical assistance. An integrated approach with other international organizations was essential for technical assistance activities to bear results. In this context he recalled the Director-General's observation that programmes needed to be tailored to meet the specific circumstances of a country, and that they not be restricted to any one activity.

44. The representative of Australia recalled that the draft guidelines under discussion could not extend to countries in the process of accession: the Decision of the General Council of January 1995 specifically excluded technical assistance for acceding governments. Such assistance was best left to the relevant Working Party. She requested specific information on the resource implications of the proposal to provide specialized advisory services in capitals and in Geneva. The relationship between WTO and ITC warranted a reference to joint technical cooperation activities with ITC.

45. The representative of New Zealand recognized the guidelines as an appropriate tool to foster development and trade. She suggested to add regional institutions dealing with trade matters in the Section dealing with international coordination. The South Pacific Forum Secretariat was a key institution for discussing and coordinating trade policy issues in that area. She supported Australia's suggestion to include a reference to the ITC in the section on international coordination. Her delegation was of the view that a regular schedule be established for a Secretariat's status report. Her delegation was supportive of the establishment of an independent oversight mechanism and suggested that an external review be carried out at appropriate times.

46. The representative of India agreed with the representative of Egypt that national cost sharing not become a precondition for receiving technical assistance. It was his understanding that the main sources of funding would be the regular WTO Budget and Trust Funds. He suggested to add internships in the WTO Secretariat under Modes of delivery, as this would provide hands-on experience.

47. The Chairman invited Members to work with him to prepare a further revision of the guidelines. Such guidelines were not designed to be a political statement but rather an instrument to manage resources efficiently, equitably and with flexibility. After the Committee had finalized the guidelines, it would be the time to consider the criteria on which to evaluate technical assistance. A political statement on the importance of technical assistance would be contained in the CTD's report to Ministers. In response to comments made by delegations, he drew attention to the headnote in the draft guidelines which referred only to developing countries as beneficiaries of WTO technical assistance and not to economies in transition. However, he pointed out that the periodic review by Ministers of the operational directives and implementation modalities would provide an opportunity to modify the priorities. While it was clear to which countries in Africa the draft guidelines referred, he would nevertheless consult with Members whether more precision was needed. He clarified that the draft guidelines in no way intended to interfere with national policy, but that rather, they intended to fully acquaint officials involved in the shaping of national policy with WTO rules. He also noted that the WTO was a young organization and that priorities could be adjusted as experience was gained in implementing the guidelines. The more fundamental concerns of capacity building could be addressed in collaboration with other institutions.

**D. Review of the Participation of Developing Country Members in the Multilateral Trading System, including the Review of the Impact of the Results of the Uruguay Round on Developing Country Members**

48. The Chairman recalled that the Committee had requested the Secretariat to prepare a study on the subject of the review of the participation of developing country members in the multilateral trading system, including the review of the impact of the results of the Uruguay Round on developing country Members, in accordance with an outline agreed by the Committee at its June 1996 meeting. This study was now available and had been circulated to delegation in document WT/COMTD/W/15.



49. The representative of the United States noted that the analysis contained in document WT/COMTD/W/15 confirmed that both domestic and external factors, many inter-related, influenced the performance of low and medium-income countries in world trade, and did so in different ways. The first conclusion he drew from the report was that a liberal trade regime was good for the economy; lower import protection gave stronger export growth. Second, stable domestic economic policies attracted investment. Third, access to foreign markets was not the single determinant of export performances: some countries with poor export performance had better access to industrial country markets than some whose exports expanded rapidly. Many industrialized countries gave preferential access to low and medium-income developing countries, which was not fully utilized due to domestic reasons. Evidence of the benefits from the results of the Uruguay Round already existed, which would increase as implementation advanced. Developing countries should adopt liberal trade and investment regimes and foster strong vibrant and stable economies. This would permit them to take full advantage of the multilateral trading system.

50. The representative of Norway said that the analysis in document WT/COMTD/W/15 confirmed that trade stimulated growth and was a means to reduce poverty. The report noted that, with appropriate policies, commodity poor countries could achieve high growth. Trade was more important than aid and economic growth in the poorer and most aid-dependent countries needed the best possible climate for trade. Stimulating trade among developing countries and with industrialized countries was a priority and his country supported WTO's efforts to increase developing countries' understanding of the multilateral trading framework in order to benefit from it.

51. The representative of Japan said that the integration into the global economy of developing countries was a means of encouraging sustainable development. Economic development depended to a large extent on developing countries' ability to promote institutional and human development. It was useful to note the contrast in economic policies adopted by certain fast growing Asian economies and those adopted by certain least-developed countries, particularly those in Africa, which were being marginalized in the world economy. Such successful policies promoted agriculture, promoted small and medium-sized industries, increased productivity in the agricultural sector and encouraged the production of value-added products in agriculture-based industries. Domestic competition among small and medium-sized industries had the potential of raising productivity.

52. The representative of India said that the study contained in document WT/COMTD/W/15 was a useful attempt taking into consideration the constraints under which the Secretariat worked. He could not conclude from the document, as the representative of the United States had done, that domestic policies were primarily responsible for poor economic growth. This appeared an over-simplification of a complex situation. He noted a heavy reliance on IMF and World Bank documentation and was of the view that more use could have been made of information from other sources which were also in the public domain. While he acknowledged the role of foreign investment, the document's emphasis on the importance of foreign investment seemed to overlook the fact that domestic investment was critical for economic growth. The analysis seemed to take little account of the importance of domestic saving ratios. In that context, he noted that the observation that the lack of national saving was among the factors that accounted for the lion's share of responsibility for the lack of economic growth, as quoted in a footnote, should have received more prominence in the body of the report. The observation that Asian countries were increasing their participation in the globalization process should have been made at a less aggregate level: it was not applicable to a country such as his. The document pointed to the strong investment performance of Asian countries. However, figures in UNCTAD's World Investment Report showed that, if the figures relating to China were excluded, no dramatic changes in the trends of investment flows to developing countries had taken place. He welcomed the acknowledgement of the poor quality of international statistics on foreign direct investment. He was also pleased to see specific reference made to the effect of anti-dumping measures on the export

performance of developing and least-developed countries. The observation that Uruguay Round tariff reduction had limited effect on preferences was followed by a statement that a large share of exports to the European Communities by African countries consisted of petroleum products at zero duty. Countries imported products at zero duty for domestic reasons, as his country did in the case of foodgrains at times of food shortage. Were there other measures which improved market access for petroleum products exported by African countries to the European Communities? He noted that tariff escalation had a significant effect on the capability of developing countries to export, unlike the conclusions in the study, supported by a quote from a World Bank Report. The study should perhaps more appropriately have highlighted products affected by tariff escalation rather than those which were not. The constraints on foreign investment as described in the study supported his earlier observation on the role of domestic saving. The description of the difficulties facing African countries illustrated the complexity of the issue. Given the study's WTO origin, disapproval of protectionist policies was to be expected. He took it that both the protectionist policy adopted by developed and developing countries were disapproved of. He wondered how the identification of domestic protection as the main source of distortion could be reconciled with evidence that fast growing east Asian economies had high rates of protection in the initial years. The causes and effects relation of the macroeconomic policies mentioned in paragraph 60 (trade performance, exchange rates, budget deficits), could perhaps be clarified. Moreover, there was enough research available on the positive and the negative effects of FDI and commenting only on the positive aspects, as in paragraph 70, distorted reality.

53. The representative of Brazil drew attention to the penultimate paragraph of document WT/COMTD/W/15, which referred to the interdependence of external and domestic factors. Paragraph 29 noted the obstacles faced by exports of developing countries.

54. The representative of Canada said that the study in document WT/COMTD/W/15 had struck a good balance between external and internal factors which affected the participation of developing countries in the multilateral trading system. Domestic factors were the prime determinant of the level of participation in the multilateral trading system. The Secretariat had been fairly rigorous in its analysis. The inability of least-developed countries to benefit from the market opening opportunities following the Uruguay Round illustrated that in the case of such countries capacity building was more important than market access. The paper could perhaps have dealt more with the inter-linkages between domestic trade policy and domestic investment policy. He agreed with the representative of India that domestic savings were important, but was of the view that the report dealt with it adequately. He would have preferred that the study also included trade in services. Developing countries had made significant progress in trade in this sector and the opportunities for greater participation contributing to growth and development were significant.

55. The representative of Cuba agreed with the representative of India that the report attributed lack of growth unduly to national policies. The distortion of the sugar trade due to foreign subsidies and import quotas was a clear example of the adverse effect of such policies on developing countries. A recent seminar had highlighted the negative and positive aspects of foreign investment. While he agreed that FDI could have positive effects, he was nevertheless of the view that commitments in the area of transfer of technology and the employment of nationals would ensure that FDI would promote national economic policy.

56. The representative of the European Communities noted that document WT/COMTD/W/15 dealt in a well-balanced manner with a complex subject. He was of the view that the two concluding paragraphs should have been developed in more detail. As noted in the report, market access was only one factor affecting the export performance of developing countries. There were reports which demonstrated that the effect of tariff escalation on the export capabilities was sometimes exaggerated. He agreed that domestic savings represented an important factor in economic growth and suggested that a study on income distribution policies was warranted as well.

57. The representative of Switzerland welcomed the Secretariat's study in document WT/COMTD/W/15, which had fully used available information. The complexity of the situation analysed in the document pointed to measures which had to be taken. It was clear that for many it was not the lack of market access but the lack of capacity that stopped them benefiting fully from the results of the Uruguay Round. This was a problem which could be met primarily at the national level but could be supplemented by technical assistance to develop human capacity and to make full use of resources.

58. The representative of New Zealand said that the Secretariat's paper provided a good background and had distilled previous studies on similar issues. The diverse experience among developing countries did not lend itself to easy explanations. Some common factors were the high correlation between the share of manufactured goods in merchandise export and export performance as well as the positive correlation between exports and share of investment in GDP. It was noteworthy that countries with strong export growth had lower levels of protection and less exchange rate volatility. In some sectors such as agriculture, textiles, clothing, fish and fish products problems of market access persisted. Her delegation was of the view that multilateral liberalization efforts needed to tackle tariff peaks and tariff escalation since these discouraged further processing of basic commodities in developing countries. The study also clearly pointed out the need for an appropriate domestic economic and trade policy environment. The dynamic linkages between such a policy environment and economic and trade growth was clearly demonstrated by her country's own experience, which was of particular relevance, given the high share of production of agricultural, forestry and other primary products. Along with appropriate domestic policies and improved market access and a hospitable and facilitating environment, development assistance and technical assistance were required to strengthen the infrastructure and the institutional and human resource capacities, particularly in least-developed countries. She urged cooperation with UNCTAD and ITC in the area of technical assistance.

59. A representative from the Secretariat said that, first, the perceived lack of emphasis in the study on the importance of domestic savings simply resulted from the fact that its importance was so evident that it had been taken for granted as a basic assumption: it was clear that foreign direct investment could in no way take the place of a high rate of domestic savings. Though certainly macroeconomic stability, exchange rate variability and export growth were interlinked, the dominant direction was from better macroeconomic policies to better export performance and better flows of FDI. In the study, the Secretariat had attempted to provide a balanced and objective reflection of the views which were available in the existing literature on the subject, rather than to come to any conclusion or to advance solutions.

60. The Committee took note of the statements made and agreed to continue its discussion on the basis of document WT/COMTD/W/15 at a following meeting with a view to identifying any recommendations for the Ministerial Conference in Singapore.

**E. Other Business**

61. The Chairman recalled that the Sub-Committee on Least-Developed Countries would meet on 13 September to take up consideration of specific measures to assist and facilitate the expansion of the least-developed countries' trade and investment opportunities with a view to enabling them to achieving their development objectives. A subsequent meeting of the Sub-Committee was scheduled for 23 September, following the Tenth Session of the Committee on Trade and Development. At that meeting, the CTD intended to continue its fruitful dialogue with other international institutions, which it had started at its Seventh Session. He recalled that, with that objective in mind, he had invited H.E. Mr. Mohammed El Kabbaj, Chairman of the Joint IMF/World Bank Development Committee to address the Committee on 23 September. The Director-General of the WTO would also join the meeting. A subsequent meeting of the Sub-Committee would follow on. The Trust Fund, set up by the Government of Norway, would be used to bring representatives of least-developed countries, who were not represented in Geneva, from other European cities to this meeting. Briefing sessions would be organized for them on 24 September. Representatives would be given question and answer opportunities following presentations on various areas of the WTO work and on the Singapore Ministerial Conference.

62. The Committee took note of the statement made.