

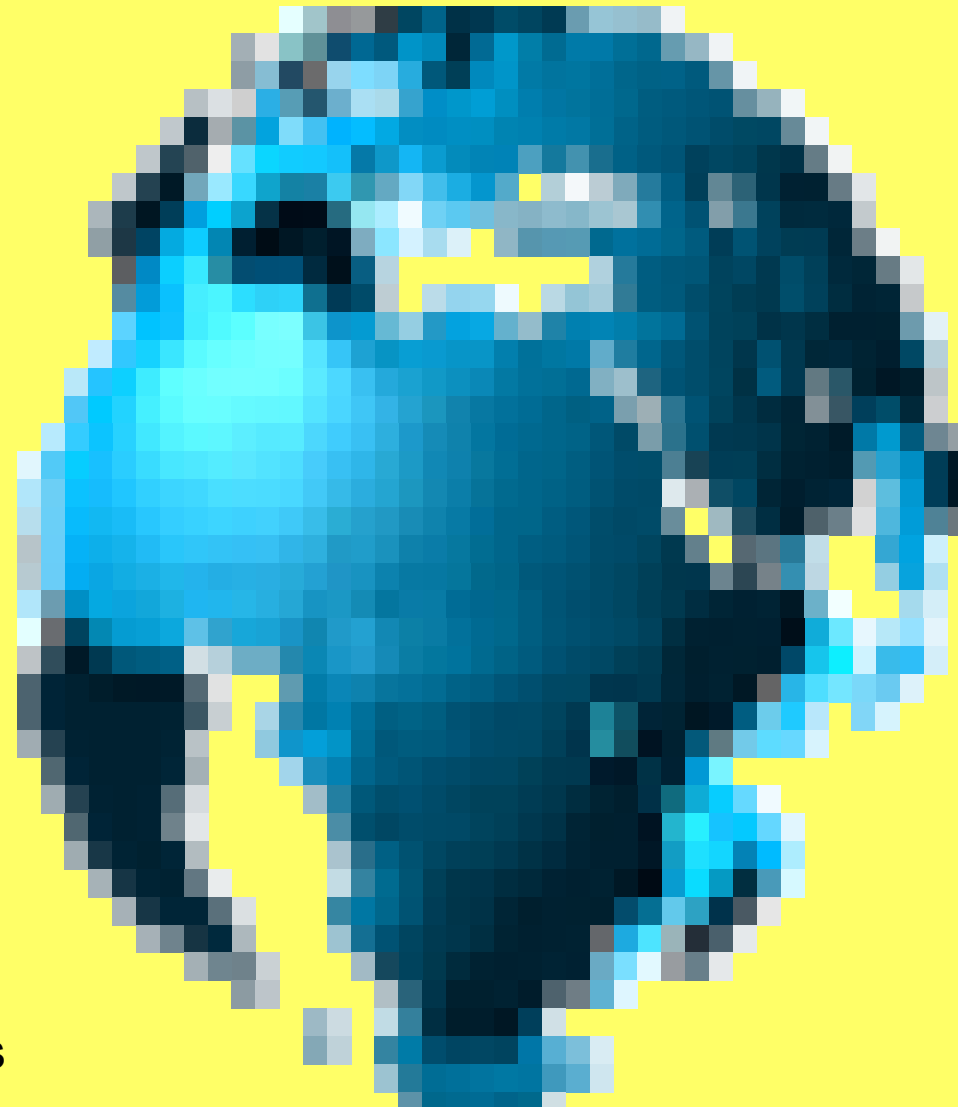
CARIBBEAN POLICY DEVELOPMENT
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**SPECIAL AND
DIFFERENTIAL TREATMENT
FROM AN HISTORICAL
PERSPECTIVE**

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The Greater Caribbean in trade negotiations
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Topics to be covered

- 1.- The debate surrounding the Havana Charter
- 2.- GATT: its beginnings
- 3.- Modification of article XVIII (Flexibility in tariff concessions and the introduction of quantitative restrictions) 1955.
- 4.-Contributions by Prebisch during the 1st and 2nd UNCTAD Conference. GSP
- 5.- The Kennedy Round. Part IV: Trade and Development. Non- reciprocity. 1964
- 6.- The Tokyo Round: The Enabling Clause, 1979.
- 7.- Textiles, Agriculture and voluntary Restrictions on exports during the eighties.
- 8.- Uruguay Round, 1986-1993, WTO 1995
9. - The debate on the 3rd Ministerial Conference in Seattle, 1999
- 10.- The Results of the Doha Summit
- 11.- The Road to Cancun

In July 1944, the IMF and WB were established during the United Nations Conference in Bretton Woods, New Hampshire (United States), pending the creation of an international organisation to regulate international trade.

The debates on the Havana Charter: November 21, 1947 to March 24, 1948

Two perspectives on Economic Development

DC's: The best way to achieve development was through active participation in the multilateral trade system and with the lowest tariffs possible

DgC's: They questioned the impact of trade liberalisation (MFN) on growth and development. They maintained: Historical development ► constraints and inflexibility in the production mechanism and in the balance of payments, thus hindering progress. They proposed:

- a) ▲ terms of trade
- b) ▼ dependence on primary exports, To correct the imbalance and volatility of the balance of payments,
- c) ISI (protection of the infant industry, subsidy for exports).

1.- Their trade model →

M = Manufactured products

vs

X = Basic raw materials and agricultural products

Income elasticity of demand for industrial products

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Income elasticity of demand for raw materials and agricultural products

Decline in the terms of trade and international liquidity crisis

Balance of payments restrictions

Limits to development

The DgC's called for SDT in international trade:

- Agreements on basic products (stabilise foreign exchange revenue)
- Protection for infant industries.
- International trade restrictions in seeking (capacity to generate foreign exchange – BP Restrictions)
- Access of the manufactures of DgC's.

2. ISI: reduce the dependency on the trade model

Increased dynamic requirements on imports = ϵ_{ym} ▲

Market access needs

STRUCTURE OF THE HAVANA CHARTER

CHAPTER I. PURPOSE AND OBJECTIVES

CHAPTER II. EMPLOYMENT AND ECONOMIC ACTIVITY

CHAPTER III. ECONOMIC DEVELOPMENT AND RECONSTRUCTION

CHAPTER IV. COMMERCIAL POLICY

CHAPTER V. RESTRICTIVE BUSINESS PRACTICES

CHAPTER VI. INTER-GOVERNMENTAL COMMODITY AGREEMENTS

CHAPTER VII. THE INTERNATIONAL TRADE ORGANISATION

CHAPTER VIII. SETTLEMENT OF DIFFERENCES

CHAPTER IX. GENERAL PROVISIONS

**Does not take into account differences in development
Allows under certain conditions: government aid to
protect infant industries and protection measures that
restrict imports and which are non-discriminatory.**

In 1950, the United States announces that it will not ratify the Havana Charter

THE ORIGINAL GATT:

– Part I, an agreement on tariff concessions.

Articles I and II: principles that must govern trade relations among countries and regulatory guidelines on the application of tariff concessions.

– Part II, a set of rules on trade policy.

Articles III to XXIII: Governs countries' conduct in this area.–

- Part III, articles XXIV to XXXV, which regulate territorial application, integration agreements, accession and withdrawal by countries, tariff negotiations and modification of schedules.

Objective: significant reduction in customs duties and other barriers to trade, as well as the elimination of discriminatory treatment in the field of international trade, based on reciprocity and mutual benefits.

Only one article was included, Article XVIII, which provided that these countries could impose trade restrictions for development reasons, although with prior consent from the contracting parties.

The DgC's preferred an automatic mechanism.

Article XII facilitated the imposing of trade restrictions for balance of payments reasons, on the condition that there were evident liquidity problems.

Article XVIII was modified in the revision of the GATT in 1955, introducing clearer recognition of the exceptions that developing countries may use in the framework of the GATT.

Article XVIII of the GATT: "Governmental Assistance to Economic Development ". (Tariff flexibility and quantitative restrictions, under certain conditions)

Countries with a low standard of living and in the early stages of development may:

- A) Modify or withdraw agreed tariff concessions (infant industry).**
- B) Use quantitative restrictions to protect the Balance of Payments.**
- C) DgC's may, subject to notification, following consultation and in some cases, with the agreement of the CONTRACTING PARTIES, use any measures that are not consistent with other GATT stipulations in order to promote a specific industry.**

The withdrawal of a tariff concession following negotiations with the country affected was deemed by the DgC's to be an unacceptable interference in their domestic matters and they consequently resorted only to the balance of payments exception to protect their trade.

Despite these changes, the DgC's maintained their criticisms (1955-1964):

- Difficulty in their exports accessing the markets of industrialised countries. Protection from DC's in the agricultural and textile sectors.
- The applied system of tariff negotiations denied them:
 - a) Reciprocity and
 - b) The rule of first provider. The DgC's remained on the margins of the negotiations.

The Haberler report of 1958: Current international trade rules are not beneficial for countries producing and exporting basic products.

Recommendations: reduce the agricultural protectionism of DC's and stabilise short term fluctuations in the prices of raw materials.

Dissatisfaction: slowness and regulations of the GATT

The DgC's called upon the UN to convene a Forum to address the problems concerning international trade and economic development.

1964 | UNCTAD

THE GATT RESPONDED BY INTRODUCING PART IV

Part IV: Trade and Development.

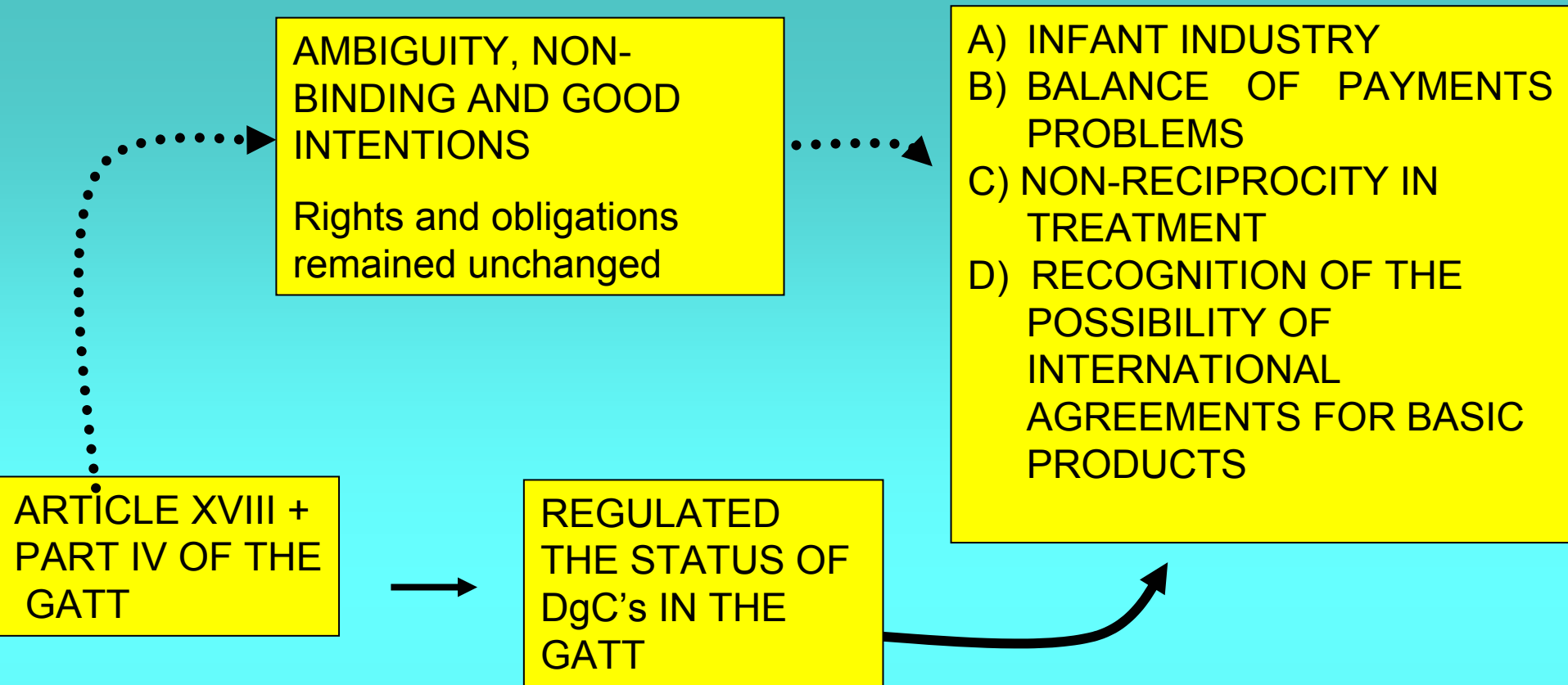
For the specific trade experienced by developing countries.

Its objective: DC's will do their utmost to promote access for products coming from DgC's to the markets of the DC's.

– Recognises the principle of non-reciprocity in trade relations

“The developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties”

– With respect to basic products, it recognises «the need to improve the conditions in the markets for basic products so that their prices could generate sufficient revenue for producer countries and be equitable for consumers». International agreements on these products were considered among other things, as a market stabilisation method. Consequently, there was no decisive support for the development of such agreements.



Lacked: preferential access for DgC's to the markets of the Dc's.

Generalised System of Preferences (GSP): the granting of tariff reductions or the removal of tariffs without reciprocity for exports of manufactured products coming from DgC's.

II UNCTAD Conference of 1968 and adopted in the GATT in 1971 as a "transitory exception" to the general rules.

The application of the GSP is characterised by :

- 1) Applied basically to manufactured products.
To favour the industrial development of DgC's.
- 2) There are no specific obligations in GSP concessions.
- 3) The tariff concessions granted in the GSP are not consolidated (can be withdrawn).
- 4) Must be applied in a general fashion so as to benefit all DgC's.
- 5) Sensitive products are often excluded (textiles and footwear, steel)

There were other trade initiatives outside the GATT within UNCTAD

Tokyo Round of 1979: "Enabling Clause",

'Differential and Most Favoured Nation Treatment, Reciprocity and Increased Participation by Developing Countries.

Exceptions to MFN, non-reciprocity and south-south agreements

Adverse situations for DgC's during the eighties

1) ▲ protection and support for agricultural products.

2) With respect to textiles and clothing, a multilateral framework was agreed upon, nullifying the rules of the GATT by imposing discriminatory restrictions on “low-wage or low-cost” imports, thus causing disorganisation in the market.

- **1961 “Short Term Cotton Arrangement Regarding International Trade in Cotton Textiles”**
- **1962 “Long Term Cotton Arrangement Regarding International Trade in Cotton Textiles ”**
- **1974 Multifibre Arrangement (MFA)**

**3) Use of voluntary export restrictions agreed to bilaterally (VER's) as substitutes for safeguard actions under Article XIX of the GATT in some areas. “Grey zone measures”
Affected developing countries in particular.**

During the eighties:

- a) The model for import substitution is criticised.**
- b) Commencement of liberalisation processes and structural reforms in markets, under the intellectual and financial guidance of the World Bank and the IMF.**
- c) The multilateral trade system is restructured with the Uruguay Round (1986-1993), leaving the concepts of SDT and non-reciprocity in the margins, not only in the multilateral trade ambits, but also discrediting them nationally in many countries.**
- d) SDT is separated from development and is restricted to support to implement the trade disciplines emerging from the Uruguay Round and the establishment of the WTO**

The WTO separates the issues of development and special and differential treatment.

SDT assumes a casuistic character, and if at one time it was, it is no longer the result of a development perspective that takes into consideration asymmetries, participation by countries in the global market and the trade needs stemming from the growth paradigm.

It is the belief that trade policies, rules and regulations can be valid for all countries, independent of their level of development and the relevant problems are those resulting from the application of these trade regulations, which are “resolved” with a “brief” transition period or with technical assistance. Finally, developing countries did not have the option to sign or adopt another formula in terms of different agreements, since all of them, with the exception of four bilateral agreements, formed part of the “single whole”

In 2000, there were 145 SDT measures distributed among the various Multilateral Agreements, of which 107 were adopted during the Uruguay Round, while 22 are applied solely to less developed countries.

- i) Increase the trade opportunities of DgC's (12)
- ii) Safeguard the interests of DgC's. (47)
- iii) Flexibility in commitments, measures and use of instruments. (30)
- iv) Longer transition periods (20)
- v) Technical assistance (14)
- vi) LDC (22)

The implementation of the UR:

a) Expired timeframes and thresholds achieved.

b) Extremely costly internal adjustments and new institutional frameworks.

c) Unbalanced agreements that acted against developing countries (intellectual property rights, the agreement on subsidies and antidumping, dispute settlement, among others).

d) Non-binding and enunciative nature of SDT measures.

e) Little advancement in agriculture and textiles.

f) Restrictions on the application of development policies.

g) Pressures for new rounds.

h) Even less transparent decisions.

DgC's: a) Review the results of the UR,
b) make SDT binding
c) make trade subordinate to development

DC's: a) New topics (labour, environment, government procurement, investments, etc.)
b) Delve deeply into disciplines, ignoring the claims made by developing countries, under the argument that transparent and universal rules that liberalise markets and facilitate integration into the world economy on their own, promote trade, investment and development.

The 3rd Ministerial Conference in Seattle, 1999 at a standstill.

The road to Doha: Flexibility (FTAA Ministerial Conference in April 2001)

**Paragraph 44: SDT as an integral part of agreements, ADIC and Health, Decisions on application. Small Economies. Implementation of the work programme
Toward new frustrations in Cancun**

The DgC's face new challenges and obstacles that seem insurmountable.

1) International trade has become an end in itself and is no longer a means toward achieving sustainable and balanced development.

2) High immediate adjustment costs (fiscal reform, tariff reduction, new law on intellectual property, elimination of duty free zones incentives, new labour legislation, among others) and long term benefits.

3) Benefits that have not been immaterialised (agriculture and textiles) and other issues were introduced to the direct detriment of developing countries (intellectual property).

4) Small degree of vertical integration in the production mechanism makes it more difficult to achieve minimal levels of added value in order to efficiently take advantage of the rules of origin, as well as the reduced capacity for systemic competitiveness, the lack of adequate institutionality, among other factors, hinder the proper use of the new international trade rules. (Supply problems).

5) Concentrated exports (products and countries)

6) The trade agenda is complicated, heavy and diverse.

7) Growing uncertainty since there is no evidence of a positive ratio between globalisation and economic development.

8) Asymmetries that render market dynamics inefficient and bring about exclusion when equality is sought among inequalities.

9) New non-tariff barriers: non-economic issues (fight against terrorism, International Penal Tribunal, etc,)

In these conditions, it is imperative to establish some form of compensatory arbitration that would ensure special and differential treatment for differences in size and development that would partly compensate for such weaknesses and asymmetries and which would provide these countries with improved conditions for their participation in the global market. Otherwise, we will be fuelling an even more exclusive dynamic in the global arena that will separate and heighten differences among countries.

Thank you very much...

