

PREPARATIONS FOR THE FOURTH SESSION OF THE MINISTERIAL CONFERENCE

Proposal for a Framework Agreement on Special and Differential Treatment.

Communication from Cuba, Dominican Republic, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe

The following communication, dated 31 July 2001, has been received from the Perma.1(27s11(t)TJ0.7(uA special needs and development concerns of the developing countries figured, for the first time, in the Havana Charter. The concept of Special and Differential treatment is a fundamental building bloc of the multilateral trading system. It was conceived in acknowledgement of the fact that developing countries are at a very different stages of economic, financial and technological developments and therefore have entirely different capacities as compared to developed countries in taking on multilateral commitments and obligations. It had, therefore, been accepted that special advantages and flexibilities must be provided to developing countries so that they are able to adopt appropriate national policies to support their trade regime. In essence, therefore, Special and Differential treatment provisions are to be looked at not as exceptions to the general rules but more importantly as an integral and inherent objective of the multilateral trading system.

2. The preamble of the Marrakesh Agreement establishing the WTO clearly recognizes the need for positive efforts to ensure that developing countries and the least developed countries secure a share in the growth in international trade commensurate with the needs of their economic development. It is perhaps important to look at the process of the development and elaboration of S&D treatment for developing countries in the multilateral trading system.

3. In the GATT the important milestones in this regard were:

- (a) Modification of Article XVIII of GATT in 1954-55 to include Article XVIII-B which allowed developing countries to use quantitative restrictions for balance-of-payments (BoP) purposes;

in the establishment of a concrete and binding S&D regime which is responsive to the development needs of the developing countries. There is an urgent need for such S&D regime which mainly focuses on enhancing market access opportunities (for developing countries) and provides policy options aimed at unlocking their growth and development potential. The guiding basis, therefore, should be that;

- (i) the liberalization of trade is not an end in itself but the means to an end, that is, economic growth and development of all Members; and
- (ii) different levels of development achieved by members require different sets of policies to achieve economic growth and development.

11. First, because developed countries, too, have enjoyed such flexibility and differential treatment during their earlier periods of economic development. In fact, some of them are still getting such treatment, particularly in areas such as textiles and clothing, and agriculture. Second, in this age of interdependence, the long term prosperity of developed countries depends on the economic

- In any future agreement, that the Members may agree, there shall be an evaluation of the development dimension. This evaluation should include the fact as to how these agreements facilitate attainment of developmental targets (e.g. as set out in the Millennium Declaration).
 - The Members shall undertake an evaluation of the implications of any future agreement, with respect to implementation costs in terms of financial, capacity building and technical assistance, etc.
 - The transition periods shall be linked to objective economic (debt level, level of industrial development, human development index, etc.) and social (literacy and life expectancy) criteria.
 - Without an evaluation of the fact whether an Industrial Policy has a demonstrable adverse impact on trade, there shall be no prohibition of policies which promote growth and development in developing countries.
 - The application of the concept of Single Undertaking for developing countries should not be automatic.
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