COUNCIL OVERVIEW OF DEVELOPMENTS IN INTERNATIONAL TRADE
AND THE TRADING SYSTEM

Annual Report by the Director General ¹

I. WORLD OUTPUT AND TRADE ²

On a volume basis, the growth of world trade in 1990 slowed for the second consecutive year. While the Gulf crisis had a substantial impact on the trade of a number of individual countries, its impact on total world trade appears to have been minor. Despite the slower volume growth, there was a sharp acceleration in the growth in the value of world trade as the dollar's depreciation boosted the dollar value of the trade of a number of countries, particularly in Western Europe. A further modest slowdown in the growth of world trade in 1991 appears likely.

(1) Developments in the volume of world trade

In volume terms, the growth of world merchandise trade slowed from 7 to 5 per cent last year, and world output growth slipped from 4 to 3 per cent - both figures close to the average for the expansion that began in 1983. The adverse economic effects of the Gulf crisis were superimposed on a slowdown in the growth of world economic activity that had been underway for more than a year.

The opportunity to sell in world markets was a source of strength in the generally weaker economic environment, as world trade continued to expand more rapidly than world output.

Despite the slower growth, import demand in Western Europe remained stronger than in North America, buoyed by continuing economic expansion and the growth of domestic demand in united Germany. This helped North America's merchandise exports grow an estimated 8 per cent last year, well above the world average of 5 per cent.

¹The Annual Report by the Director General for 1989, originally issued as C/171, will be reissued as C/RM/0V/1.

²This report is submitted to the Council in pursuance of the CONTRACTING PARTIES' decision of 12 April 1989 (L/6490).

The brief overview of world economic developments in Part I draws on material in GATT Press Release (GATT/1504) dated 19 March 1991. Figures for 1990 are preliminary estimates based on data available as of the beginning of April. All value figures are expressed in United States dollars.

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In the region composed of Central and Eastern Europe and the USSR, the volume of imports last year fell below the 1989 level, as the on-going transition of most countries to market-oriented economies, coupled with the virtual demise of the system of trade managed under the Council for Mutual Economic Assistance (CMEA), led to a substantial decline in intra-regional trade.

In contrast, import demand from developing economies as a group provided important support to world trade growth in 1990. Imports into the leading Asian exporters of manufactures grew at double the world average, while imports into OPEC members are estimated to have expanded slightly faster than the world average, despite the embargo on trade with Kuwait and Iraq during the final five months of the year. Very preliminary data suggest that import growth was close to the world average for the aggregate of other developing economies.

(2) Increase in the value of world trade

In spite of the slowdown in volume growth in 1990, the value of world merchandise trade rose 13 per cent to $3.4 trillion, boosted by the "valuation effect" of the 7 per cent depreciation of the dollar's average exchange rate.

Preliminary estimates indicate that trade in commercial services - including transportation, tourism, telecommunications, insurance, banking and other professional services - increased 12 per cent to a value of about $770 billion.\(^4\)

The depreciation of the dollar accounted for more than half of Western Europe's import and export growth of 19% and 21 per cent, respectively, and for the return of Germany to the top position ahead of the United States in the rankings of merchandise exporters (unification with the former German Democratic Republic also boosted the trade figures of the united Germany).

Among the developing economies, most OPEC members reported sharply higher export earnings last year, largely due to the 25 per cent increase in crude petroleum prices related to the Gulf crisis. Saudi Arabia, in particular, moved up four places in the merchandise export rankings. Venezuela and Nigeria, highly indebted oil exporters, recorded big jumps in export earnings and larger trade surpluses. The surge in crude petroleum prices, in contrast, worsened the economic situation in the oil-importing countries, particularly in those which also had to cope with lower prices for their exports of primary commodities.

On international markets, the decline in the dollar price of wheat was the largest among major food products by the end of 1990 - down over

\(^3\) Hong Kong, Republic of Korea, Malaysia, Singapore, Taiwan and Thailand.

\(^4\) The previous section on volume developments did not mention trade in commercial services because a lack of data, plus methodological difficulties, make it impossible to estimate trends in the volume of trade in commercial services.
30 per cent from the peak in the first quarter of 1989 - and other prices were either lower or unchanged. Factors behind the decline in the price of wheat include record harvests in major exporters and importers, and the effect of export subsidies on sales in third markets granted by several leading exporters. As a result of these price developments, plus the depreciation of the dollar last year, the gap between domestic and international prices for most major agricultural products rose sharply in Western Europe, leading to a sharp increase in the budgetary cost of agriculture support programs. Developments in early 1991 point to a continuation of this trend for the balance of the year.

Among the Asian developing economies, the growth of merchandise imports into the leading exporters of manufactures continued to be above the world average in 1990, even as the expansion of exports was below the world average. Export growth in the Republic of Korea and Taiwan continues to be below the rates attained in the early part of the 1980s, while the opposite is true for import expansion, confirming their emergence as dynamic importers. China's merchandise export earnings grew more rapidly than the world average in 1990, while at the same time expenditure on imports declined 8½ per cent.

The export and import performances of countries in Central and Eastern Europe were marked by a continuing steep decline in intra-regional trade, only partly offset by a modest expansion in trade with partners outside the region. Preliminary indications are that Hungary and Poland were the only countries in the group to report higher merchandise export values for 1990 as a whole, on the strength of increased earnings on exports to the European Communities. Expansion in the extra-regional trade of the Czech and Slovak Federal Republic, Poland and Hungary, coupled with the decline in traditional trade flows with countries in the region, led to an important shift in the country composition of merchandise trade away from CMEA members. The trade performance of the USSR last year followed the pattern set in 1989, when export earnings declined and expenditure on imports increased.

(3) Countries hit by the Gulf crisis

Although the economic impact of the Gulf crisis at the global level appears to have been small, the impact on a number of individual countries was substantial. At one level, there is the economic devastation of Kuwait and Iraq. Among their trading partners, the importance of Kuwait and Iraq as export markets was particularly high for Jordan, Turkey, Romania, India, and Yugoslavia, implying substantial foregone export earnings as a result of the trade embargo. Reduced sea transport through the Red Sea affected Egypt and Djibouti, among others. Declining tourism in the region had a significant impact on Cyprus, Kenya, Malta, Jordan, Tunisia, Morocco, Egypt, Turkey and Israel.

A number of countries in the Middle East, North Africa and Asia lost an important source of foreign exchange as a result of the interruption of worker remittances from Kuwait and Iraq. Expressed as a proportion of merchandise exports, losses were important for Lebanon, Sudan, Yemen,
Egypt and Bangladesh, as well as Sri Lanka, Pakistan, India and the Philippines.

An early return to normal conditions in the Gulf area and the resumption of economic activity is important for the countries which have been seriously affected by the Gulf crisis. How long it will take to recover to the pre-August 1990 levels of trade in goods and services (including labour services) is an open question.

(4) Reduced current account imbalances in the major traders

The current account imbalances of the United States and Japan continued to decline in 1990, both in dollar terms and relative to GNP. Despite an increased oil import bill in the latter part of the year, the United States deficit fell to 1.8 per cent of GNP - half the figure of 3.6 per cent for 1987. Japan's surplus last year was equivalent to 1.2 per cent of GNP, a reduction of nearly three-quarters from the figure of 4.4 per cent in 1986. Germany's current account surplus and the United Kingdom's deficit both declined last year from their peaks in 1989 - from 4.6 per cent of GNP to 2.9 per cent for Germany, and from 3.8 per cent to 2.4 per cent for the United Kingdom.

In the G-5 group of leading developed countries, the "invisibles" component of the current account - primarily commercial services and investment income - grew on average half again as fast as the merchandise component during the 1980s (9 per cent versus 6 per cent). Investment income was a particularly dynamic category. This decline in the relative importance of merchandise trade in countries' total current account transactions reflects the increased importance of capital flows, and more particularly of production activities carried out abroad by domestic firms, as well as the growing importance of trade in commercial services. It reinforces the point that a country's current account balance is a more comprehensive statistic than its merchandise trade balance. It hardly needs to be added that in the current multilateral trading system it is the country's overall current account balance that matters, not its bilateral balances with particular countries or groups of countries.

The reduced surpluses of Japan and Germany last year indicate a reduction in the net flows of national savings from these two countries to the rest of the world. Similarly, the smaller deficits of the United States and the United Kingdom point to a reduced need to borrow savings from the rest of the world.

(5) The economic outlook for 1991

There is, as yet, no evidence that the slowdown in economic growth in the major industrial countries - including a fall in output in France, the United States and the United Kingdom in the fourth quarter of last year - has run its course. A world recession is unlikely, but the timing of a broadly based pick-up in growth rates is also unclear. Uncertainty about
the output growth in the G-5 countries during the remainder of 1991, in turn, clouds the outlook both for world trade and for the level of economic activity in the rest of the world.

Recent developments, it should be added, have been for the most part encouraging. The ceasefire in the Gulf appears to have given an important boost to consumer confidence, fears of a sharp increase in petroleum prices have faded, interest rates have eased in a number of countries, and activity on the world's major stock exchanges reflects some recovery of investor confidence.

However, these positive developments have not yet dispelled the considerable uncertainty surrounding the economic outlook. Many of the factors needed for an improvement in output and trade growth are in place, but the timing is unclear. The best estimate at this point is that for 1991 as a whole there will be a further but modest slowdown in the growth of world output and trade.

II. OVERVIEW OF TRADE POLICY DEVELOPMENTS
FROM JANUARY 1990 THROUGH MARCH 1991

Trade policy developments during the period under review can be divided, broadly speaking, into three categories: those related to the Uruguay Round negotiations (the subject of the last section of this report), those involving the General Agreement and GATT's regular activities, and those which take place — at least initially — outside the GATT framework. There have been a number of important developments in each of the three categories in the past fifteen months.

A. Activities within the ambit of the GATT

(1) Five new members bring the total number of contracting parties to 101

Tunisia, Venezuela, Bolivia, and Costa Rica acceded to the GATT in 1990, and Macau became a member in January 1991. In early 1991, El Salvador and Guatemala were close to completing their accessions to the GATT. Algeria, Bulgaria, Honduras, Nepal and Paraguay are in various stages of the accession process. Negotiations relating to China's status as a contracting party continue. The USSR was granted observer status in the GATT last year, and more recently in the Committee on Import Licensing. Viet Nam and Mongolia are exploring the possibility of joining the GATT.

The new members continued the pattern established in recent years of agreeing to reduce and bind most if not all tariffs and, in several cases, to take other significant steps to liberalize non-tariff restrictions. Upon signing its Protocol of Accession, Tunisia agreed to bind a portion of its tariff headings at levels between 17 and 52 per cent, and to abolish import licenses or quantitative restrictions on many products. Venezuela pledged to bind its entire tariff schedule at a ceiling rate of 50 per cent, to be reduced to 40 per cent after two years and will adhere to the Tokyo Round Agreement on Customs Valuation. It intends to continue
removing import prohibitions, restrictive import licensing requirements and other quantitative measures with the goal of their complete elimination by 1995. Bolivia agreed to bind its entire tariff schedule at a ceiling rate of 40 per cent. Costa Rica will bind its entire tariff schedule at 60 per cent, to be reduced to 55 per cent within three years, and will eliminate import surcharges, surtaxes and quantitative restrictions within four years. Macau announced that within one year, it would submit a schedule under which its tariffs would be bound at an acceptable level.

El Salvador has pledged to bind its entire tariff schedule at a maximum rate of 50 per cent ad valorem upon accession, and to further reduce this rate to 40 per cent at the end of 1993. Guatemala has pledged to bind most of its tariffs at ceiling rates of 45 and 50 per cent upon accession. El Salvador and Guatemala will continue to remove import prohibitions, restrictive import licensing requirements and other quantitative measures with the goal of their complete elimination; in the former case, by the end of 1993, and in the latter case, by 31 July 1994. Both countries will modify remaining trade measures to conform with GATT provisions, and intend to adhere to the Tokyo Round Agreements on Customs Valuation, Import Licensing Procedures and Anti-Dumping Practices.

The interest shown in the GATT by the countries mentioned above reflects two important beliefs. First, that a fuller integration into the global economy via a more liberal trade regime will make an important contribution to the country's efforts to promote economic development and rising living standards. Second, that anchoring the trade reform in the multilateral rules and disciplines of the GATT will increase its effectiveness and credibility at home and abroad.

(2) Use of GATT rules and procedures

The Subsidies Agreement.5 Regarding the obligation under the General Agreement to notify subsidies, only a small number of contracting parties have complied. Concerning countervailing duty actions, three of the 24 signatories of the Subsidies Agreement notified final actions in 1990: the United States (4), Canada (1), and Australia (1).

Dispute settlement under the Subsidies Agreement continues to be stymied by the five panel reports that have not yet been adopted. In each case, adoption has been blocked by the party losing the case (in some instances, the blockage was supported by certain other members of the Committee). Only one report, noting that a mutually satisfactory solution to the dispute had been achieved, has been adopted by the Committee since

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5 Statistics on countervailing actions and anti-dumping actions in "The Subsidies Agreement" and "The Anti-Dumping Agreement" sections are based on notifications supplied to the Committee on Subsidies and Countervailing Measures and to the Committee on Anti-dumping Practices as of 30 June 1990. These figures do not necessarily give a complete picture of anti-dumping and countervailing duty actions taken by contracting parties in the period under review because (i) the information available does not go beyond the first six months of the fifteen month period under review, and (ii) only about one quarter of GATT's contracting parties are signatories to the agreements in question (however, the signatories currently account for about 90 per cent of the contracting parties' merchandise trade), and one signatory limits its notifications to actions taken with regard to other signatories only.
the Agreement came into effect. In early 1991, a panel was established to consider a complaint by the United States regarding the exchange rate guarantee scheme operated by Germany in favour of its civil aircraft manufacturing industry.

The Anti-Dumping Agreement. Nine of the 25 signatories to the Anti-Dumping Agreement notified anti-dumping actions in the period under review: Australia, Canada, the European Communities, Finland, the Republic of Korea, Mexico, New Zealand, Sweden and the United States. The European Communities and New Zealand each reported a substantial decline in investigations relative to the twelve months ending 30 June 1989, while the decline was modest or absent for other signatories. Canada reported a substantial decline in the number of outstanding measures, from 143 to 103, mainly as a result of reviews under the "sunset" clause of its legislation. The number of outstanding measures (definitive duties or price undertakings) maintained by the European Communities declined from 170 to 151, in part due to a decline in cases involving countries in Central and Eastern Europe (for many years measures applied against imports from these countries have constituted more than half the total).

Two developments this past year confirm that anti-dumping practices continue to be an important source of friction among contracting parties. First, controversies concerning the application of existing multilateral rules were reflected in developments in the area of dispute settlement. In August, the first panel established under the dispute settlement proceedings of the Agreement submitted its report to the Committee (the report has yet to be adopted), and a new panel was established in September. Second, no consensus on new multilateral rules governing anti-dumping practices was reached last year, in spite of intensive negotiations throughout the year, and no draft text was submitted to the Ministerial Conference in Brussels in December.

The spread of anti-dumping legislation continued in 1990, with developing countries frequently adopting anti-dumping legislation as an element in reform packages that include the phasing out of import licensing and quantitative restrictions. There is an evident need for great care in ensuring that such legislation gives due regard to the basic principles relating to the use of anti-dumping measures embodied in the General Agreement and the Tokyo Round Agreement on Anti-Dumping Practices.

Balance-of-payments provisions. At the Council meeting in January 1991, Argentina and Peru announced that they had ceased to invoke the provisions of Article XVIII:B with respect to non-tariff import restrictions. In accordance with the commitment assumed as a result of consultations with the Committee on Balance-of-Payments Restrictions in

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6 In May 1990 the GATT Council adopted the Report by the Panel established in October 1988 in a dispute between Japan and the European Communities regarding measures applied by the latter to prevent what it considered to be circumvention of anti-dumping duties. The European Communities has linked implementation of the panel ruling with the outcome of the Uruguay Round. Requests for bilateral consultations with the United States were made by Canada and Mexico in November 1990 regarding an anti-circumvention inquiry made by the United States with respect to colour television picture tubes.
October 1989, the Republic of Korea recently submitted details of its liberalization program for 1992-94. Recalling that Ghana ceased to invoke Article XVIII:B in 1989, a total of four countries have now ceased to invoke that Article since the beginning of the Uruguay Round.

Early this year, the Czech and Slovak Federal Republic notified that it wished to invoke Article XII with respect to a temporary 20 per cent import surcharge on some consumer goods and foodstuffs, introduced in conjunction with a major reform of the economic reform.

Article XIX safeguard actions. In 1990 and early 1991, the European Communities announced two new actions (on mushrooms and certain red fruits) and the extension of a measure introduced in 1989 (on processed cherries). Austria announced a measure taken under Article XIX affecting imports of "prepared fowls" in 1990, and in early 1991 announced the extension of the measure. Twenty-four Article XIX actions remain in force, of which slightly more than one-third involve agricultural products.

Dispute settlement under Articles XXII and XXIII. In the area of dispute settlement under the General Agreement (as distinct from the Tokyo Round Agreements), last year was marked by a significant decline in the number of panels established - one panel in 1990 compared to four panels in 1989. Together with the frequent recourse to consultations last year (eleven instances notified to Council), this suggests that the top priority given to the Uruguay Round negotiations created a temporary lull in the sustained pace of dispute settlement activity in recent years. This view is confirmed by the fact that, following the Ministerial meeting in Brussels, dispute settlement activity has increased, with two panels established and two others requested in recent months.

With nearly two years of dispute settlement under the Montreal procedures completed, it is encouraging to note that the greater automaticity of the procedures has eliminated significant delays in the panel process. Briefly, (i) five panels have been established under the revised procedures, with two requests for the establishment of a panel pending; (ii) three panels have submitted their reports to the contracting parties, and panel proceedings are ongoing in two other cases; (iii) two reports have been adopted by Council and, with respect to these reports, no difficulties concerning implementation have arisen. These developments indicate that the implementation of the Montreal procedures has helped to solve certain longstanding difficulties in the dispute settlement procedures.

For disputes brought under the General Agreement prior to the implementation of the Montreal procedures the record is less positive. In the case of two panels established in 1985 and 1987, the parties have neither agreed on panelists nor withdrawn the complaint, leaving matters in an uncertain state. Since the beginning of the Uruguay Round, fifteen

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7On 12 April 1989 the Council decided to implement, on a trial basis as from 1 May 1989, the "Improvements to the GATT Dispute Settlement Rules and Procedures" resulting from the Montreal Mid-Term Review of the Uruguay Round.
panel reports have been adopted under panel proceedings conducted under the pre-Montreal procedures, with a recommendation that the defendant party change the measure at issue. In eight cases, the contracting party to which the recommendation to change was addressed has not yet responded, or has postponed compliance, or has not taken actions satisfactory to all contracting parties. In four of these cases, the contracting party concerned has linked implementation of the panel's recommendations to the outcome of the Uruguay Round, even though the dispute settlement process protects existing rights and obligations. The absence of a near-term deadline for the conclusion of the Uruguay Round makes it imperative that this linkage be reviewed by the parties concerned. A mutually satisfactory conclusion to all outstanding disputes would be an important contribution to the continuing negotiations.

(3) The Multifibre Arrangement

Certain agreements were renewed with improved access provisions (Austria, Sweden) and many existing agreements were modified (Canada, European Communities, United States). In several cases, the modifications concerned adjustments made necessary by the introduction of the Harmonized System (European Communities, United States). In other cases new restrictions were added.

Some moves towards liberalization of MFA restrictions appeared late last year and early 1991, with the European Communities liberalizing certain restrictions applied to imports from several Central and East European countries, Norway liberalizing several restrictions in its agreements, and Finland replacing a few restraint agreements by consultation arrangements. Sweden announced that it will implement its earlier decision to eliminate MFA restrictions as of 1 August 1991.

Several "exporting" countries participating in the MFA, which maintain restrictions outside the MFA framework, have liberalized restrictions on textile and clothing imports as part of overall liberalization programs. This brought to 20 out of 40, the number of MFA participants having notified that they had no quantitative restrictions, or for all practical purposes no quantitative restrictions, on MFA products.

Because MFA IV is scheduled to expire on 1 August 1991, the failure to conclude the Uruguay Round last December has introduced a major new element of uncertainty in the textiles and clothing sectors.

(4) Operation of the Trade Policy Review Mechanism

During 1990, the Council reviewed the trade policy regimes of Sweden, Colombia, Canada, Hong Kong, Japan and New Zealand. Reviews covering the European Communities, Hungary and Indonesia were postponed until April 1991, and are currently taking place. This brings to 12 the number of trade policy reviews (covering 11 individual economies plus the 12 members

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of the European Communities) under the new mechanism. An additional 12 reviews are scheduled for the remainder of 1991.

Reflecting upon the reports submitted by the Secretariat and by the country under review, and the ensuing Council discussions, one striking feature is the wide differences in trade policy problems and responses among GATT member which have been highlighted in these analyses. At the same time, several common threads run through the reviews. For example, while documenting a number of setbacks, the reports reveal an encouraging trend towards more open markets in most of the countries reviewed. In developing countries, import licensing has been increasingly replaced by more transparent trade policy instruments such as the tariff. In high-income countries, efforts to liberalize the hard-core sectors of protection are gradually gaining momentum, as the high costs to consumers, taxpayers and efficient export industries of protecting sectors such as agriculture, textiles, clothing and footwear, noted in the Secretariat reports, are becoming increasingly evident. The reviews point also to the adverse impact of protecting traditional industries in high-income countries on the efforts of economies such as Colombia and Indonesia to diversify their export base into manufactures.

In 1990, the first complete year of its operation, governments made efforts to make the Trade Policy Review Mechanism work as a process of collective evaluation and appreciation of the trade policies of individual GATT members, despite the pressures faced by all delegations as the Uruguay Round work intensified. The lively discussions which have continued to take place on the occasion of recent reviews indicate the interest governments are taking in the development of this unique and important surveillance mechanism.

(5) GATT involvement in environmental issues

In late 1990, the Working Group established in 1989 to examine the need for new disciplines to regulate trade of domestically prohibited goods and hazardous wastes was considering a draft Decision on Products Banned or Severely Restricted in the Domestic Market for eventual submission to the CONTRACTING PARTIES. At its March meeting, the Council extended the Working Group's mandate to 30 June 1991.

This activity is one example of the interaction between trade and environmental concerns. A second example from the period under review involves the concern expressed by some contracting parties that widely differing measures adopted by countries to achieve environmental objectives might have an adverse effect on trade and become a source of dispute. Austria, on behalf of the EFTA countries, proposed at the 46th Session of the CONTRACTING PARTIES, and later in the Council, convening the 1971 Group on Environmental Measures and International Trade. The proposal emphasized the need to examine potential conflicts between the GATT and trade-related provisions contained in international environmental agreements that have been negotiated in recent years. It further suggested that GATT should consider making a contribution to the 1992 U.N. Conference on Environment and Development.
At its February meeting, the Council asked the Chairman of the CONTRACTING PARTIES to hold informal consultations on how to proceed. He is expected to report the results of his consultations to the Council at its meeting on 24 April 1991.

(6) Countries in Central and Eastern Europe, and the USSR, seek greater integration into the multilateral trading system

During the period covered by this report there were a number of trade policy developments which cannot be neatly classified as "GATT related" or as "taking place outside the GATT framework" because they contain elements of both. The most important example is the wave of trade policy reforms - implemented or planned - in Central and Eastern Europe and the USSR.

Changes in the political and economic organization of countries in Central and Eastern Europe continued in 1990 and in 1991 against the background of great economic difficulties, including in most instances high foreign indebtedness. Central planning was de-emphasized and, in certain cases abandoned, in favour of an increased rôle for the market mechanism. Privatization has started in most countries in the region. Greater autonomy for domestic economic units has replaced a decades-long policy of state control of foreign trade. The inter-governmental management of trade via bilateral quantitative arrangements based on coordination of national plans in the Council for Mutual Economic Assistance (CMEA) was abandoned by most countries in 1990. The Czech and Slovak Federal Republic, Hungary and Poland are engaged in negotiating association agreements with the European Communities.

Priority has been given to increasing trade with countries outside the region, via the GATT and other avenues. In the light of the opening up of their economies to more market-oriented foreign trade, it has become evident that domestic production structures had been distorted in the economies of Central and Eastern Europe and that adjustment will be costly and take some time.

Specific details and up-to-date information on reform programs are available only for Hungary, Poland, the Czech and Slovak Federal Republic and Romania.

Building on a history of economic reforms since 1968, Hungary has been engaged in a fundamental change in its political and economic system since 1989. This has included a major overhaul of the institutional and legal system. Most prices have been liberalized, the scope of import licensing

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9 As of 1 January 1991, transactions between members are conducted in convertible currencies, abandoning the transferable ruble as a unit of account. Prices used in transactions are "world market prices" (prices are agreed upon by the parties to the transaction).

The future of the CMEA remains uncertain at the current time, but many aspects of the old arrangement remain in force. Discussions have taken place on the features of a new Organization for International Economic Co-operation.
has been progressively reduced and, following the abolishment of the state monopoly of foreign trade, the number of firms conducting foreign trade has rapidly increased. Foreign-owned companies and joint ventures have multiplied. In September 1990, the new government announced a comprehensive three-year program designed to establish the foundations of a market economy, including large-scale privatization, further steps towards opening up the economy and supporting changes in fiscal and monetary institutions. Trade with countries has become subject to the import duties and trade measures generally used in convertible currency trade. Hungary agreed to be the first Central European country to be reviewed under the TPRM, and fuller details are available in the context of the Hungarian trade policy review.

Comprehensive economic reforms were introduced in Poland last year, drastically reforming many aspects of the Polish economy. As of 1 January 1990, prices were fully liberated from government control, subsidies for domestic economic activities were either eliminated or scaled back, and internal convertibility of the zloty was introduced. A broadly based privatization program has been initiated and legislation to encourage foreign investment has been adopted. In the area of foreign trade, the state monopoly on foreign trade was abolished and all imports are now subjected to the same customs treatment. Border measures for imports consist largely of tariffs, and exports are reportedly not subsidized. These policy changes led Poland to request a renegotiation of its Protocol of Accession, in order to replace its commitment to achieve a planned growth in imports with unequivocal GATT market-oriented disciplines. A Working Party was established at the beginning of last year, and is continuing its work in 1991.

The Czech and Slovak Federal Republic, a contracting party to the GATT since its inception in 1948, has pursued a reform process with similar aspects: macroeconomic stabilization, greater scope for private economic activities, and internal convertibility of the koruna. An important privatization program is underway, prices have been liberalized and legislation to encourage foreign investment adopted. The trade reforms announced on 1 January 1991 abolished the state's monopoly on foreign trade. As was noted above, a temporary import surcharge of 20 per cent was introduced on some consumer goods and foodstuffs, for which the Czech and Slovak Federal Republic wishes to invoke Article XII of the General Agreement.

According to information supplied by the Romanian authorities, Romania is pursuing, within the context of a program of reform initiated in August 1990, privatization and the liberalization of prices, the foreign investment regime and the foreign exchange regime. In the area of foreign trade, the state's monopoly has been eliminated, imports are free from quantitative restrictions and licensing is automatic.

Bulgaria, an observer since 1967, requested accession to the GATT in 1986 and the Working Party is expected to meet later this year. Decisions during the period under review concerning the observer status of the USSR
have been mentioned earlier in this report. The unification of Germany led to the former German Democratic Republic (GDR) becoming a part of the European Communities. At their 46th session the CONTRACTING PARTIES decided to waive Article I from 3 October 1990 until 31 December 1992 to the extent necessary to permit the European Communities to comply with the terms of certain trade agreements to which it had succeeded, between the former GDR and Bulgaria, the Czech and Slovak Federal Republic, Hungary, Poland, Romania, USSR and Yugoslavia. This action is expected to help maintain the stability of imports of the USSR (for which the former GDR was the main supplier of machinery, industrial equipment and transport facilities), and to ease the adjustment to unification by maintaining traditional outlets for exports of the former GDR.

The Secretariat has been actively involved in the efforts of the countries in Central and Eastern Europe, and the USSR, to increase their participation in the multilateral system. The Director General visited a number of countries, and GATT missions were sent to every country in the region in 1990, with the exception of the USSR. A special trade policy training course for officials from countries in the region will take place later this year (27 May to 26 July). The official visits, technical assistance missions and the training course represent an extension to these countries of the active support which the Secretariat has been supplying to developing countries for many years.

B. Other trade policy developments

(1) Discriminatory export restraints

A count of known discriminatory export restraint-type arrangements involving GATT contracting parties indicates that approximately 284 such arrangements were in force at the end of 1990 (Appendix Table 1). As was the case in 1989, the product group with the highest number of restraints is agricultural products, with textiles and clothing close behind. The fact that the textiles and clothing group has the second largest number of restraints acquires added significance when it is recalled that the figures in Appendix Table 1 do not include restraints specifically negotiated under the Multifibre Arrangement.

(2) Section 301

Following the passage of the United States' Omnibus Trade and Competitiveness Act of 1988, many contracting parties expressed concern at the inclusion of the "Super" and "Special" Section 301 provisions, which were seen as increasing the potential for retaliatory actions not based on GATT provisions.

Under "Super" 301 (which expired last year), six investigations were initiated: no retaliatory trade measures were taken.

Under "Special" 301, no countries have been identified to date as priority countries and no 301 investigations have resulted from this provision.
Five investigations were initiated under regular Section 301 in the period under review: one was terminated following consultations, one has led the United States to initiate a dispute settlement proceeding in the GATT, and bilateral consultations are in process in the other three investigations, two of which involve disputes related to the protection of intellectual property.

(3) Unilateral liberalizations since the start of the Uruguay Round

Last year added new names and new trade initiatives to the list of countries that have undertaken trade liberalization initiatives since the start of the Uruguay Round (see Appendix Table 2). In addition to the previously mentioned actions taken in the context of accession to the General Agreement or related to the new market-orientation of countries in Central and Eastern Europe, new trade liberalization initiatives were introduced in a number of countries, including Australia, Argentina, Brazil and Peru. These initiatives reflect a growing emphasis on outward-looking trade policies in the 1980s as a key element in efforts to promote sustained economic growth.

Mention should also be made of the de-regulation, privatization, and opening to foreign competition of domestic service activities in a number of countries, including Argentina, Bolivia, Brazil, Colombia, Costa Rica, the Republic of Korea and Mexico. As part of its 1992 program, the European Communities pursued harmonization and de-regulation in telecommunications, financial services, travel services and other categories of services. These developments clearly have been influenced by efforts in the Uruguay Round to create a liberal trade regime for world trade in services.

This is the fourth reference in this report to liberalizing reforms in trade regimes during the period under review - the other three being the accession agreements of four new GATT members, the dis-invocation of Article XVIII:B by Argentina and Peru, and the changes underway in the countries in Central and Eastern Europe. The common elements running through these different liberalization initiatives are a shift to a more market-oriented liberal trade regime, and the related desire for a greater participation in the global economy and in the multilateral trading system. Many countries that traditionally have been indifferent or hostile to the multilateral trading system have become major supporters. But what they are seeking requires a strong positive response from the major trading nations which traditionally have been the principal supporters of GATT and of multilateralism. The Uruguay Round provides the major traders with an opportunity to offer such support to the reforming countries, while at the same time achieving important gains for themselves.

(4) Regional trade initiatives

During the period under review two types of developments in regional integration and cooperation were evident. One was the further evolution or extension of integration agreements already in place, including the European Communities' 1992 Program, the European Economic Space, and the
acceleration of closer ties between Australia and New Zealand. The other involves initiatives in various areas of the world designed to develop closer regional ties. These include the previously mentioned requests for association agreements with the European Communities from Poland, Hungary and the Czech and Slovak Federal Republic; the Enterprise of the Americas Initiative; the APEC initiative and the proposed East Asia economic grouping; and the recently announced Agreement of Asunción. The proposed Canada-United States-Mexico free trade arrangement involves two countries, which already have a free trade arrangement between themselves, developing new ties with a third country in the region.

These developments are often presented as running counter to the reinforcement and extension of the multilateral trading system. But this was not the view taken by the drafters of the GATT of arrangements to promote the closer integration of member countries. At the same time, the contracting parties have been concerned with ensuring that the objective of reducing obstacles to trade between parties to such arrangements does not conflict with the objective of promoting freer trade with other countries.

The drafters of the GATT laid down the necessary criteria for this purpose and provided for a review process aimed at ensuring that these criteria are met. An ongoing process of global trade liberalization, in which parties to such integration arrangements are also participating, evidently reduces the possibility of conflict, and indeed can help to ensure that the development of regional markets promotes the emergence of wider global markets.

III. PURSUING THE URUGUAY ROUND

At the end of February of this year, the Trade Negotiations Committee (TNC) agreed to resume the negotiations on the basis of a program of work covering all areas of the negotiations, and with the understanding that the provisions of the Punta del Este Declaration and the Mid-Term Review decisions would remain in force. In so doing the TNC confirmed the political commitment undertaken by governments in Brussels to pursue the negotiations and to ensure a successful conclusion of the Round.

Now that the Uruguay Round is back on track, it is possible to say that the principal casualty of the failure to conclude the Round last December is the degree of predictability facing firms around the world engaged in producing and trading goods and services. What is involved is GATT's ability to carry out one of its primary goals - to encourage trade and trade-related investment by providing rules of the game and predictable future market access. The extension of the standstill commitment helps, of course, but the agenda of the Uruguay Round contains so many varied and important items that forcing the producers to wait longer to know the results - in terms of market access and new rules - is bound to have costs. As was noted earlier, nowhere is this more evident than in the textiles and clothing area, where the current Multifibre Arrangement is scheduled to expire 1 August 1991.
These costs are higher now than in the past because of ongoing changes in the world economy. Past and current reductions in import barriers, combined with technological advances in communications and transportation, make it increasingly attractive for producers of goods and services to go outside their own markets when buying inputs, selling output or expanding production facilities. The result is tougher competition, which, in turn, is creating a demand for conditions of competition at the global level similar to those firms enjoy in their home market. To a degree, conditions of competition - based on rules of the game and accessible markets - are already in place. But it is also clear that considerable improvement and extension is needed.

In looking ahead to the remainder of 1991, two points should be emphasized. One is the importance of pushing ahead with the Uruguay Round negotiations. The need to minimize the increase in business uncertainty caused by the failure to conclude the negotiations on schedule, to preclude backsliding in what has been achieved to date, and to give a "confidence boost" to a world economy in its third consecutive year of decelerating growth in output and trade - these and other considerations argue strongly for bringing the extended negotiations to an early, successful conclusion.

The second point concerns the critical importance of a strict observance of the extended standstill commitment. By and large, the observance of the standstill commitment during the Uruguay Round has been good, especially during the past two years. We need to continue - indeed, improve - this record during the remainder of the negotiations. Even in the best of times, increases in protection can jeopardize trade negotiations. When, as is the situation now, economic growth has slowed down and important changes in exchange rates are taking place, not only are protectionist pressures likely to increase, but the potential for one protectionist action to trigger a series of retaliatory measures is especially high.
**Appendix Table 1**

**Known export restraint-type arrangements involving GATT contracting parties**

**Arrangements in force as of December 1990**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products*</td>
<td>59</td>
</tr>
<tr>
<td>Textiles and clothing</td>
<td>51</td>
</tr>
<tr>
<td>Steel and steel products</td>
<td>39</td>
</tr>
<tr>
<td>Electronics</td>
<td>37</td>
</tr>
<tr>
<td>Road motor vehicles</td>
<td>23</td>
</tr>
<tr>
<td>Footwear</td>
<td>21</td>
</tr>
<tr>
<td>Machine tools</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>284</strong></td>
</tr>
</tbody>
</table>

* Excluding restrictions on textiles and clothing under the Multifibre Arrangement.

**Notes:**
1. The restraint arrangements included in the table are unilateral restraints, discriminatory import systems, voluntary export restraints, orderly marketing arrangements, non-governmental and/or arrangements on an individual industry or industry association level, and export forecasts. The degree to which exports are restrained varies between the different types of arrangements.

2. Because data available to the GATT Secretariat on discriminatory restraint agreements are incomplete, and because of problems of classification, the above figures should be treated as approximate.

For these reasons, strict year-to-year comparisons of figures can be misleading (in particular, figures for previous years are frequently revised).
Appendix Table 2

Trade liberalization measures undertaken since the launching of the Uruguay Round in September 1986

The following list has been compiled on the basis of information currently available to the Secretariat. Due to space constraints, the list does not include every single trade liberalization measure taken since the start of the Uruguay Round. The inclusion or omission of a country or a trade liberalizing action from the list does not prejudge the nature and extent of a country’s trade policy reform. The information listed below is not sufficient to make a precise judgement about either the net change in the level of protection over the period in question or the current level of protection.

**Algeria:** Abolished all import licensing procedures in 1991.

**Argentina:** In October 1988, tariffs were reduced on a substantial number of items, resulting in a fall in the overall average tariff from 38.2 per cent to 29.4 per cent. At that time, obligatory import permits were abolished for 2,000 items, and in February 1990, 734 items previously subject to prior examination requirements were made subject to automatic import processing. In January 1991, the Council was informed that the provisions of Article XVIII:B ceased to be invoked with respect to the application of import restrictions for balance-of-payments purposes. With the exception of 22 items of the motor vehicle sector that remain subject to non-tariff import restrictions, other non-tariff restrictions on imports were abolished. In March 1991 export taxes ranging from 5 to 13 per cent on agricultural products were eliminated.

**Australia:** For passenger motor vehicles, import quotas were terminated and tariffs lowered in April 1988; import tariffs are scheduled to be gradually reduced from 35 per cent in 1992 to 15 per cent by the year 2000. Among the measures announced in 1989, the sugar embargo dating back 66 years was replaced with specific tariffs, and the wheat market was deregulated. For textiles, clothing and footwear, tariff quotas are scheduled to be terminated by 1993, two years ahead of schedule, and import tariffs will be reduced from 55 per cent in 1992 to 25 per cent by 2000. For industries other than passenger motor vehicles, textiles, clothing and footwear, a more rapid reduction in assistance levels was first announced in May 1988, followed by another announcement in March 1991. Tariff levels of 10 or 15 per cent will apply by 1 July 1992, followed by a further reduction to 5 per cent by 1 July 1996.

**Austria:** On 1 January 1990, tariff levels on a large number of non-agricultural products were reduced in advance of the results of the
Uruguay Round. The reductions are currently in place until 31 December 1991, with a prolongation planned until 31 December 1993.

Bangladesh: As part of an ongoing program of reform introduced in 1985, the number of items subject to import prohibition has been reduced. Import quotas covered 30 per cent of all imports in 1987 and this proportion was lowered by 25 per cent in 1989-90; products involved include steel and engineering, construction materials and capital equipment, furniture, textiles, leather, jute. The maximum tariffs on steel, textiles, engineering, chemicals and electronics have been reduced from 200 to 125 per cent, and the tariff regime has been simplified. The import sales tax has also been simplified and set at a maximum of 20 per cent (it has been eliminated for certain products).

Bolivia: In the context of an ongoing program of reform, tariffs on capital goods were reduced to 10 per cent in April 1988 and were further reduced to 5 per cent in January 1990, while duties for other goods were reduced to 10 per cent in April 1990. All quantitative restrictions have been eliminated, except those maintained for public health and safety reasons. Acceded to the GATT 8 September 1990, and agreed to bind its entire tariff schedule at a ceiling rate of 40 per cent.

Brazil: Tariff reductions resulted in the average tariff dropping from 51 per cent to 41 per cent in July 1988 and to 37.5 per cent in 1989. In February 1991, import duties were reduced on 13,500 items, with a resulting decline in the average tariff to 25 per cent; items not produced domestically may be imported free of duty. The average tariff is scheduled to be further reduced on an annual basis to an estimated 14 per cent by 1994. Between 1987 and 1988, the number of items for which import licenses were generally unavailable dropped from 4,451 to 1,165. On 15 March 1990, quantitative restrictions on imports were eliminated, including the "prohibited list" of products, and remaining company and sector-specific import quotas.

Bulgaria: The state’s monopoly on foreign trade and the annual trade plan have been abolished, creating a wider scope for the activities of private economic units. Import licensing restrictions were largely abolished. The existing tariff structure has been adjusted to yield an average tariff of 15 per cent. Export bans and quantitative restrictions on a number of items have been removed and temporary export taxes have replaced quotas on other commodities.

Cameroon: Reduced tariffs and removed certain non-tariff barriers during 1990.

Canada: Quantitative restrictions on imports of footwear, for which the provisions of Article XIX had been invoked since 1977, were completely terminated in 1988.

Central African Republic: In the context of a sustained effort at lifting structural constraints to growth begun in 1986. Import licensing
procedures and quantitative restrictions have been eliminated, and export authorization requirements replaced by a system of declarations.

**Colombia:** As part of the ongoing program of import liberalization begun in 1985, the average tariff was progressively reduced from 41 per cent to 22 per cent in 1989. Additional tariff reductions were introduced in 1990 including a reduction in the average tariff applied to capital goods from 15.6 to 11.4 per cent. In March 1990, a program of gradual elimination of non-tariff import restrictions was initiated with the goal of freeing 70 per cent of imports previously under restriction by 1992. Program includes a "tariff-survey" scheme for items subject to licensing with the goal of establishing tariff rates for the items in question, as a pre-condition for their transfer to the free list. A number of items (861) were transferred to the list of products freed from import licensing, and items on the list now account for 56 per cent of all tariff lines.

**Costa Rica:** Acceded to the GATT 24 November 1990. Costa Rica will bind its entire tariff schedule at 60 per cent, to be reduced to 55 per cent within three years, and will eliminate import surcharges and surtaxes and quantitative restrictions within four years.

**Czech and Slovak Federal Republic:** As of 1 January 1991, the state's monopoly on foreign trade and the annual trade plan have been abolished, creating a wider scope for the activities of private economic units. New Acts relating to private business activities, banking, foreign trade and exchange, and the protection of competition have been enacted in order to liberalize economic conditions. A temporary import surcharge of 20 per cent on some consumer goods and foodstuffs was introduced on 17 December 1990, was notified to GATT in January 1991 and will form the basis for a consultation in the Balance-of-Payments Committee under Article XII:4(a) of the GATT.

**Egypt:** In August 1986 average tariff levels were reduced by almost 50 per cent, followed by a further 30 per cent reduction in June 1989. In May 1990, 21 items were removed from the list of products subject to conditional import prohibition.

**European Communities:** In July 1989, a modest proportion of the more than 2,000 national import quotas maintained by Member States on imports from third countries were eliminated. As of November 1989, a number of specific quantitative restrictions were eliminated on imports from Hungary and Poland, and similar measures are planned for other countries in Central and Eastern Europe.

**Finland:** As of 1 July 1990 a number of quantitative restrictions on agricultural imports were abolished, including a number of fresh fish items, fresh fruits and vegetables, and fruit and vegetable preparations.

**France:** In February 1991 the elimination of a series of quantitative restrictions affecting imports of Japanese products was announced, including umbrellas, certain ceramic, porcelain and pottery products, certain toys, and certain electronic measuring instruments.
Ghana: The government's liberalization policy introduced in 1983 continued in 1989 with the elimination of import licensing and all remaining import restrictions for balance-of-payments purposes for which the provisions of Article XVIII:B had been invoked.

Guyana: During 1988 import prohibitions were removed on all items except food products. Licensing of imports not requiring official foreign exchange was liberalized.

Hungary: As of early 1990, the state's monopoly on foreign trade was abolished. Tariff reductions were introduced with the effect of reducing the average import tariff from 16 per cent to 13 per cent, and further reductions are planned, with a goal of an average tariff of 8 per cent by 1992-93. On 1 January 1989, import licensing was abolished for approximately 40 per cent of the value of imports transacted in convertible currencies, another 30 per cent of convertible currency imports were freed from import licensing as of 1 January 1990. As of 1 January 1991, the coverage of the import licensing system was further reduced (for consumer goods an import quota applies) and imports of almost all products are scheduled to be freed from import licensing by 1992-93. Export licensing was eliminated for most products as of 1 January 1991.

India: In March 1988, 793 products were added to the list of products where imports do not need to be cleared by the relevant sponsoring authorities; these included 137 capital goods items, 209 items of medical equipment, and 108 pharmaceutical products. Until the end of 1992 India will follow an "open skies" policy, allowing foreign airlines to run special cargo charters without requiring reciprocity.

Indonesia: Successive trade reforms were introduced in each year of the 1980s since 1985, leading to lower tariffs, greater tariffication and the relaxation of many licensing restrictions. Tariff reductions implemented in May 1990 resulted in a decline in the average tariff to 22 per cent, down from 37 per cent in 1984. Further trade reforms are scheduled for 1991.

Japan: Announced market-opening measures in 1988, including tariff reductions, and the termination of import quotas for a number of agricultural products such as beef, oranges, and orange juice. The elimination of quotas on beef and oranges was effective as of 1 April 1991, and that on orange juice will be effective from 1 April 1992. The import allocation system was terminated on eight agricultural products during the period 1988-90.

Republic of Korea: The second phase of a ten-year program of import tariff reduction was announced in 1988 with the goal of lowering the average tariff rate from 18.1 per cent to 7.9 per cent by 1993. As of 31 December 1988, the import surveillance system, which had been in place since 1977,
was eliminated. Between July 1986 and January 1990, quantitative restrictions affecting imports of 1004 products were eliminated, with an additional 102 items liberalized as of January 1991. In 1989, it was agreed that all remaining import restrictions for balance-of-payments purposes for which the provision of Article XXVIII:B had been invoked will be eliminated or brought into conformity with GATT by 1 July 1997. In addition to the restrictions phased out in 1989-91, a three-year import liberalization program for 1992-94 notified to Council on 30 March 1991 phases out restrictions for 133 products; restrictions on the remaining 150 items will be either liberalized or brought into conformity with GATT provisions by 1997.

Madagascar: Since 1988 the government has implemented a number of market opening measures. Actions taken included the elimination of quantitative restrictions for protective purposes, the establishment of a simplified tariff structure, and the implementation of a market-determined allocation of foreign exchange for imports.

Malawi: In September 1988, the government announced the liberalization of 30 per cent of its imports. With the exception of several strategic items, all imports are scheduled to be liberalized by 1991.

Mexico: As part of the complete restructuring of its economy introduced in 1982, which was deepened in 1985, the maximum tariff was lowered to 45 per cent in 1986 (the ceiling on rates in the 1986 Protocol of Accession is 50 per cent). In 1988, the tariff range was further compacted to 0-20 per cent, official import reference prices were completely eliminated, and the number of products subject to import licensing requirements was reduced. Import licensing restrictions for computers and pharmaceuticals were eliminated in 1990. For passenger cars, local content requirements were reduced in 1989, and imports were liberalized in 1990 (imports are now subject to a 15 per cent maximum market share for 1991-92).

Morocco: In the context of the trade liberalization program initiated in 1983, between 1987 and 1989, 852 items were transferred to a list where import licensing is automatic. Acceded to the GATT 17 June 1987, and agreed to bind 156 tariff headings.

New Zealand: As part of an overall deregulation of its economy, a tariff reduction program was introduced in 1986 with the goal of achieving a 50 per cent reduction in tariff levels by 1991, and a maximum tariff of 10 per cent on most products by 1996. As of 1 July 1988, import licensing was abolished for half the items previously affected by import controls. All import licenses are scheduled to be abolished by July 1992. On 20 March 1990 the Government announced that a further general tariff reduction program would begin on 1 July 1993 and will end 1 July 1996. Four equal reductions will bring tariffs down to a maximum of 10 per cent on all but four product categories (footwear, carpets, apparel and motor vehicles). Agricultural policy has been reformed, eliminating virtually all trade policies affecting imports and exports.
Nigeria: In the context of a program of reform initiated in 1986, import licensing was eliminated, the number of products on the "prohibited list" reduced, and commodity marketing boards removed. The number of products on the "prohibited list" was further reduced in 1989.

Nicaragua: In September 1990 the maximum tariff was reduced to 20 per cent. Tariffs previously in the range of 0-5 per cent were eliminated, those previously in the range of 10-40 per cent were reduced to 5 per cent, and tariffs previously in the range of 40-60 per cent were reduced to 10 per cent.

Pakistan: In the context of an ongoing program of reform begun in July 1988, a program to replace non-tariff barriers with tariffs has been implemented. The maximum applicable tariff was reduced from 225 per cent to 125 per cent at the current time. Import restrictions remain on certain products for balance-of-payments purposes; import licensing has been eliminated for other products as of March 1991.

Peru: On 24 November 1988, tariff rates were reduced on a number of products and a ceiling of 84 per cent introduced. During 1989 import licensing was suspended on a total of 658 tariff headings. In October 1990 the tariff structure was simplified and the maximum tariff reduced further, rates now being 15, 25, or 50 per cent, with most products facing the 25 per cent rate. Import prohibitions, all non-tariff barriers, and an import surcharge affecting a large number of tariff items have been eliminated. In January 1991, the Council was informed that the provisions of Article XVIII:B ceased to be invoked with respect to the application of import restrictions for balance-of-payments purposes. An additional reduction in tariffs was introduced at the beginning of March, setting the maximum rate at 20 per cent (covering about 20 per cent of merchandise imports) or at 15 per cent (covering the remainder of imports).

Philippines: The proportion of imports subject to quantitative restrictions was reduced in 1988 and 1990. As of the end of June 1990 import licensing on 2,462 items had been lifted; of the 439 items still subject to restrictions 323 are scheduled to be liberalized by the end of 1994. In July 1990 the executive branch of the Government proposed a new simplified tariff structure, which is being reviewed by the legislative branch.

Poland: As of 1 January 1990, internal convertibility of the zloty was introduced. The state's monopoly on foreign trade was eliminated, and all imports subjected to the same treatment, regardless of origin. Border measures for imports consist largely of tariffs and exports are reportedly not subsidized.

Romania: In the context of a program of reform initiated in August 1990, the state's monopoly on foreign trade has been eliminated. The customs duty code has been completely revised, and the provisions for differential
tariffs depending on the end-user have been discarded. The highest tariffs were reduced, and further changes are planned in 1991. Imports are reported to be free of quantitative restrictions and surcharges and import licensing automatic.

**Sweden**: Announced the elimination of all MFA restrictions on textiles and clothing as of 1 August 1991 (including existing agreements with expiry dates after 1 August 1991), and on footwear by 1993.

**Thailand**: The tariffs applied to a large number of items were reduced in 1988 and 1989, resulting in a decline from 12.6 per cent in 1987 to 11.1 per cent between the two years in the average applied tariff (total duty collected divided by total value of imports). The statutory tariff for a large number of items of machinery was reduced to 5 per cent in September 1990 (previously, statutory tariffs were for the most part 30 or 35 per cent). Most types of passenger motor cars were removed from the list of products requiring nonautomatic import licensing. Most of the products for which export taxes were applied in the past are currently exempt.

**Togo**: As part of a reform program initiated in 1988, import and export licensing was largely abolished and a new tariff system was put in place.

**Tunisia**: In 1987, a number of decrees were amended under the "Plan de Redressement" liberalizing imports of 357 products for industry, agriculture, hotel and catering and hospitals. In 1988, tariffs were reduced and harmonized, with the maximum tariff falling from 236 to 41 per cent, and the minimum tariff rising from 5 to 15 per cent. Tunisia acceded to the GATT 19 August 1990 and upon signing its Protocol of Accession agreed to bind a portion of its tariff headings at levels between 17 and 52 per cent, and abolish import licenses or quantitative restrictions on many products.

**Turkey**: In the context of an ongoing program of deregulation in place since 1980, customs duties for 11,000 articles were reduced in 1989, in addition to already significant tariff cuts undertaken previously (a ceiling of 50 per cent was set on all customs duties as of 1 January 1988). Since 1986, the number of articles on a list for which import authorization is required dropped from 245 to 33 in 1988 and 17 in 1989. As of January 1990, the import licensing system was abolished.

**United Kingdom**: In 1988, the government announced that industry-to-industry voluntary export restraint arrangements between domestic and foreign producers are unjustified and encouraged industries concerned to bring them to an end. Almost all such arrangements have since been terminated, including those on colour television viewers from Japan, Singapore, the Republic of Korea and Taiwan.
Venezuela: As part of the major economic reform introduced in 1989, maximum tariff rates were reduced to 80 per cent, the tariff schedule simplified, and the gradual elimination of quantitative restrictions was begun. In the second phase of trade reform effective 1 May 1990, the maximum tariff was reduced to 50 per cent, and an additional group of quantitative restrictions eliminated. Acceded to the GATT 31 August 1990, and pledged to bind its entire tariff schedule at a ceiling rate of 50 per cent, to be reduced to 40 per cent after two years. It will adhere to the Tokyo Round Agreement on Customs Valuation. It also intends to continue removing import prohibitions, restrictive import licensing requirements and other quantitative measures with the goal of their complete removal by 1995.

Yugoslavia: In 1989, a large number of items were removed from a system of quotas fixed by quantity and value, a substantial number of items that had been conditionally liberalized were liberalized, and "import accordance" was cancelled for a number of items. In December 1989, a substantial liberalization of the import licensing regime was introduced with the result that at the end of 1990, 87.5 per cent of the value of imports were "liberalized products" compared to 10 per cent in 1987.