Uruguay Round

Sutherland urges decisive contribution from EC and US to conclude the Round

The overall climate to conclude the negotiations rapidly has improved following the vote in the US Congress on the North American Free Trade Agreement (NAFTA), observed Chairman Peter Sutherland at a stock-taking meeting of the Trade Negotiations Committee on 19 November. Thus, "it is now particularly urgent that the major trading partners, especially the European Community and the United States, bring to the table a decisive contribution that will enable us to achieve the balanced package necessary to conclude the Round."

"Now is the time for political leaders to find the will to resolve the remaining issues in a manner that constructively takes account the known positions of all participants," said the Chairman. Negotiations in Geneva "has begun to crystallise the issues that remain to be solved and to identify clearly the political choices that must be made if we are to win the prize of a success." Mr. Sutherland then gave a detailed progress report on the negotiations.

Market access: targets may be exceeded

On market-access, Mr. Sutherland stressed that "with the necessary leadership from the major participants, we have the real prospect of not merely achieving, but even exceeding significantly, the overall trade liberalization objectives agreed for the Uruguay Round." He reported that there were now 83 market access offers, of which 75 were comprehensive (covering both agricultural and non-agricultural products) - "thus, participants accounting for virtually all international trade in goods now have schedules on the table."

The Chairman said "we have in sight the possibility that a large number of participants, both developed and developing, will offer to bind virtually all tariff lines across-the-board, thus enhancing the predictability of market access conditions." Furthermore, a large number of participants were expected to achieve an overall depth of tariff cut of:

- 36% for agricultural products
- 24% for developing countries as provided for by the Draft Final Act
- At least 33% for non-agricultural products

Continued on page 2
products; many participants had indicated their ability to considerably exceed this level, if they can obtain a satisfactory balance of results with their trading partners. 

- In the case of many developing participants, ceiling bindings were being offered at a maximum rate of 35-40% on non-agricultural products, although some ceiling bindings tend to be considerably higher in the case of agricultural products.

- The proposal by Quad participants (EC, US, Japan and Canada) to eliminate tariffs and non-tariff measures in the sectors of pharmaceuticals, construction equipment, medical equipment, steel, beer, furniture, farm equipment and spirits had been gradually consolidated, as a critical mass of participants had expressed willingness to join, in whole or in part. The flexibility recently opened to developing participants in terms of coverage, depth of cuts and the phasing out period had been helpful in this regard. A number of proposals to add other sectors remained outstanding. These included: paper, wood products, electronics, scientific equipment, ceramics, glass, toys, oilseeds and malt.

- Progress on the proposal by Quad participants for tariff harmonization on chemicals at low rates, including zero, had been positive. A number of other sectoral harmonization proposals remained outstanding, including in the areas of non-ferrous metals, fish products, textiles and clothing.

On non-tariff measures, the TNC Chairman said the revised offers were expected to reflect the following:

- Most participants had accepted the principle of comprehensive tariffication (converting non-tariff measures into tariffs). It was time for those few who continued to oppose this central element of the DFA to review their position.

- There continued to be difficulties in the negotiation between a number of participants in respect of the way the DFA provisions for current and minimum access opportunities had been supplied by major participants. There areas which seemed still to cause most difficulties for some participants related to cereals, meat, sugar and dairy products.

- In the areas of tropical products, there continued to be serious concerns on the part of developing participants, particularly with respect to bananas. The TNC Chairman urged a constructive dialogue on these concerns with a view to finding a solution.

Mr. Sutherland said that the resolution of most problems concerning non-tariff measures on non-agricultural products would seem to be contained in the trade rules package under the DFA. However, a number of product or sector specific non-tariff measures were under negotiation:

- Some tariff offers in the draft Schedules were still conditional upon the liberalization of restrictive government procurement practices;

- The proposal to eliminate tariffs on steel products remained subject to the conclusion of a Multilateral Steel Agreement;

- The willingness of certain major importers to offer deeper tariff cuts, including total elimination of duties in respect of products (wood, non-ferrous metals and fish products) continued to be linked to access to supplies or resources; and

- Efforts to find a resolution of market access related DFA issues in the area of textiles and clothing were still under way between participants concerned.

The outstanding issues

Mr. Sutherland said he was giving a detailed picture of the negotiations because he wanted to bring home to participants who thought they had done enough, especially among the major trading partners, that “more needs to be done.” Overall, he emphasized five outstanding issues:

- Agriculture: the resolution of the DFA related issues, including comprehensive tariffication, and the provision for current and minimum access opportunities, remained key to the achievement of a satisfactory global market access package. Resolution of remaining agricultural tropical products liberalization issues was also important.

- Textiles and clothing and other products under high tariffs were issues for which additional flexibility from Quad participants was required. The prospects of other exporting countries, particularly developing participants, for providing improved market access in textiles and clothing area had somewhat improved.

- The outstanding tariff elimination and/or harmonization proposals remained a key element of the unfinished agenda, although some recent offers seemed to have had begun to bridge gaps.

- Electronics: recent offers had been helpful, but flexibility to offer deeper cuts remained an important factor for many participants, particularly developing participants.

- Leather products and footwear had been the focus of recent concern by some participants.

Services

The TNC Chairman reported that constructive work had continued to take place on services. However, he was particularly concerned that “certain positions which have been taken recently on financial services may prove to be utterly counterproductive.” He called on the United States in particular “to find workable solutions.”

Some 85 countries, including all major participants in the services trade, had submitted initial offers on liberalization of trade in services. Mr. Sutherland reminded participants that final schedules must be submitted by 26 November.

Institutional questions

Mr. Sutherland reported that a major breakthrough was achieved on 15 November when the informal group chaired by Ambassador Julio Lacarte-Muro produced new revised texts of the Agreement establishing a Multilateral Trade Organization (MTO) and the Dispute Settlement Understanding. He commended the group for achieving consensus “on all but a very few outstanding issues which the Heads of Delegation have already begun to address.”

Negotiating process

The Chairman noted that a comprehensive process had been established in which Heads of Delegation can address all the remaining issues in the Round. He expected the TNC to meet informally at this level twice a week, and for the TNC to meet formally once a week. He also pointed to the process involving consultations by the Friends of the Chair to compile the drafting of texts and to ensure their consistency and coherence. (The Friends of the Chair are Mr. Germain Denis, the Chairman of Market Access Group; Ambassador David Hawes, the Chairman of the Group on Negotiations in Services; Ambassador Lacarte; and Mr. Michael Cartland.)

Mr. Sutherland stressed that “any delegation seeking substantive changes to the DFA carries the burden of seeking sufficient support for the proposed resolution of its difficulties or alternatively reviewing its position.” He warned that there was not much time left to do this “so those delegations that wish to embark upon this process should do so now and complete the process as soon as possible.”
In the bank
What has already been provisionally agreed in the Uruguay Round

The Uruguay Round is regarded as a global package in which nothing is finally agreed until everything is agreed. In fact, with less than one month to go, much has been settled on a provisional basis, subject to that final global decision being taken.

So, a big part of the package is already in the bank. What remains is important, politically sensitive, or both - but quite limited. Unfortunately, the few outstanding issues have the potential to put the entire bank at risk.

The Uruguay Round assets are very extensive and far-reaching. For the most part, they face participants at the negotiating table in Geneva in the form of the “Draft Final Act” (DFA). This 450-page document contains 28 legal agreements - the result of seven years of tough and painstaking bargaining. The DFA is widely recognized as providing the basis for a final settlement.

What specifically do we have in the bank right now?

Trade liberalization and rules for services

GATT at present applies to trade in goods but not to services. Services cover many activities from banking and insurance, through transport, tourism, consultancy, telecommunications, to construction, accountancy, films and TV and the provision of labour. World trade in services reached some $900 billion last year. However, this figure relates only to services - transport for instance - which actually cross borders. In fact, the General Agreement on Trade in Services (GATS) in the DFA covers service companies which establish themselves and operate in overseas markets - banking services, for instance. This kind of commercial activity is worth up to $3.000 billion a year.

Why create new rules for trade in services? First, experience with the GATT suggests that open trade rules and initial liberalization commitments should give a big boost to services trade. Second, there is fear that governments will resort to protectionism if multilateral rules are not in place.

The GATS contains three elements: the framework agreement, now largely complete, which lays down general rules and principles such as non-discrimination, national treatment and progressive liberalization of access to service markets; annexes containing disciplines relating to particular services (telecommunications and financial services, for instance) and to the movement of people; and the schedules of market access commitments resulting from the negotiating process which is now nearing completion.

Considerable progress has been made recently in finalising GATS. In mid-November 1993, an almost-final text and some 83 national offers of initial commitments on market access were on the negotiating table.

Protection of intellectual property rights

Why establish new rules in the GATT for the protection of intellectual property? The value of the goods and services that countries trade increasingly resides in their intellectual content - the technology, research and development and human creativity contained in them. This is what intellectual property rights protect.

Widely varying standards in the protection of patents, copyrights, trademarks and so on - as well as the effectiveness of their enforcement at the national level - have been a growing source of tension in international economic relations. Moreover, trade in counterfeit goods has reached an alarming scale.

The Draft Final Act contains the most extensive agreement on intellectual property ever negotiated, covering patents, copyright, the rights of performers and producers of sound recordings, trademarks, geographical indications including appellations of origin, industrial designs, layout designs of integrated circuits and trade secrets.

For these intellectual property rights, the agreement:

- establishes international standards of protection for the first time or standards that represent a significant advance on existing ones;
- sets out, for the first time in international law, the procedures and remedies that governments must provide under their domestic law so that rights can be effectively enforced;
- makes applicable, again for the first time, an effective mechanism for the settlement of disputes between countries.

Bringing textiles and clothing back to the GATT

Since 1974, most industrialized countries have restricted imports of textiles and clothing through bilateral quotas negotiated under the Multifibre Arrangement (MFA). Quotas would normally be illegal under GATT rules, but the MFA was a “temporary derogation” from those rules. In addition, many developed and developing countries have maintained high tariffs on imports in this sector.

Quotas and high tariffs have not only failed to protect jobs, but have also inflated the price of clothing - one of the basic necessities for all consumers throughout the world.

The DFA agreement would dismantle the quotas progressively over a ten-year period and reduce tariffs. Trade in textiles and clothing would gradually become more transparent and predictable, and be based on fairer competition - in short, this sector would be reintegrated into the mainstream GATT rules and disciplines.

The agreement would boost the economies of developing countries and put them in a position to buy more from developed countries trade in textiles and clothing back to the GATT
countries. It should be remembered that some of these countries are already the fastest-growing markets for the industrial nations. At the same time, the developing countries are expected to bring down their own trade barriers to textiles and clothing imports, thus creating new opportunities for manufacturers elsewhere.

**Putting trade rules in order**

In essence, the GATT is a rule-based system bringing transparency, predictability and security to trade policies and trading conditions. As of now, it is much the same as it was when drafted in the mid-1940s. The Uruguay Round is a major attempt to bring the rules up to date and to ensure they work effectively. If what is currently on the table is not lost then the future credibility of the system will be deeply threatened and its ability to cope with the tensions and obstructions inherent in trading relations will be seriously lacking. The threat from unreconcilable disputes will be intense.

Each individual area of the rule-making part of the package may seem obscure and complex. Yet every one of them can affect the conditions under which businesses operate, in their own market or overseas. And every one has a constituency in the Uruguay Round.

The Draft Final Act contains agreements on anti-dumping practices, subsidies and countervailing measures, safeguards, rules of origin, preshipment inspection, customs valuation, import licensing, technical barriers to trade, trade-related investment measures and on several Articles of the existing GATT.

**Reform of trade in agriculture**

Agricultural protectionism is rampant in many countries. For many years, the European Community and the United States have been massively subsidizing exports of agricultural products, in particular cereals. At the same time, they have built barriers to food imports - thus hitting consumers twice over with high prices due to protection and high taxes due to subsidies. Other countries ban imports of some products altogether. Competitive farming nations have often been simply squeezed out of overseas markets by this mixture of trade barriers and subsidies.

The DFA agreement to reform trade in agriculture seeks to bring sense to this economically and politically important sector. The aim is to inject some fair competition in farm trade and discourage government support that distorts trade. How will this bring sense to this economically and politically important sector.

This overall target should be surpassed. While bilateral bargaining on market-access is not yet over, what is already on the table gives us a glimpse of the substantial results on the horizon.

At the G7 Summit in Tokyo last July, the US, EC, Japan and Canada (the Quad), which together account for about 65 per cent of global exports and 63 per cent of global imports, agreed to reduce tariffs to zero in several product areas, to pare down tariff peaks, and to cut by at least one-third average tariffs on other industrial products. This Tokyo accord is the platform for a comprehensive market access package.

In addition, since the beginning of the Round in 1986, more than 70 countries, most of them developing economies, have taken autonomous trade liberalization measures - in particular to reduce tariffs and to reduce or eliminate non-tariff barriers. They have also offered to bind (freeze) their tariffs at rates which compare very favourably with previous levels.

**Market access: lower prices and more efficient industries**

Tariff liberalization lowers prices for consumers, and promotes the dynamic growth of competitive industries and thus the creation of higher paying jobs. For exporters it means new market opportunities. The GATT has already secured overall reductions in tariffs on manufactures since the late 1940s from about 40 per cent to around 5 per cent.

The overall objective for the Round is a one-third average reduction in tariffs as well as the removal of many non-tariff barriers. This overall target should be surpassed. While bilateral bargaining on market-access is not yet over, what is already on the table gives us a glimpse of the substantial results on the horizon.

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**Strengthening and expanding GATT**

Two early results of the Uruguay Round are already helping GATT in its two major functions: settling trade disputes and surveillance of trade policies and measures.

At the 1988 Ministerial Meeting, governments agreed to implement an interim package of reforms to the GATT dispute-settlement mechanism. It established a stricter timetable and clear-cut procedures to accelerate panel proceedings, particularly in relation to getting panels up and running. The GATT panel process now moves faster than other comparable dispute settlement procedures, both within and between nations. The reforms and improvements in the Draft Final Act would confirm the gains already achieved and would, through the provision of more automatic procedures, minimize the possibility of delays in the adoption and implementation of panel reports.

Another early result which is already proving its value is the Trade Policy Review Mechanism (TPRM). Its role is to examine, on a regular basis, the trade policies of individual GATT members and assess their impact on the multilateral trading system. The mechanism has encouraged governments to live up to their GATT obligations. National laws, policies and practices regarding trade have also become more transparent. Forty reviews have been completed so far by the GATT Council.

GATT was originally envisaged as part of the International Trade Organisation - the third pillar in the Bretton Woods institutions together with the World Bank and the IMF. The ITO was never ratified, and GATT has been applied provisionally since. Although its precise nature has not yet been settled, a successful Round would result in a properly-established and permanent world trade body covering not only trade in goods but also services and intellectual property rights, along with an integrated disputes settlement procedure. Thus, we will finally see a fully-fledged trade organisation along the lines that the GATT founding fathers envisaged to avoid a repetition of trade warfare, economic depression and poverty in the 1920s and 1930s.
The world’s youngest states are making GATT membership a policy priority in their efforts at economic reform. The Council, on 27 October, established working parties to examine, respectively, the membership applications of Belarus and Croatia. It also granted observer status to the Former Yugoslav Republic of Macedonia.

Ambassador Anatoly A. Mardovitch of Belarus said his country’s application logically followed its choice of moving towards a market economy. He reported that in June this year, his government with the assistance of the GATT Secretariat had organized a seminar on GATT issues for officials from government, business and the academia, which had highlighted the usefulness of Belarus joining the GATT. While conceding that Belarus still had a considerable way to go before fulfilling all conditions of GATT membership, he stressed that it had been steadily liberalizing its trade regime, including switching from state monopoly to a liberalized trading system, and reforming its import licensing procedures and other trade measures.

Ambassador Miomir Zuzul of Croatia said that GATT membership would complete his country’s programme of integration into the world economy. He said that Croatia continued to pursue to the best of its ability the development of a market-oriented economy and the application of GATT principles in trade legislation. He sought the understanding of the contracting parties regarding what he described as serious economic problems Croatia faced due to the war and the influx of some 500,000 refugees. Ambassador Zuzul stressed his country’s decision to respect all international obligations of the former Yugoslavia, and in this regard, suggested that the procedures being applied with respect to another successor state, Slovenia, could serve as a useful model for Croatia’s accession process. He underlined his country’s need for technical assistance like the training seminars organized recently by the Secretariat.

The Former Yugoslav Republic of Macedonia’s Undersecretary of the Ministry of Foreign Relations, Mr. Dimitar Belcev, said that as a land-locked country of 2.1 million people, his country could achieve sustainable development only with coexistence and economic cooperation with its neighbours and other countries. He said his country’s economic policy was aimed at creating an open market economy. Mr. Belcev hoped that GATT observership would be followed by full membership in the near future.

**Dispute consultations on the rise**

Director-General Peter Sutherland submitted his regular report on the status of work in dispute-settlement panels and implementation of panel reports in the preceding 12-month period. In his introduction, read by Deputy Director-General Anwarul Hoda (Mr. Sutherland was in India on official visit), the Director-General noted the following:

- **Requests for consultations** - the first stage in the dispute-settlement process - had greatly increased. They had jumped from 11 to 26 according to the current report. This increase was shared by each of the three agreements giving rise to these requests - the General Agreement, the Anti-Dumping Agreement and the Subsidies Agreement.

- The number of new panels established had remained stable at eight, with half of those panels established under the General Agreement.

- The number of panel reports adopted had fallen significantly to one from six in the previous period. There were now twelve outstanding requests for the adoption of panel reports.

- There were 12 disputes in which implementation of adopted panel reports had been raised during the current period as compared to 11 in the previous period. In five of these cases, implementation had been conditioned on the conclusion of the Uruguay Round.

The Director-General expressed his concern over the number of disputes in which implementation problems had been raised, and underlined that “contracting parties can only be expected to negotiate in full confidence the acceptance of new obligations if their negotiating partners observe fully their existing obligations.”

**US legislation on tobacco**

Brazil, also on behalf of Argentina, Canada, Chile, Colombia, El Salvador, Guatemala, Thailand, Venezuela and Zimbabwe, reported they had held Article XXIII:1 consultations with the United States regarding a recent US legislation that imposed a 75 per cent domestic content requirement on tobacco used in the manufacture of cigarettes in the United States (see previous Focus). It reiterated that the US legislation was not consistent with GATT provisions, notably Article III.5, and had adversely affected exporters of burley and flue-cured tobacco by restricting to 25 per cent the use of imported tobacco in the manufacture of US cigarettes. Brazil said the tobacco-exporting countries expected that the consultations would constitute an opportunity for the United States to bring the measure into conformity with its GATT obligations.

The European Community, which considered the US legislation a major setback to its export interests as its tobacco shipments to the United States had been rising in recent years, reported that it had also held consultations with the United States on this matter.

The United States confirmed that it had held consultations with eleven countries in October, during which it had provided copies of the legislation. It said these consultations would continue.

**Philippine restrictions on agricultural products**

The United States reported that it had been consulting with the Philippines on the latter’s “Act Providing a Magna Carta for Small Farmers,” which was implemented in February 1993. It complained that the legislation specifically prohibited imports of agricultural products produced locally “in sufficient quantity,” including corn and other feed grains, poultry and poultry products and pork and pork products. The United States said these restrictions were having a negative impact on US producers, and expressed concern that they might be extended to imports of processed potato and beef as well. It stressed that in view of the Philippines’ commitments to trade liberalization, the new measure represented a step backward.

The Philippines explained that the “Magna Carta” was a comprehensive piece of legislation designed to alleviate the plight of its small farmers. It said that the part of the legislation concerning trade measures was not a step backward but represented only “a pause” in its structural reform programme. The Philippines said that recent trade developments had led it to conclude that it could not continue to
pursue blindly trade liberalization at the expense of the interests of its farmers. It urged the successful conclusion of the Uruguay Round by 15 December, and expressed the hope that the US concerns would have been fully addressed by then.

The EC expressed surprise at the Philippines’ measures. Sharing the US concerns, it described the measures as inconsistent with the GATT and with the Uruguay Round’s “standstill” commitment against new trade restrictions.

**Banana panel report**

Costa Rica, also on behalf of Colombia, Guatemala, Nicaragua and Venezuela, said that several months had passed since the panel report on the import regimes of certain EC member states on bananas was submitted to the Council. It said that in the meantime, their economies had suffered the severe economic consequences of the non-adoptions of the report. Costa Rica stressed the need to reaffirm the credibility of the GATT through the immediate adoption of the report.

The EC said its position on the matter had not changed. Jamaica said the ACP contracting parties had made clear in previous meetings that they could not accept the conclusions and recommendations of the panel. It said that their position had not changed and would not likely change in the future. Jamaica suggested that the time of the Council would be better served if this item was deleted from its agenda.

The United States said the panel report was a clear and well-reasoned effort that represented a valuable contribution to the determination of GATT to play its full part in ensuring that policies in the fields of trade, the environment and sustainable development were compatible and mutually reinforcing.

**Tunisia requests waiver**

Tunisia said it was undertaking a vast economic reform programme with the cooperation of international financial institutions. This programme was reaching a decisive stage during which non-tariff measures would be dismantled, and much of local industry subjected to foreign competition. The objective was to make tariffs the main form of protection in keeping with the principles of the GATT.

In this regard, Tunisia said that it would need to raise temporarily customs duties on a limited number of products (e.g., agricultural machinery, auto parts and motorcycles), and thus had put forward a request for a waiver from its Article II (Schedules of Concessions) obligations. It emphasized that the increases in duties would be phased out within three years.

Morocco, Egypt, the ASEAN countries and Turkey supported Tunisia’s request. On the other hand, the United States questioned the need to break GATT tariff bindings in order to implement economic reforms. It said that the Council might have to come back in the future to the role of international financial institutions in this regard. The United States, as well as Canada, Australia, the EC, Switzerland and the Nordic countries, said they would prefer holding rapid consultations with Tunisia and for the Council to consider the waiver request at its next meeting.

**Other Business**

The following were raised after the regular agenda of the Council:

- Argentina reported it had been holding consultations with the European Community regarding the EC’s application of reference prices and countervailing charges on Argentinean lemons. It also expressed concern over a proposal in Brussels that could lead to the granting of subsidies to processors of certain citrus products.

- Canada said it was consulting with the EC on national regulations that had affected the sale of Canadian bovine semen in Italy. It expressed concern that Italy had acted inconsistently with the GATT by imposing requirements on the Canadian product more stringent than those applied to the domestic product. The United States shared the Canadian concern. The EC said this sector was being harmonized at the Community-wide level, and that a decision in the next few months would solve the Canadian and US problem.

- The Chairman, Ambassador András Szepesi, said that in view of the priority of the Uruguay Round, the Council review of the GATT follow-up to the UNCED would be held after the conclusion of the Round. He underlined the determination of GATT to play its full part in ensuring that policies in the fields of trade, the environment and sustainable development were compatible and mutually reinforcing.

**GATT trade policy courses**

The continuing trend among developing countries towards liberalization of economic and trade policies and greater participation in the multilateral trading system, and the increased awareness of trade policy questions engendered by the Uruguay Round negotiations, have further strengthened interest in the GATT trade policy courses,” the Director-General noted in his annual report on the GATT training programme, as introduced by Deputy Director-General Anwarul Hoda.

The Director-General reported that the GATT Secretariat had organized three trade policy courses during the year. Two of them were regular 14-week courses conducted in English and in French. The third was a nine-week special course for officials from Eastern and Central European and Central Asian countries. He noted that since the inception of the programme in 1955, some 1,341 trade officials from 123 countries and ten regional organizations have benefited from participation in the regular courses.

The main objective of the GATT courses is to provide developing-country officials with a clear understanding of trade policy matters, the GATT and of trade negotiations. The Director-General stressed that the Secretariat was fully conscious of the importance of responding to the needs of developing countries.

A new aspect of the GATT training activities is the special course designed for trade officials of countries in transition to market economies. In this regard, Mr. Sutherland thanked the Swiss Government for financing the special courses, which had been held annually since 1991, and for funding the workshop on negotiating techniques in the regular courses. He noted that this year, the special course also included, for the first time, participants from most of the newly-independent countries in Eastern Europe, the Caucasus region, and Central Asia, namely, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Slovenia and Uzbekistan.

He also thanked Belgium, France, the EC Commission, Finland, Norway and Sweden for hosting the study tours of participants this year, and the Permanent Missions and international organizations in Geneva for their continued cooperation.
Trade measures

Measures affecting imports

Members recognized that tariffs had been reduced substantially since July 1991. However, the average and maximum rates remained high. Details were sought of the Government’s plans to reduce tariffs and improve transparency of the system through removal of concessional arrangements. Lower and more uniform rates, together with a greater number of bindings, would enhance stability and predictability of the tariff system; in this respect, some members questioned the degree of dispersion and escalation arising from the Government’s tariff reduction plans. It was suggested that the proposed establishment of an independent Tariff Commission, with a broad remit over tariff and non-tariff measures, could make a useful contribution to trade policy formulation.

Members noted that import licensing had been considerably reduced in scope. At the same time, discretionary, and often prohibitive licensing, remained on imports of consumer goods, broadly defined. Some members questioned the balance-of-payments rationale for licensing and the continuation of restrictive “actual user” requirements. Members sought additional details on criteria for the issuance of licences and plans for further liberalization of the regime.

In response, the representative of India emphasized that the objective of the tariff reform, initiated in 1991, was to reduce the average rate to around 25 per cent, with a maximum of 50 per cent, by 1996-97. A uniform tariff, though the ideal, was not considered feasible at present, both for revenue considerations and because value addition was an important aspect of industrial policy. It was expected that import licensing on consumer goods would also be removed by that date, or earlier if balance-of-payments conditions allowed. The actual user requirement had been eliminated in some areas and would be further reduced.

Measures affecting exports

Some members commented on the complexity, discretionary nature and lack of transparency in India’s export incentive structure. In their view, export controls, some of which were implemented on social, religious, environmental or security grounds, could work against the Government’s goal of promoting export-led growth.

The representative of India stated that the scope and nature of the export incentive system had been misunderstood. The only direct incentives remaining were tax concessions on export earnings and rebates of internal taxes. India’s policy was to phase out export controls except those necessary for conservation or other noneconomic reasons.

Sectoral policies

A number of participants noted with concern the persistence of self-sufficiency as a policy aim in a number of sectors. Comments were made concerning local content provisions, including mixing requirements for newsprint. Participants sought additional information on the incidence and scope of sectoral policies, including criteria for industrial licensing, assistance to infant industries and policies implemented at the State level. In agriculture, where food security remained a major policy objective, some members expressed the view that tariff and non-tariff reforms would assist in encouraging greater efficiency.

In response, the Indian representative said that self-sufficiency was a goal only in agriculture, and was limited for food security reasons to foodgrains, edible oils and pulses. In other sectors, the objective was to create internationally competitive industries, in part through delicensing and import liberalization.

Macroeconomic issues

Participants strongly commended India for the bold change in its economic policy direction since July 1991. Trade reforms had been supported by macroeconomic stabilization and structural adjustment measures, and were taken despite an unfavorable international economic environment and domestic political sensitivities.

Council members encouraged the Indian authorities to continue the reform process. They welcomed the assurance that the new policy direction, which reflected a national consensus in favour of market-orientation, was irreversible.

In reply, the representative of India stated that the Government was committed to maintaining fiscal discipline.

TPRM

Council reviews India’s trade regime

The GATT Council conducted its first review of India under the trade policy review mechanism (TPRM) on 19-20 October 1993. The TPRM enables the Council to conduct a collective review of the full range of trade policies and practices of each GATT member at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

At the conclusion of the Council’s review, the Chairman, Ambassador András Szepesi, said: “As a personal conclusion to this review, I would say that the Council has warmly welcomed the fundamental policy changes in India since 1991. Strong encouragement has been expressed for the determined continuation of these reforms. It is recognized that a more favourable external environment for India’s trade will provide essential support for the reforms, and that, in this regard, the successful completion of the Uruguay Round will make a significant and lasting contribution.”

The following are excerpts from the Chairman’s summing-up:

India in the international trading system

Participants recognized India’s active participation in, and commitment to, the Uruguay Round. As a founding member of GATT, India had a long tradition of support for the multilateral trading system. A favourable conclusion to the Uruguay Round, especially in areas of particular interest to India such as textiles, would assist India in furthering its autonomous trade reforms.

Members, while recognizing India’s attachment to multilateralism in trade, sought information on India’s participation in the South Asian Preferential Trading Arrangement (SAPTA). The hope was expressed that the arrangement would operate in an outward-looking manner.

In response, the Indian representative said SAPTA had been instigated in response to movements elsewhere towards greater regionalism in world trade. India remained committed to the strengthening of the multilateral trading system. He emphasized that steps by its trading partners to improve conditions for India’s exports were a vital element of support for the Indian reform process.
APEC, Visegrad Group, Latin American Council urge rapid conclusion of the Round

On the eve of the Summit Meeting of the Asia-Pacific Economic Cooperation Forum (APEC) in Seattle, 19-20 November, the APEC Ministers issued a Declaration calling for “urgent action to complete successfully the Uruguay Round by 15 December because of its vital contribution to global growth and prosperity.” They stressed that “concrete steps are required to assure a substantial result in market access in industrial and agricultural goods, and in services, and a strengthened system of rules and disciplines resulting from a completed draft Final Act.”

The Pacific Rim nations, which represent nearly 40 per cent of the world’s population and 40 per cent of world trade, said they were “collectively determined to assure that the Round succeeds by helping to forge the necessary consensus in Geneva.” In this regard, they presented specific improvements to their market-access offers in the negotiations, and challenged other participants to do the same.

Trade Ministers of the Visegrad Group (Czech Republic, Hungary, Poland and Slovak Republic), on 12 November in Budapest, expressed their full support to the efforts of the GATT Director-General, Mr. Peter Sutherland, in helping ensure the successful conclusion of the Uruguay Round by 15 December 1993.

In a Joint Communiqué, the Ministers pointed out that the Round coincided with the “deep changes and structural reforms undertaken in their countries” that had resulted in opening up of markets, which should be considered as an important contribution to the negotiations. But while the economic transformation of their countries had already produced impressive results, it had also put a heavy burden on their economies.

They stressed that their country’s economic reform programmes “must be assisted by a more favourable and more supportive external environment to which the Round is expected to make a substantial contribution, inter alia, by improving conditions and opportunities for access to some of their important markets, by halting competitive subsidization in trade of agricultural products and by providing more fair and predictable rules for their participation in international trade.”

The XIX Latin American Council meeting in Caracas on 25-29 October reaffirmed the full support of the region for the achievement of the objectives of the Uruguay Round. The Latin American and Caribbean countries expressed concern that instead of substantive progress, attempts were being made to weaken the implementation of the Punta del Este Declaration and the commitments and disciplines in the Draft Final Act.

The Council called on “the entire international community, and especially the highest political authorities in the industrialized countries, to proceed to the multilateral conclusion of the Uruguay Round” in manner that wholly fulfils the commitments in the Punta del Este Declaration and on the basis of the Draft Final Act.

NOTE:
A limited number of sweatshirts and t-shirts bearing the front cover’s illustration are available from the GATT Publications Office, SwF 40 and 25, respectively.