Africa to gain more trade and investments from Round

New and broader export opportunities and more foreign investments are major benefits Africa can expect from the Uruguay Round. The lowering of import barriers in the major markets should stimulate the expansion and diversification of Africa’s exports. At the same time, the signing by African countries of the Final Act in Marrakesh will send a signal to the international business community that they are serious about economic reform - helping attract new investments to the continent.

This was the message by GATT Deputy Director-General Jesús Seade to the Conference of African Ministers of Finance held in Libreville, Gabon on 1-2 March. Excerpts from Mr. Seade’s speech:

We are today at the beginning of the transition from the GATT to the World Trade Organization. This process involves all countries, both the developing and the developed ones. In particular it certainly involves your countries, because a truly global, strong and balanced trading system can only emerge with your full and active engagement and support.

Let me begin by stressing three key points that we must keep in front of us. The first and foremost result of the Uruguay Round is the substantial strengthening of the multilateral trade rules, including the system for settling trade disputes. All trading nations benefit from the order and predictability that come from trade relations based on rules, rather than the rule of economic weight alone. Small and medium-sized nations need the security and protection of clear, fair and effective rules, much more so than the

Harvesting tea: The Uruguay Round will help stimulate the diversification of Africa’s exports into manufactures, which can carry the continent to higher plateaus of dynamism and development. (ILO Photo)

Continued on page 4

Table 1: Reduction of tariff escalation on selected products in developed country markets

<table>
<thead>
<tr>
<th>Product</th>
<th>Tariffs</th>
<th>% Change in tariff escalation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-UR</td>
<td>Post-UR</td>
</tr>
<tr>
<td>Hides, skins and leather</td>
<td>Raw</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>Semi-manufactures</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>Finished products</td>
<td>8.7</td>
</tr>
<tr>
<td>Wood</td>
<td>Wood in the rough</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Wood based panels</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>Semi-manufactures</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Wood articles</td>
<td>4.3</td>
</tr>
<tr>
<td>Copper</td>
<td>Unwrought</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Semi-manufactures</td>
<td>4.3</td>
</tr>
<tr>
<td>Nickel</td>
<td>Unwrought</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Semi-manufactures</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Table 1 continues on page 8.
At its first regular meeting of the year on 22-23 February, the Council made decisions that should enable Honduras to become a GATT member in time for the Uruguay Round Ministerial Meeting in Marrakesh in April. It established a working party to examine Lithuania’s membership application. The Council also heard new trade concerns, including a United States complaint against EC restrictions on fish imports, and Brazil’s criticism of an impending US government-supported sale of soyabean oil to China.

Report on Honduras

The Council considered the report of the Working Party on the Accession of Honduras, which had concluded that the country be invited to accede to the GATT, and a draft Protocol of Accession. In the Working Party, Honduras had pledged to align its trade measures with GATT provisions, including those related to import surcharges, customs formalities, antidumping and countervailing actions, technical standards, and sanitary and phytosanitary measures.

Describing the conclusion of the accession process as a historic moment, Honduras said that GATT membership would provide momentum to its economic and trade liberalization programme launched four years ago. It said that it would accelerate the ratification process so that it could take part in the signing of the Final Act of the Uruguay Round in Marrakesh as a contracting party.

The Council adopted the report of the Working Party, approved the text of the draft Protocol of Accession of Honduras, and submitted a draft decision on Honduras’ membership to a postal ballot by the contracting parties. Many Latin American countries and other GATT members welcomed the imminent accession to the GATT of Honduras.

Lithuania applies

Ambassador N. Prielaida of Lithuania presented his country’s request for accession to the General Agreement. He said that Lithuania’s major goals since independence included the establishment of a market economy and a liberal foreign trade regime. In 1993, the country had introduced a new import-export system that eliminated quantitative restrictions and import licensing requirements. Ambassador Prielaida said Lithuania’s accession to the GATT would accelerate the country’s integration into the world economy, thus reinforcing its economic stability and national security.

The Council established a Working Party to examine Lithuania’s application.

Argentina joins tobacco panel

Argentina said that like the eight complainants in a current panel (established at the 49th Session of the Contracting Parties, see Focus No. 105), it too would be affected by US legislation requiring the use of at least 75 per cent of locally-produced tobacco in the manufacturing of cigarettes. It said 40 per cent of its total tobacco exports, worth more than US$40 million annually, went to the United States. Argentina contended that the measure violated a number of GATT provisions, including the binding of US tariffs on imports of raw tobacco. It requested the establishment of a panel to examine the measure as consultations with the United States had been unsuccessful.

The United States did not oppose the request. However, it expressed concern that certain GATT members had indicated their interest in making third-party submissions to the tobacco panel well after the decision to establish the panel had been taken. The United States urged that members intending to participate as third-parties should announce their intention at the time the panel is established. It said this procedure would prevent problems relating to the composition of the panel and the scheduling of its meetings.

The Council agreed that Argentina’s complaint be examined by the panel previously established at the request of Brazil, Canada, Chile, Colombia, El Salvador, Guatemala, Thailand and Zimbabwe concerning the US tobacco legislation.
Banana panel report

The Council again considered the panel report on the EC Member States’ import regimes for bananas. The report was presented to the Council in June 1993 (see Focus No. 100) and had been discussed at subsequent Council meetings.

Among the delegations that spoke, Mexico stressed the need for maintaining the dialogue between the complainants (Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela) and urged the European Community to find a satisfactory solution to the problem.

The Chairman noted that the positions of delegations - including the support for adoption of the report by many Latin-American countries on the one hand and objections from the ACP (Africa, Caribbean and Pacific) countries on the other - on this matter had apparently not changed.

He suggested, and the Council agreed, to revert to the report at a future meeting.

US Caribbean Initiative

The United States presented its regular report on its Caribbean Basin Initiative (CBI), under which it had eliminated tariffs on all products, with certain exceptions, to 24 countries in the Caribbean region. The contracting parties had granted a waiver to the United States for this arrangement in 1985.

The United States said that the CBI, which had become a permanent programme, had continued to assist the economies of the region, particularly in encouraging the growth of non-traditional exports. It added that the arrangement met the conditions of the GATT waiver.

Jamaica commended the United States for recently expanding the trade benefits of the CBI programme.

International Trade Centre

Ambassador J.F. Boddens-Hosang of the Netherlands, Chairman of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT, reported on the Group’s 26th Session held on 8-11 November 1993. The International Trade Centre (ITC) is the focal point for technical cooperation related to trade promotion efforts of developing countries. Established by GATT in 1964, the ITC is a joint subsidiary organ of the GATT and the United Nations, the latter acting through UNCTAD.

Ambassador Boddens-Hosang said that a major problem raised during the meeting was that half the management level positions in the ITC, including that of the Executive Director, had been lying vacant for a considerable period of time. He said the Group expressed its appreciation to the ITC staff for the excellent work carried out under very difficult circumstances. The Group called on ITC’s parent bodies to urgently arrive at a solution to the problem of vacant management positions.

The Council adopted the report of Joint Advisory Group.

The GATT Director-General, Mr. Peter Sutherland, reported on his efforts to resolve ITC’s management problem (see previous Focus). He said that GATT Deputy Director-General Warren A. Lavorel and UNCTAD Secretary-General Kenneth Dadzie had started consultations on who among the 11 candidates should be appointed as ITC Executive Director.

Mr. Sutherland expressed the hope that the procedure would lead to the early appointment of the ITC Executive Director. He added: “With a full top management team hopefully in place shortly, the ITC will soon be able not only to resume the full range of its activities, but to face the challenges and opportunities in the field of international trade to be opened up by the new agreements concluded under the Uruguay Round.”

“Other business”

The following points, including a number of trade disputes, were raised after the conclusion of the Council’s regular agenda:

- Australia complained that Canada was imposing restrictions on imports of boneless beef this year that were more restrictive than those of 1993. It argued that the good prices being enjoyed by Canadian producers did not justify the measure taken under GATT Article XIX (safeguards). Australia said it would continue to press for the removal of the measure in its consultations with Canada. Argentina, New Zealand and the European Community shared Australia’s concerns. Canada replied that the measure was based on a finding by the Canadian International Trade Tribunal that imports of boneless beef were causing serious injury to local producers.

- Australia said it remained concerned over Japan’s non-implementation of a panel report on imports of starch and described as inadequate Japan’s offer in the Uruguay Round on this product. Japan replied that despite political difficulties, it had decided to tariffy in the Uruguay Round measures on dairy products and starch. It said this action had implemented the recommendations of the panel.

- The United States complained against recent restrictions imposed by France on its whitefish exports. It said that excessive and burdensome inspection requirements by the French authorities on US whitefish appeared to be an attempt to limit imports. Furthermore, it said the EC had communicated a temporary measure to restrict imports of fish that were below the reference prices. New Zealand, Canada and Peru supported the US statement. The EC said it had taken action in response to the injury being caused to EC fishermen by imported fish sold below the reference prices. It stressed that the measure was a temporary one, which would end in mid-March 1994.

- Brazil expressed concern over reports that the United States would soon ship some 25,000 tons of soyabean oil to China under its Export Enhancement Programme (EEP). It said that the EEP’s objective of countering EC subsidies was not relevant in this case because Brazil and Argentina were the major soyabean oil suppliers to China, and not the Community. Brazil said the EEP operation ran counter to the objectives of the Uruguay Round agriculture agreement. The United States replied that the EEP respected market shares of traditional non-subsidizing countries as reflected in the amount of EEP supported shipment to China, which was only a very small proportion of that country’s annual 1.6 million-ton imports of vegetable oil.

- Egypt announced it recently had lifted economic and trade sanctions against South Africa, and that it was no longer invoking the non-application clause of GATT - Article XXXV - against that country. South Africa said the opening of the trade route from Cape Town to Cairo would not only benefit the two countries but also others situated near that route. It said Egypt’s announcement symbolized the normalization of South Africa’s trade relations with the rest of the world, and hoped that the three remaining GATT members that still maintained sanctions would follow suit.
Africa's gains  
Continued from page 1

large countries. The second point, often forgotten, is that the conclusion of the Uruguay Round will give a badly needed boost to business confidence and help get the industrial countries - who receive 80% of Africa's merchandise exports - back on to a healthy growth path. The third point is that the Round results must be viewed by each participant as a package: no one can claim to have won all the battles.

Critics have charged that there are two principal sources of economic loss for many individual African countries in the final package. The first concerns the impact of reforms of agricultural support policies in OECD countries on international food prices, and thus on the food import bill of countries that are net importers of temperate food products. And the second concerns the so-called erosion of preferential market access opportunities.

Food imports: a fuller assessment

Regarding the first issue, food import bills, forecasts point to increases in the range of 5% in the world prices of certain food products as a result of reform agreed to in the Round. If these forecasts turn out to be correct, net food-importing countries will pay higher prices for imported food. For this reason, a special Uruguay Round Decision sets out objectives with regard to the provision of food aid, the provision of basic foodstuffs in fully grant form and aid for agricultural development.

In connection to this general issue, it is also important to stress that there will be no "food price shock" similar to the "oil price shocks" of the 1970s, because the reforms will be phased in gradually over six years. Price increases, to the extent that they occur, will come gradually, giving consumers and farmers in the importing countries time to adjust. At the same time, food prices on world markets can be expected to be more stable as a result of the commitment made by major countries to bind policies affecting agricultural products. This is a major benefit to producers and consumers in developing countries, who have experienced wide and sudden variations in the food prices they face as a result of these policies.

In addition, it must be stressed that the response of African farmers, and particularly the farmers in the food-importing countries, will be an especially important part of the overall effects and implications of the adjustment process. By stimulating over-production and subsidized exports, current agricultural policies in the industrial countries harm farmers throughout the developing world, in the food-importing countries no less than in the food exporters. If and to the extent that world prices do rise, domestic food production will increase in your countries, reducing the demand for imported food.

Diversification of trade

Turning from agriculture to merchandise trade in general, a second point emphasized by critics is the reduction in margins of preference currently enjoyed by developing country exports to industrial countries. I fully understand this preoccupation. But a number of remarks need to be made in this regard, in order to put the scale and the full (direct and indirect) implications of this issue in their proper perspective. The regular GSP schemes are so circumscribed in most granting countries - subject to quota limitations, exclusion of products and conditions for countries to participate - that the increased certainty provided by reductions in bound MFN duties often more than compensates for the reduced margins of preference. ACP preferences are less circumscribed than most GSP schemes. But even then, compensating factors still exist. First, of having improved export opportunities across all products, because product coverage in the Uruguay Round has been rather universal, and this in itself is an element that can be important to many of your countries. And secondly, of having a greater and more secure access to markets other than Europe: as trade barriers come down around the world, African countries should see the geographic destinations of their exports become more diversified, thereby reducing their vulnerability to business-cycle fluctuations in Europe.

Yes, I am aware of the predictions reached in attempts to quantify the overall impact on African countries of anticipated reforms in agricultural policies and overall tariff reductions. The usefulness of these impact assessments is often seriously limited by their failure to account for the elimination of quota restrictions, particularly those imposed on exports of textiles and clothing under the Multifibre Arrangement.

A serious limitation of the available estimates is their general failure to allow for the future diversification of Africa's production base and foreign trade: diversification into more processing and into appropriate manufactures. Africa’s exports remain heavily dependent on primary commodities. Markets for these have been rather depressed since the early 1980s, with many prices at historic lows in real terms. Furthermore, the outlook for most primary commodities points to no substantial reversal of these trends in the foreseeable future.

One must wonder whether the very preferential tariffs granted to certain commodities and other products, which surely have been beneficial to your exports in a narrow sense, have not been a major contributing factor in your continent's over-concentration on those commodities, which manifestly have little potential to carry your economies onto higher plateaus of dynamism and development.

Whilst you may lose some relative margin of preference on unprocessed tropical or natural resource based commodities, processed forms of these products, as well as manufactures based on them, have benefited from broad and rather deep liberalization measures and tariff cuts in your export markets. In particular, tariff escalation on those two groups of products will fall by an average of around 60% and 30% respectively as a result of the Round. In addition, your potential to develop more vigorous and broader export sectors will also be enhanced from the strengthening of the rules, that will help guarantee that foreign markets stay really open.

Inspiring investors' confidence

Domestic financial constraints have often been a major element preventing the development of the export sector, especially in the least developed countries. Foreign direct investment is increasingly and rightly seen as being of particular assistance in this respect, both for the resource it represents and also because it brings in the technology and experience to successfully compete in world markets.

Continued on page 8
Council reviews trade policies of Australia, Peru and Iceland

Under the Trade Policy Review Mechanism (TPRM), the Council conducted its second review of Australia - the first GATT member reviewed under the TPRM - on 3-4 February. It held its first reviews of Peru and Iceland on 7-8 February and 9-10 February, respectively. The following are excerpts from the Council Chairman’s summaries of the discussions in the Council:

AUSTRALIA

Since its initial Trade Policy Review in December 1989, Australia has continued to implement an ambitious long-term programme of structural reform, in which trade liberalization and deregulation are central elements. Council members appreciated the scale and scope of the reforms, which had been pursued despite recession, a persistent current account deficit and high external debt. Instead of resorting to short-term expedients, Australia had chosen a coherent longer-term strategy, combining prudent macroeconomic management and thorough microeconomic reform. Positive results were now beginning to be seen, particularly in the growth and diversification of exports.

Members recognized Australia’s strong support for the multilateral trading system, based on the GATT. Most of Australia’s external trade was m.f.n.-based and, apart from two exceptions in the meat sector, not subject to any bilateral restraints. Australia had worked vigorously for the successful outcome of the Uruguay Round. Several members highlighted Australia’s perseverance as the coordinator of the Cairns Group.

Echoing these comments, the representative of Australia underscored his Government’s satisfaction with the results in virtually all areas covered by the Uruguay Round. Australia was particularly encouraged by the outcome for agricultural trade which, for the first time in GATT history, would be submitted to effective multilateral rules.

Council members appreciated Australia’s ongoing unilateral trade liberalization. Significant tariff cuts, abolition of tariff quotas, subsidy reductions, elimination of civil offset obligations, and harmonization of standards and procurement practices had increasingly opened the manufacturing sector to competition. Shipbuilding and steel were positive examples of industries that had learned to survive without intensive government support.

Concerns

Acknowledging that a significant increase in Australia’s tariff bindings would result from the implementation of the Uruguay Round, members enquired about the relationship between Australia’s current tariff reduction programme and Uruguay Round commitments. Concerns were expressed about the persistence of tariff peaks and escalation in sectors such as passenger motor vehicles (PMV) and textiles, clothing and footwear (TCF). Some also felt that, despite the reductions, the average level of tariffs remained high, with considerable dispersion.

Other areas of concern included quarantine requirements and sanitary and phytosanitary regulations, which effectively barred access for several significant agro-cultural and food products; restrictive purchasing practices by State marketing boards; local content requirements in the fruit juice and tobacco industries; tariff quotas on certain cheeses; preferential procurement policies by several States and Territories; and Australia’s non-participation in the Government Procurement Code.

Several participants suggested that recent changes in Australia’s anti-dumping legislation and the surge in anti-dumping activities in 1991 and 1992 might compromise the progress made in dismantling formal trade barriers. It was noted that anti-dumping or countervailing initiatives could be particularly disruptive for small-scale exporters to Australia.

Further clarification was sought about support schemes for “strategic” sectors. Such schemes for telecommunications and pharmaceuticals contained local content and export-related incentives. There was a risk that industrial targeting might ultimately lead to managed trade.

In reply, the representative of Australia said that the tariff reduction programme was undertaken on a unilateral basis, in accord with the country’s economic needs. The fact that the programme had been pursued through the worst recession in fifty years should reassure Council members of its continuity. By 1996, no tariffs would be over 5 per cent except in the textiles, clothing, footwear and passenger motor vehicle sector. Even in these areas, considerable reductions had been made and non-tariff barriers removed. The tariff reduction programme would also sharply reduce escalation.

Quarantine standards in Australia reflected the island nature of the continent, which was free of certain animal and plant diseases. It was vital for Australia’s exports, as well as the protection of its own environment, that such diseases continued to be excluded. Australia’s regulations were consistent with existing international conventions and with the new Sanitary and Phytosanitary Agreement emerging from the Uruguay Round. Marketing boards were run on a commercial basis. The tariff quota on cheese would be fully tariffed, in keeping with Australia’s Uruguay Round commitments. Australia’s anti-dumping provisions were transparent and GATT-consistent. Only a minor percentage of Australia’s imports were subject to anti-dumping actions; moreover, the number of cases had fallen in 1993.

Australia did not have “strategic industry” programmes and there was no tilt towards “neo-protectionism”.

General observations

Australian trade policies over the past few years have contributed significantly to preserving the integrity of the multilateral trading system. In implementing its reform programme, Australia realized that far-reaching autonomous liberalization was both economically desirable and politically feasible. Australia’s pursuit of trade liberalization in difficult times has helped to promote its own economic adjustment and has set an example for others to follow. The policy momentum resulting from the Uruguay Round, in which Australia played an important role, should create a more favourable environment for the consolidation of its reforms.
PERU

Council members recognized that, since 1990, Peru’s policy direction had changed, with the aim of restoring macroeconomic balance. Fiscal policies had been reformed with a rationalization of the tax structure, and monetary control reinforced; foreign exchange controls had been liberalized and the exchange rate floated. These reforms had borne fruit; inflation had fallen from 7.650% in 1990 to 39% in 1993, and was expected to decline further, while the budgetary balance had improved markedly. International reserves had risen dramatically, and economic growth had resumed, reaching an estimated 7% in 1993.

Council members commended Peru for its impressive trade liberalization efforts in such a short period. The tariff structure had been simplified and rates had been considerably reduced. Import licensing had been eliminated. Predictability and transparency of the trade régime had thus increased significantly.

Concerns
Concern was expressed over the operation, and GATT consistency, of variable import levies on certain agricultural items, and the use of such levies on an m.f.n. basis as a possible substitute for countervailing measures. Information was sought on the new anti-dumping and countervailing regulations introduced by Peru and their consistency with the General Agreement or the appropriate MTN Codes. The differential structure of cargo handling charges was a source of concern. More information was requested on Peru’s customs valuation methods, including the use of reference prices, and on procedures for government procurement. In this connection, participants asked whether Peru would join the new Government Procurement Agreement.

Questions were raised over the terms of Peru’s renewed active participation in the Andean Group and, in particular, the compatibility of its tariff reduction plans with the group’s Common External Tariff. Information was sought on the status of bilateral agreements recently concluded with other Latin American countries. The network of varying preferences among Latin American countries was seen by some as likely to cause trade diversion.

The representative of Peru replied that regional agreements should be seen in the light of market-oriented programmes being undertaken throughout Latin America. It was hoped to find a solution to the question of compatibility between Peru’s 15 per cent tariff objective and the Andean Group Common External Tariff. A bilateral agreement had recently been signed with Brazil, in the framework of LAIA, and agreements were foreseen with Mexico and Chile. It was believed that NAFTA would also benefit other countries in Latin America and beyond.

There were no plans to expand the scope of free zones. Import restrictions were limited to fertilizers which could be used in the manufacture of explosives, as well as goods prohibited for public health reasons. Peru had indicated its intention to sign the Customs Valuation Code but thought it premature to join the Government Procurement Code at this time. However, Government procurement procedures in Peru were non-discriminatory, neutral and transparent. Peru was ready to assume its full obligations under the Final Act of the Uruguay Round, including on Technical Barriers, Subsidies, Anti-dumping and Import Licensing Procedures as well as Customs Valuation.

Variable import levies, calculated on the basis of world market prices, were not countervailing duties. In July 1993, the Government had set a timetable for the reduction of such levies by July 1997, when the whole system would be reviewed. Expansion of the agro-industrial sector would, in part, depend on export market opportunities.

Questions were asked concerning the cumulative effects of indirect taxation: aspects of drawback, export support and promotion policies; and local content requirements for milk used in processing.

The representative of Peru replied that export policy was intended to improve the competitiveness of Peruvian enterprises through elimination of excessive costs and suppression of export subsidies. Export credit insurance was largely in the hands of the private sector, while export promotion and marketing were fully privatized and no subsidies were involved. The drawback scheme completely rebated the IGV tax but the rebate of the Selective Consumption Tax (ISC) on fuels had been eliminated in December 1993. IGV and ISC applied equally to imports and domestic production. Despite these changes, one important trading partner was still applying countervailing duties to certain Peruvian exports.

In relation to intellectual property, the relevant Decisions of the Cartagena Agreement were fully enforced in Peru. INDECOPI was the implementing agency and its decisions could be appealed in the Supreme Court. The only local content provision now in force was that on milk used in reconstituted milk; in this respect, recommendations on the measure, including consistency with Uruguay Round Agreements, would emerge from a study to be made in 1995.

Participants noted that the reforms had created a more stable, transparent constitutional and legal framework for the conduct of Peru’s trade, on the basis of the objectives set in 1990. Peru’s active contribution and commitments in the Uruguay Round were praised, although the gap between bound and applied tariffs was also noted. Some participants asked what problems might arise for Peru in adapting its legislation to the new multilateral rules.

In reply, the representative of Peru noted that, although radical changes had already been made in macroeconomic and trade policies, much remained to be done, especially in social fields such as health, education and justice. The constitutional provision allowing Peru to retaliate against the protective practices of other countries would be used in the framework of Peru’s multilateral obligations. Support for Peru’s efforts via liberal access to its trading partners was essential.

Conclusions
Peru is in the middle of a very ambitious liberalization and deregulation programme which represents a radical reversal of the policies pursued in the past twenty years. The Council looks forward to the completion of the trade liberalization package. Peru’s offer in the Uruguay Round is evidence of its serious participation in the international trading system and we have taken note of Peru’s remarks concerning the possibility of further market access negotiations. As Peru’s own market opens to world trade, I hope that other contracting parties will be able to support Peru’s efforts by extending open access for Peruvian exports.
Participants noted Iceland's high per capita income, high dependency on external trade and narrow economic foundation based mainly on the exploitation of marine resources. Iceland was highly vulnerable to external shocks, especially from declines in fish stocks. These, together with external economic and financial constraints, had resulted in disappointing economic growth since 1988, notwithstanding the great success in cutting inflation. Members commended the adoption, in the same period, of wide-ranging structural reforms.

Iceland's generally liberal trade policies were recognized. Members welcomed Iceland's active participation in the Uruguay Round and its support for sectoral negotiations for fisheries.

Concerns
Some participants expressed concern about adverse effects on third countries of the differential treatment granted by Iceland to the EU and EFTA countries, which had led to trade diversion. Iceland's intention to maintain and develop trade links with countries outside preferential trade areas was noted.

In reply, the representative of Iceland noted that the EEA Agreement had been notified to GATT in 1992. The importance of trade with the European Union reflected the size of the Union, which was also a natural trading partner. However, Iceland was anxious to open up new avenues for trade. Artificially inflated border measures would not be used to compensate domestic industries for import competition arising from free trade arrangements.

New regulations on food packaging and motor vehicle inspection were being established in conformity with European Union regulations and would be applied on a non-discriminatory basis. At present, agricultural imports could be authorized from other partners only if there was a contractual obligation, but this would change with the implementation of the Uruguay Round results.

As a consequence of the Round, 94% of tariff lines would be bound.

A number of participants noted Iceland's policy bias in favour of agriculture and fisheries. The farm sector had been supported by direct government finance, administered prices, state-trading practices and import restrictions; Icelandic consumers paid some of the world's highest food prices. Members welcomed the moves towards direct income support contained in the present agricultural reform programme. They asked whether this would bring Iceland closer to the system envisaged in the Uruguay Round.

Support to fisheries
Support to the fisheries sector included almost total exclusion of foreigners from Iceland's fishing activities; fisheries had also benefited from measures such as currency devaluations, restructuration assistance and almost free-of-charge access to the fishing grounds. This had encouraged over-expansion of the fishing fleet and over-fishing. Some participants remarked on Iceland's growing recognition of the need for prudent management of the sector and sought comments on the future evolution of conservation measures.

In reply, the representative of Iceland said that there had been encouraging results for fisheries resource management stemming from the introduction of the quota system. In agriculture, existing practices would be replaced by general tariffification and scientifically-based, strict SPS regulations. Imports were expected, but procedures had not been finalized. Pre-emptive changes had already been occurring for three years aimed at reducing government support, increasing productivity and lowering consumer prices. The reduction in government support, now in the form of decoupled income support, and consequent painful adjustments were described. It was noted that Iceland already imported 50 per cent of its food requirements; but it was also clear that Iceland could compete internationally only on the basis of the quality of specialized products.

It was noted that, as a result of the Supreme Court ruling, imports of agricultural products not subject to sanitary regulations no longer required the permission of the Ministry of Agriculture. A proposed law would limit items, specified as items classified by HS headings until the Uruguay Round commitments were to be implemented.

Council members remarked that the incidence of m.f.n. tariffs was low; however, such treatment was the exception, with the high share of trade under free-trade-area rules. Concerns were expressed about the impact on trade of tariff peaks affecting gasoline and other goods not produced domestically, and of the relatively high tariff dispersion. Moreover, one-fifth of imports were affected by non-tariff charges and levies.

Comments were requested on the possible elimination of the transportation tax on cement, on the apparently discriminatory levy on beer and on regulations restricting applications for import or export licenses to Icelandic citizens residing in Iceland. Information was also sought on new regulations affecting food packaging and motor vehicle registration.

Agricultural tariffs were supplemented by other charges and non-tariff measures, including almost comprehensive prohibitions which significantly distorted trade. Steps to abolish the State monopolies on fertilizers and tobacco were welcomed. However, members were concerned that, to maintain tax revenue following the abolition of tariffs on industrial goods under the EEA Agreement, the scope of excise taxes had been extended, subjecting goods of non-EEA origin to tariffs plus excise equivalents.

In reply, the representative of Iceland noted that his country had completed the process of eliminating customs duties from EC partners on products covered by the EEA. MFN tariffs on products covered by the EEA had been reduced in most cases to a rate of 7.5 per cent, while tariffs on automobiles and gasoline had been replaced by a special commodity tax. To offset revenue losses, the range of goods subject to excise taxes had been extended. It relied mainly on indirect taxes. The special levy on imported beer was due to be phased out by 1997, but possibly earlier.

Conclusions
The Council welcomed the recent steps taken by Iceland to liberalize and diversify its economy; it also recognized the importance of the macro-economic measures taken. The important changes already implemented in the agricultural sector were appreciated; however, Iceland has been urged to adopt further trade-liberalization measures in that sector. This will enable Iceland both to benefit from, and to make a strong contribution to, the evolution of the international trading system.
Africa’s trade
Continued from page 1
by one-third since the early 1980s, the relatively faster growth of exports in other regions (except for the Middle East) has led to a decline in Africa’s share of world merchandise trade from 4.4 per cent a decade ago to 2.4 per cent in 1993.
Within Africa, however, the experience of countries is mixed. Most have raised their exports in the past decade (with the exception of oil exporters), but only about 14 experienced growth above the world average, including Morocco, Mauritius, Reunion, Zimbabwe and least-developed countries such as the Central African Republic, Equatorial Guinea, Gambia, Guinea, Guinea-Bissau, Malawi, Mali, Sao Tome & Principe, Togo.
Less tariff escalation
Prospects for the future depend on many factors. On the trade front, the outlook for prices of raw or unprocessed commodities on world markets in the 1990s is stable. As a result, export earnings of African countries will benefit from the significant erosion of preference margins for products of particular export interest, encouraging a greater processing of products before export (see Table 1).
With regard to traditional exports, developed economy participants are undertaking to cut tariffs on products of export interest to African countries (see Table 2 for industrial products and Table 3 for agricultural products). Although there has been an emphasis placed on the so-called “high export interest” products, export margins for products of export interest to African countries in the European Union (which takes almost 50 per cent of Africa’s exports), other countries are undertaking tariff cuts on these products which would offset, wholly or partly, potential adverse effects on market access of African countries in traditional markets.
Above-average tariff cuts on industrial products have taken place on products of significant export interest such as metals; mineral products, precious metals and stones; wood, pulp, paper & furniture. Although tariff cuts on textiles and clothing are below average (22 per cent), the eventual elimination of restraints on exports of textiles and clothing imposed under the Multi-Fibre Arrangement will ensure that tariff cuts translate into effective market access. Tariff cuts in excess of 30 per cent have taken place on agricultural products of significant export interest such as coffee, tea, cocoa, sugar, etc., fruits and vegetables; oilseeds, fats and oils; and other agricultural products.

Gains (Continued from page 4)
A major means to stimulate the inflow of foreign investment is to cement the economic reform processes currently underway across Africa. Economic reform eventually creates an investment climate in each country that inspires confidence in foreign investors.
The need to accept the rules, disciplines and obligations laid down in the new WTO has been described by some observers as a burden for developing countries. I disagree. Economic reorientation in greater or lesser measure will be both a must and an opportunity for all countries taking part in the results of the Round, including yours. For Africa, I believe that the results of the Uruguay Round will give a powerful boost to economic reform, and will send a signal to the international business community that African countries are serious about reform.”

Table 1: Reduction of tariff escalation on selected products in developed country markets

<table>
<thead>
<tr>
<th>Product</th>
<th>Pre UR</th>
<th>Tariffs</th>
<th>Post</th>
<th>Change in tariff escalation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zinc</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unwrought</td>
<td>2.1</td>
<td>1.8</td>
<td>-17</td>
<td>n.a.</td>
</tr>
<tr>
<td>Semi-manufactures</td>
<td>4.7</td>
<td>2.9</td>
<td>-38</td>
<td>-56</td>
</tr>
<tr>
<td>Cocoa</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beans</td>
<td>2.1</td>
<td>0.0</td>
<td>-100</td>
<td>n.a.</td>
</tr>
<tr>
<td>Paste, powder, butter</td>
<td>4.6</td>
<td>2.7</td>
<td>-40</td>
<td>11</td>
</tr>
<tr>
<td>Chocolate</td>
<td>9.2</td>
<td>8.0</td>
<td>-13</td>
<td>12</td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unmanufactured</td>
<td>14.7</td>
<td>11.5</td>
<td>-22</td>
<td>n.a.</td>
</tr>
<tr>
<td>Manufactured</td>
<td>22.1</td>
<td>9.2</td>
<td>-58</td>
<td>-130</td>
</tr>
</tbody>
</table>

Note: Tariff escalation is defined as the wedge between the tariff on the processed product and the raw product.

Table 2: Tariff reductions on industrial products of export interest to Africa

<table>
<thead>
<tr>
<th>Product</th>
<th>Tariff reductions</th>
<th>Countries with a high export interest in the product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles &amp; clothing</td>
<td>22</td>
<td>Egypt, Lesotho, Madagascar, Malawi, Mauritius, Morocco, Tanzania, Tunisia</td>
</tr>
<tr>
<td>Metals</td>
<td>59</td>
<td>Botswana, Cameroon, Egypt, Ghana, Mauritania, Mozambique, Sierra Leone, Zaire, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Mineral products, precious metals &amp; stones</td>
<td>52</td>
<td>Burkina Faso, Burundi, Central African Rep., Congo, Gambia, Lesotho, Malawi, Mali, Morocco, Nigeria, Senegal, Sierra Leone, Tanzania, Togo, Tunisia, Zaire, Zimbabwe</td>
</tr>
<tr>
<td>Wood, pulp, paper &amp; furniture</td>
<td>69</td>
<td>Cameroon, Chad, Congo, Côte d’Ivoire, Ghana, Swaziland</td>
</tr>
<tr>
<td>Fish &amp; fish products</td>
<td>26</td>
<td>Gambia, Madagascar, Mauritania, Mozambique, Namibia, Senegal</td>
</tr>
</tbody>
</table>

Note: High export interest is defined as at least 20 per cent of export earnings from industrial products.

Table 3: Tariff reductions on agricultural products of export interest to Africa

<table>
<thead>
<tr>
<th>Product</th>
<th>Tariff reduction</th>
<th>Countries with a high export interest in the product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee, tea, cocoa, sugar, etc.</td>
<td>34</td>
<td>Burundi, Cameroon, Central African Rep., Congo, Côte d’Ivoire, Gabon, Ghana, Kenya, Madagascar, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zaire</td>
</tr>
<tr>
<td>Fruits &amp; vegetables</td>
<td>36</td>
<td>Lesotho, Mozambique, Mozambique, Swaziland, Tunisia, Zambia</td>
</tr>
<tr>
<td>Oilseeds, fats &amp; oils</td>
<td>40</td>
<td>Benin, Botswana, Gambia, Senegal, Tunisia</td>
</tr>
<tr>
<td>Tobacco</td>
<td>36</td>
<td>Malawi, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Other agricultural products</td>
<td>48</td>
<td>Benin, Burkina Faso, Chad, Congo, Egypt, Gabon, Lesotho, Mali, Mauritania, Namibia, Niger, Tanzania, Togo, Zambia</td>
</tr>
</tbody>
</table>

Note: High export interest is defined as at least 20 per cent of export earnings from agricultural products.

CALENDAR
Tentative schedule of meetings:
April
6 Working Party on EFTA/ Romania Free Trade Agreement
12-15 Ministerial Meeting of the Trade Negotiations Committee at Marrakesh, Morocco
21-22 Working Party on Ecuador

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