Preparations in full swing for GATT-WTO transition

Bonn or Geneva? A priority in the GATT-WTO transition programme is choosing the site of the WTO. PrepCom members have agreed to decide on which of these two candidates will become the seat of the WTO before the summer break. On offer are at left, Bonn’s Bundestag complex by the Rhine and at right, Geneva’s Centre William Rappard by Lac Leman, the current headquarters of GATT.

Work on ensuring a smooth transition from GATT to the new World Trade Organization (WTO) is now in full swing. The Preparatory Committee for the WTO, under the chairmanship of Mr. Peter Sutherland, has established the infrastructure to undertake this work with the widest possible participation by, and transparency among the more than 120 member governments.

At the 27 June meeting of the PrepCom, Mr Sutherland underlined that the “central task for governments - and, therefore, for this committee - is that of ensuring timely ratification (of the Uruguay Round results) so as to achieve maximum possible participation in the WTO when it enters into force.” He observed that in this regard, “the overall picture today continues to be positive” as all reports from delegations and capitals indicated that the 1 January 1995 target for the establishment of the WTO remained firm in government’s calendars. Many governments were completing translation of the Final Act of the Uruguay Round in national languages as well as the identification of possible changes in domestic legislations in preparation for parliamentary sessions scheduled in the coming months.

Regarding the least-developed country participants in the Round, which have been given a one-year extension from 15 April 1994 to complete their WTO schedules on goods and services, Mr. Sutherland reported that the GATT Secretariat was actively providing them with technical assistance, including ad hoc missions to capitals. He stressed that the Secretariat was ready “to do all that is possible to accelerate the bilateral and plurilateral processes concerning the negotiation and finalization of schedules, including their technical verification.”

On countries now in the process of ac-

Continued on page 2

Candidates for WTO post

The Chairman of the GATT Contracting Parties, Ambassador András Szepesi (Hungary) is now consulting with GATT members on a possible successor to Mr. Peter Sutherland, who is leaving office at the end of this year. The following candidacies for the post of WTO Director-General have been announced as we went to press:

- Mr. Kim Chul-su, trade and industry minister of the Republic of Korea;
- Mr. Rubens Ricupero, finance minister of Brazil;
- Mr. Renato Ruggiero, former trade minister of Italy; and
- President Carlos Salinas de Gortari of Mexico.
ceeding to the GATT and which have indicated their interest to become WTO members, Mr Sutherland noted they have started providing information on WTO areas such as services, intellectual property rights and investment measures. He recalled at the previous PrepCom meeting on 31 May, it was decided that GATT accession working parties be requested to also examine WTO requirements for applying countries. Mr Sutherland reported that for this purpose, Slovenia recently had requested the reconvening of its Working Party.

The WTO, resulting from the Uruguay Round negotiations and due to be established on 1 January 1995, will set in motion a substantially expanded multilateral trading system, greater in scope and strength than the current system which has been operating, as GATT, since 1948. The Uruguay Round produced some 28 agreements with provisions to establish about 20 bodies to administer them, under the WTO as the common institutional framework for the conduct of trade relations among members. The following bodies are involved in the transition:

The Preparatory Committee for the WTO

The PrepCom was established on 14 April by the Ministers at the Marrakesh Ministerial Meeting with the objective of ensuring an orderly transition from the GATT to the WTO and the efficient operation of the WTO as of the date of its entry into force. The PrepCom is also responsible for final approval of schedules for goods and services, and for discussing proposals to add new issues to the future WTO work programme.

Mr Sutherland, in his personal capacity, is Chairman of the PrepCom. Membership is open to all signatories of the Final Act and to any contracting party eligible to become an original member of the WTO. Mr Sutherland noted they have started providing information on WTO areas such as services, intellectual property rights and investment measures. He recalled at the previous PrepCom meeting on 31 May, it was decided that GATT accession working parties be requested to also examine WTO requirements for applying countries. Mr Sutherland reported that for this purpose, Slovenia recently had requested the reconvening of its Working Party.

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Mr Sutherland, in his personal capacity, is Chairman of the PrepCom. Membership is open to all signatories of the Final Act and to any contracting party eligible to become an original member of the WTO. Under the PrepCom are the following sub-committees:

Budget, Finance and Administration

This body was established by the Marrakesh Ministerial Decision to be chaired by the Chairman of the GATT Contracting Parties. It is chaired by Ambassador Andras Szepesi (Hungary) and reports to the PrepCom. It is examining such issues as the question of the seat of the WTO, guidelines for the assessment of WTO members' budgetary contributions; and organizational structure and staffing re-

Round results build basis for environmental protection and sustainable development

Berthing on an island port: "It is trade liberalization, not restriction, which holds the key in so many areas to producing a coordinated policy response to environmental problems," Mr Sutherland pointed out to some 360 participants, mainly from non-governmental organizations, at the GATT Symposium. (UN Photo)

Action on the environment would greatly benefit from the Uruguay Round, Mr Peter Sutherland, GATT Director-General said in opening GATT's Symposium on Trade, Environment and Sustainable Development held on 10-11 June at GATT headquarters. He said that "failure of the Round would have dealt a devastating blow to multilateral cooperation, not only on trade matters, nor even only on economic policy-making in general, but in other areas such as international security and the environment."

Mr Sutherland said that as a result of the success of the Uruguay Round negotiations, many countries, developed and developing, found themselves able to replace old alliances built around the East-West conflict with closer and deeper economic ties with their trading partners. "They are defining their future policy agendas on that foundation. What better basis could there possibly be for pursuing global objectives in the areas of environmental protection and sustainable development?"

He explained that when governments completed the Uruguay Round negotiations, they also agreed a Decision on Trade and Environment, which was adopted by Ministers in Marrakesh, Morocco in April. He said many factors, however, can be credited in bringing the subject of trade and environment to the point of maturity that it had to reach before it could be endorsed in Marrakesh as a topic to add to the WTO.

"First was the elaboration and acceptance of the approach, endorsed by the Brundtland Commission and the UN Conference on Environment and Development, of the need for economic growth to go hand in hand with better environmental protection and the promotion of sustainable development.

"Second was acceptance of the fact that trade and environment linkages cannot be defined uniquely in terms of trade restriction. On the contrary, it is trade liberalization, not restriction, which holds the key in so many areas to producing a coordinated policy response to environmental problems by allocating scare resources, including environmental resources, more efficiently and by generating wealth.

"Third, trade policies alone cannot be asked to resolve all environmental problems. Trade policies, and particularly the removal of environmentally damaging trade restrictions and distortions, have an important role to play, but trade is only one of several areas of economic policy-making relevant to environmental protection and sustainable development. Finance and technology transfer are equally vital pieces of the puzzle.

"Fourth, it is clear that demands for a cleaner environment and for environmentally-friendly goods and services have been increasing worldwide. The speed and the direction of events in this regard, from the demands of consumers, to industry reaction in the marketplace, and thereon to government legislation, makes the need for multilateral policy cooperation urgent for the sake of both the environment and the trading system.

"Recognition of the last point in particular," explained Mr Sutherland, "had an important role in persuading many of those GATT members who initially were extremely hesitant to accept the subject of trade and environment into the GATT."
At the PrepCom meeting of 27 June, Ambassador Szepesi reported that Germany and Switzerland had submitted offers proposing Bonn and Geneva, respectively, as the site of the WTO. Representatives of the two governments made a formal presentation of their offers to the Sub-Committee on 23 and 24 June. Ambassador Szepesi said that together with Mr. Pierre Gosselin (Canada), who is chairman of the working group on the assessments of WTO budget contributions, he would hold consultations to determine if there was “an emerging view.” He added that goal of settling this issue before the summer break remained.

Services

Also established by the Ministerial Decision of 14 April 1994, the Sub-Committee is chaired by Ambassador Christer Manhusen (Sweden) and is responsible for preparatory work on matters related to the General Agreement on Trade in Services (GATS) and for overseeing the on-going negotiations on three sectors for which the Marrakesh Ministerial Meeting had established negotiating groups. These negotiating groups and their respective chairpersons are:

- Movement of Natural Persons - Ambassador Lilia Bautista (Philippines);
- Maritime Transport Services - Ambassador Donald Kenyon (Australia); and
- Basic Telecommunications - Mr. Neil MacMillan (the United Kingdom).

At the 27 June meeting of the PrepCom, Ambassador Manhusen said that he would start consultations on establishing a Negotiating Group on Financial Services.

Institutional, Procedural and Legal Matters

The Sub-Committee is headed by Ambassador K. Kesavapany (Singapore) and was established by the PrepCom on 29 April to consider and report on institutional, procedural and legal matters, including the terms of reference and rules of procedure for about 20 bodies which will be established as a result of the Uruguay Round Agreements after the entry into force of the WTO; and appropriate arrangements with respect to relations with other governmental and non-governmental organizations.

Trade and Environment

The Marrakesh Ministerial Decision agreed that, pending the entry into force of the WTO, the work of the Trade and Environment Committee should be carried out by this Sub-Committee. It is chaired by Ambassador Luiz Felipe Lampaok (Brazil).

Sutherland receives US Consumers Award

Mr Peter Sutherland, Director General of GATT has received the 1994 Consumers for World Trade Award. The Award was presented by Ambassador Mickey Kantor, US Trade Representative, at the annual dinner of the Consumers for World Trade organization on 21 June in Washington. It was in recognition of Mr. Sutherland’s “dedicated service to the cause of open and competitive world trade”.

Commenting on the announcement of the Award, Mr Sutherland said: “I am greatly honoured and pleased to have been given such an award - and one with such an illustrious list of former recipients. In the months that led to the successful conclusion of the Uruguay Round, I believed, and still believe, that consumers the world over had much to gain from those difficult and complex negotiations. When the deal is implemented next year, the benefits will begin to flow.”

China WP begins discussions on Protocol elements

The Working Party on China’s Status as a Contracting Party, at its 17th meeting (28 June-1 July), “has made an important step in the process of re-accession of China to GATT,” according to its Chairman, Ambassador Pierre-Louis Girard (Switzerland). He noted that “for the first time, almost all of the elements which members would like to see in a draft protocol have been discussed.” At the meeting, China reported it recently had taken important steps, including the adoption of a new Foreign Trade Law, in order to resume its GATT status and become an original member of the WTO.

GATT’s fourth training course for reforming economies

Another Special Trade Policy Course organized by the GATT Secretariat, this time for officials from newly independent states in Eastern and Central Europe and Central Asia, began on 24 May in Geneva. This is the fourth such special course supported financially by the Swiss Government. This nine-week course has 24 participants nominated by Albania, Armenia, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, the Former Yugoslav Republic of Macedonia, Moldova, Poland, Romania, Russian Federation, Slovakia, Slovenia and Uzbekistan.

The 24 fellows to the fourth GATT special training course for reforming economies, together with members of the Secretariat, pose in front of the GATT headquarters. (Tania Tang/GATT)

President Hosni Mubarak briefs Mr Sutherland on Egypt’s post-Marrakesh concerns during his recent visit to Geneva. (T. Tang/GATT)
GATT Director-General Peter Sutherland, at the Council meeting on 21 June, observed that problems remained in the dispute-settlement system, particularly in the adoption and implementation of some panel reports, but “improvements in the Dispute Settlement Understanding should, on entry into force of the World Trade Organization (WTO), eventually lead to a smoother functioning of the system.”

In his introduction to his regular report on the status of work in panels and implementation of panel reports (see box on disputes at panel stage), read by Assistant Director-General Richard O’Toole, Mr. Sutherland said that there had been “no great change in dispute settlement activity over the most recent 12-month period compared to the previous period.” He pointed out that:

- Requests for consultations under the General Agreement rose slightly to 25, with increases in requests under the General Agreement and the Anti-Dumping Agreement, and a decrease under the Subsidies Agreement.
- The number of new panels established during the same period declined from 9 to 4, with decreases under the General Agreement and the Anti-Dumping and Subsidies Agreements. However, activity in panel establishment had picked up since the new year, with most of the new panels established since then.
- The number of panel reports adopted had doubled from 3 to 6.
- The number of disputes in which implementation issues had been raised had fallen somewhat, from 12 to 9. All of the disputes with implementation issues raised were under the General Agreement.

At the meeting, the Council reached an understanding aimed at ensuring that participation of third parties does not unnecessarily complicate panel proceedings. Under GATT dispute settlement procedures, interested contracting parties in addition to the disputants can proceed. Under GATT dispute settlement procedures, interested contracting parties in addition to the disputants can proceed. Under the Dispute Settlement Agreement, third parties shall have the right to submit information to the panel. Others who wish to indicate a third party interest should do so within the next ten days.

- Third parties shall receive the submissions of the parties to the dispute at the first meeting of the panel.
- Delegations in a position to do so, should indicate their intention to participate as a third party in a panel proceeding at the Council session which establishes the panel. Others who wish to indicate a third party interest should do so within the next ten days.

Canada said recent breaches of the confidentiality of dispute settlement proceedings raised serious questions about the adequacy of current procedures. It noted that GATT members shared a common understanding that submissions to panels should be confidential. However, it was troubled by the release to the public, in Washington, of submissions to the second tuna panel. Canada was also concerned.

### Disputes at panel stage

**Panel reports recently adopted**

- EC/Brazil: Countervailing duty proceeding concerning imports of milk powder from the EC (Subsidies Agreement - 28 April 1994)
- Canada/US: Measures affecting the export of softwood lumber from Canada (Subsidies Agreement - 27 October 1993)
- Norway/US: Countervailing measures against imports of fresh and chilled Atlantic salmon (Subsidies Agreement - 28 April 1994)

**Suspension of proceedings or withdrawal of complaint**

- Chile/EC: Restrictions and charges on imports of apples (General Agreement - panel work suspended on 23 March 1994; complaint withdrawn after bilateral solution on 13 June 1994)
- EC/Australia: Imposition of countervailing duties on imports of glace cherries from France and Italy (Subsidies Agreement - panel report on withdrawal of complaint adopted on 28 October 1993)
- US/Canada: Anti-dumping duties on imports of beer from the United States (Anti-Dumping Agreement - panel work suspended on 17 May 1994)
- Canada/US: Measures affecting the export of pure and alloy magnesium from Canada (Subsidies Agreement - panel report on withdrawal of complaint adopted on 27 October 1993)

**Panel reports for adoption**

- Colombia, Costa Rica, Guatemala, Nicaragua, Venezuela/EC: Import regime for bananas (General Agreement - 23 March 1994)
- Colombia, Costa Rica, Guatemala, Nicaragua, Venezuela/EC: Member states’ import regimes for bananas (General Agreement - 16 June 1993)
- Mexico/United States: Anti-dumping duties on grey portland cement clinker imported from Mexico (Anti-Dumping Agreement - 26 October 1992)
- EC/US: Procurement of a sonar mapping system by the US National Science Foundation (Government Procurement Agreement - 13 May 1992)
- US/EC: Exchange rate guarantee scheme for German aircraft industry (Subsidies Agreement - 28 April 1992)
- Sweden/US: Anti-dumping duties on stainless seamless pipes and tubes from Sweden (Anti-Dumping Agreement - 25 September 1990)
- EC/Canada: Countervailing duty on boneless manufacturing beef (Subsidies Agreement - 27 October 1987)
- US/EC: Subsidies on exports of pasta products (Subsidies Agreement - 22 April 1986)
- US/EC: Subsidies on export of wheat flour (Subsidies Agreement - 22 April 1986)

**Panels at work**

- EC/US: Countervailing duties on certain carbon steel flat products from several member states of the EC (Subsidies Agreement - 28 April 1994)
- Brazil/EC: Anti-dumping duties on imports of cotton yarn from Brazil (Anti-Dumping Agreement - 27 April 1994)
- Argentina, Brazil, Canada, Chile, Colombia, El Salvador, Guatemala, Thailand, Zimbabwe/US: Measures affecting the importation and internal sale of tobacco (General Agreement - 25 January 1994)
- EC/US: Impostion of a definitive countervailing duty on imports of certain steel products originating in France, Germany and the United Kingdom (Subsidies Agreement - 4 June 1993)
- EC/US: Taxes affecting imported automobiles (General Agreement - 12 May 1993)
- Japan/EC: Anti-dumping proceedings in the EC on audio tapes and cassettes originating in Japan (Anti-Dumping Agreement - 26 October 1992)

**Panel requested but not yet established**

- Venezuela/US: Standards for reformulated and conventional gasoline (General Agreement - 8 April 1994)
De facto application of the GATT

In 1967, GATT members adopted a Recommendation that they would continue to apply de facto the General Agreement to countries which had acquired full autonomy in the conduct of their commercial relations, provided that these countries also continued to apply de facto the General Agreement. The Director-General is required to submit a report on this matter every three years. At the June Council, Mr. Sutherland reported that the Recommendation currently applied to the following 14 countries (date of independence):

- Cambodia (9 November 1953)
- Algeria (3 July 1962)
- Yemen (30 November 1967)
- Equatorial Guinea (12 October 1968)
- Tonga (5 June 1970)
- Bahamas (10 June 1973)
- Cape Verde (5 July 1975)
- São Tomé and Príncipe (12 July 1975)
- Papua New Guinea (16 September 1975)
- Seychelles (29 June 1976)
- Djibouti (27 June 1977)
- Solomon Islands (7 July 1978)
- Tuvalu (1 October 1978)
- Kiribati (12 July 1979).

At the end of June, the Director-General announced that the Recommendation applied to two additional countries: the Federal Islamic Republic of the Comoros and the Republic of Guinea.

Under "Article XXV:5(c) of the General Agreement, these countries can become members by making a simple declaration to that effect to the GATT Director-General.

that one panellist had divulged the workings of a panel to non-governmental groups well before the panel report had been circulated to the contracting parties. It suggested that GATT members, without reopening the WTO Understanding on dispute settlement, develop a "Code of Conduct" for panellists. The European Community and the Nordic countries shared Canada's concerns.

The following disputes were raised under the regular agenda and "other business" during the meeting:

- Guatemala, speaking also on behalf of Honduras and Mexico and observers Ecuador and Panama, again urged the adoption of two panel reports concerning the European Community's import regime on bananas. It expressed disappointment that comprehensive negotiations with the EC on this matter had not started. Guatemala said that while the EC continued to apply restrictions found GATT-inconsistent by the two panels, both the economies dependent on banana exports and the European consumers continued to suffer. After the Chairman noted that positions on these panel reports remained unchanged, the Council agreed to revert to the matter at a future meeting.

- Australia again urged Canada to lift its safeguard action against imports of boneless beef (see previous Focus). While noting Canada's recent enlargement of the import quota on the product, it reiterated that the restriction was unjustified, in particular the duty surcharge of 25 per cent on imports over the quota. The European Community shared Australia's concern. Canada noted that consultations on this matter were continuing.

- Brazil said that the meeting marked the second anniversary of the adoption of the panel report on US denial of mfn treatment as to non-rubber footwear from Brazil, the conclusions of which had not been implemented. However, Brazil said it had received recently encouraging signals from the United States that a solution was in the offing.

- Argentina requested consultations under the dispute-settlement provision of the GATT (Article XXIII) with the EC regarding the latter's import restrictions on lemons. It said that since 1993, its producers, who supply 35% of the import requirements of the Community, had been hurt by EC's imposition of reference prices and compensatory duties on lemons. Argentina stressed that this case should be treated on an urgent basis. Sharing Argentina's concerns were Australia, Brazil and Uruguay. The EC took note of the request but placed a reserve on the urgency of the case.

- Brazil expressed concern over export subsidies to poultry meat destined for the Middle East granted under the US Export Enhancement Programme (EEP). It charged that US subsidies of up to $800 per metric ton had seriously undercut Brazilian producers who were the traditional suppliers of poultry meat to that region. Brazil called on the United States to set the trend for an early start of the WTO rules and disciplines on trade in agriculture by reconsidering its subsidies on poultry meat.

- Canada complained that France was about to reintroduce, on 1 July 1994, labelling regulations on scallops (a variety of shellfish) that would again hurt Canadian exporters. It said it was frustrated by what it described as continuing changes being made to French regulations. Canada urged the European Community to take rapid action to ensure that its access to the French market was maintained at traditional levels. Chile said its scallop exports could also be hurt by the measure in question.

Accessions

The Council welcomed Honduras as the 123rd contracting party to the GATT and granted Uzbekistan's request for observer status. Taking up a suggestion by the Nordic countries, the Chairman said he would hold consultations on ways and means of streamlining accession to the GATT.

The granting of observer status of Uzbekistan means that 13 out of the 15 republics of the former Soviet Union are now GATT observers. Georgia and Tajikistan are the only remaining ex-USSR republics that are not yet observers in GATT.

In thanking the contracting parties, Mr. Utkur Sultanov, Deputy Prime Minister and Minister of Foreign Economic Relations, stressed that Uzbekistan's observer status was in preparation for an eventual application for full membership in GATT. He drew attention to a memorandum on trade and economic policies that Uzbekistan had recently submitted to GATT. Mr. Sultanov said that his country's economic programme was well underway with about 40% of the GDP now accounted for by the private sector.

The Nordic countries highlighted the need for streamlining the accession procedures to GATT to expedite the entry of 21 countries (see box on accessions) whose applications were being examined in various working parties.

"Many of the candidates for accession are countries in transition from centrally planned to market based economies," Sweden pointed out on behalf of the Nordic countries. It underlined that "GATT/WTO accession will support and
sustain” trade and economic reforms in these countries, and that “adherence to the same world trade rules will help to prevent economic conflicts, and to solve them should they occur.”

Sweden said GATT members should explore the expansion of technical assistance by the Secretariat to applying countries. Working parties, it said, should take advantage of the “synergy” in the major issues shared by economies in transition such as price mechanisms and privatization by dealing with them in a “horizontal” manner. GATT economists could prepare general background material on the most frequently discussed issues. Sweden proposed that consultations start on these questions. It stressed that the Nordic countries were not suggesting any lowering of standards of accession to the GATT, and that the applying country bore the major responsibility for the smooth functioning of the process.

Many delegations supported the holding of informal consultations on this subject but stressed the need that accession applications should continue to be considered on a case-by-case basis upon their individual merits. Australia observed that the pace of work of accession depended mostly on the pace set by the applicant. It said delays could be attributed to waiting for applicants to accept GATT obligations. The United States said the “bumper crop” of applications to the GATT indeed had strained resources but it questioned the need for major changes, such as an increase in staffing. It underlined that GATT Article XXXIII had placed on the contracting parties the responsibility for the accession negotiations.

Free trade agreements

The Czech Republic, Hungary, Poland and the Slovak Republic, signatories to the Central European Free Trade Agreement (CEFTA), announced that the text of CEFTA, with all its annexes and protocols, had been given to the GATT Secretariat. Poland, speaking on behalf of the signatories, said that CEFTA, aimed at establishing a free-trade area in the region not later than 1 January 2001, was signed in December 1992 and had been applied on a provisional basis since March 1993. It reported that since entry into force, CEFTA signatories had agreed to accelerate the elimination of customs duties on most industrial products and to implement substantial additional duty reductions and other concessions on agricultural products. These measures would take effect on 1 July 1994 and would shorten the transitional period for the establishment of the free-trade area.

The Council established a working party to examine CEFTA.

After the conclusion of the regular agenda, the United States asserted that the imminent enlargement of the European Community should be scrutinized under GATT “sooner rather than later.” It said it would request the establishment of a working party on this matter immediately after the signing by Austria, Finland, Norway and Sweden of their accession papers at the EC Summit Conference in Corfu, Greece on 24-25 June. The United States called on the EC to submit as soon as possible details of the accession agreements. The Community expressed some surprise at the US statement. It said it would provide the required information to GATT at an appropriate time, as it had done in all the previous enlargements of the EC.

Colombia, also on behalf of Mexico and Venezuela, announced that on 13 June in Cartagena, Colombia, the presidents of the three countries signed a free-trade agreement which would come into effect on 1 January 1995. It said that this agreement, also called the “Treaty of the Group of Three”, envisaged tariff elimination over a ten-year period.

Tariff matters

The Chairperson of the Committee on Tariff Concessions, Ambassador Lilia Bautista (Philippines), in her twice-yearly report to the Council, said that practically all GATT members had implemented the Harmonized System and that more than 90% of their trade was now covered by the new system of customs nomenclature.

The Council agreed to submit to a postal vote by contracting parties requests for extension of waivers by the following: Argentina, Bangladesh, Bolivia, Israel, Jamaica, Mexico, Morocco, Pakistan, Peru, Sri Lanka, Trinidad and Tobago and Venezuela; and requests for extension of waivers by the following which were negotiating their tariff schedules: Egypt, Malawi, Senegal, Uruguay and Zaire.

“Other business”

Other points raised after the regular agenda were:

- Australia drew attention to a commune issued by the Cairns Group Ministers at the conclusion of their meeting on 19-20 May in Montevideo, Uruguay, in which they announced their intention to continue working together in monitoring the future development of trade in agriculture.
- Morocco said it had withdrawn its reservations on trade relations with South Africa. South Africa welcomed Morocco’s disinvocation of Article XXXV as another example of how North and South Africa were being drawn closer together in economic cooperation.
Tunisia's trade regime reviewed

On 22-23 June, the Council conducted its first review of Tunisia's trade regime under the Trade Policy Review Mechanism (TPRM). The following are excerpts from the Chairman's concluding remarks:

**TUNISIA**

Council members unanimously praised Tunisia for its economic reform programme, engaged since 1986, which had converted a highly-regulated, inward-looking economy into a significantly more open, export-oriented one. They welcomed the steps taken by Tunisia to cut tariffs, rationalize import restrictions and reduce State-trading practices. They encouraged Tunisia to continue the liberalization process. Participants sought clarification about the scope of, as well as the reasons for, remaining import restrictions and asked whether there was a timetable for further liberalization.

The representative of Tunisia in reply:

- His Government had succeeded in the first stage of stabilisation of the economy; the second stage, of structural reform, would be implemented with patience, perseverance and prudence. Under its reform programme, Tunisia had reduced and rationalized tariffs, which had come down in some cases from over 200 per cent to a current average of 30 per cent with a maximum of 43 per cent; at the same time, the incidence of non-tariff measures had been reduced. The provisional complementary duty (DCP), which did not exceed 30 per cent, would be eliminated in three years at the latest. Tariff peaks should be seen in relation to the overall tariff situation. Supplementary charges had been eliminated. From July 1994, some 92 per cent of imports would be free from import licensing.

- Law 94-41 defined the régime for the import and export of goods within the general context of trade liberalization. It was due to come into force in July 1994, when the necessary decrees and the list of liberalized products would be ready. Tunisia would notify this list, and the list of products subject to import licensing as soon as possible after the list had been completed. Tunisia still faced a balance-of-payments problem and maintained some restrictive measures for this reason.

- The market orientation of reforms was irreversible; however, export incentives and export promotion were necessary to generate the revenues to pay for the rapidly growing imports and promote external and internal balance.

Council members recognized that Tunisia had played an active rôle in the Uruguay Round. They welcomed the commitments made by Tunisia in the Round, in particular the significant increase in tariff bindings since accession to GATT in 1990, as well as concessions in services. It was noted that implementation of the Round agreements would entail the elimination of export subsidies and textile import quotas over a period of time.

It was noted that a new GATT waiver covering the effects of DCP had been granted in January 1994. In this connection, members asked about the schedule envisaged for the elimination of provisional complementary duties.

The representative of Tunisia said that rationalization of the tariff had been necessary in 1994 as part of the programme of dismantling import licensing; some time for adjustment to the new conditions of trade was necessary. The three tier DCP was set to disappear in three years, in successive 10 percentage point steps. Tunisia was now in the process of ratifying the Uruguay Round accords and would become a founder member of the WTO. It was in this context that Law 94-41 incorporated new provisions on anti-dumping and countervailing measures, and that customs valuation legislation was to be revised. Tunisia had also signed the Agreement on Bovine Meat.

Concerns were expressed regarding the high level of Tunisia's tariffs and remaining tariff escalation in a number of sectors. It was noted that import surcharges introduced during the Gulf War had been partly incorporated into the tariff.

Some members expressed the view that Tunisia's agricultural policy, which aimed to achieve self-sufficiency, had a high protective cost. Information was sought on the scope of, and rationale for, remaining variable levies and the application of the municipal slaughtering charge.

In reply, the representative of Tunisia said:

- Tunisia was meeting its obligations on State-trading and the withdrawal of the State was being pursued, with monopolies being dismantled gradually.

- Privatization was continuing; almost all sectors of the economy were covered, including industry, trade, tourism and land.

On sectoral questions, in respect of textiles, Tunisia had liberalized particularly raw and semi-processed materials; its Uruguay Round tariff offer covered practically all branches of the sector. Restructuring would be necessary to ensure that the sector, which was of prime importance in production and employment, could continue to play an important economic and social rôle.

Some members noted Tunisia's high dependency upon trade with the European Union, despite its efforts to diversify the direction of trade flows. A question was raised about the extent of EU preferences for Tunisia, and some participants asked about the effects of the erosion of existing preferences in the Uruguay Round.

The representative of Tunisia stated that erosion of preferences was a major element that could not be ignored, especially given the importance of the EU as a trading partner. However, Tunisia would continue to open its market in keeping with the principle of comparative advantage, bearing in mind all global and regional considerations, in the overall framework of its commitments in GATT and the globalization of its economy.

Conclusions

In concluding this review, my appreciation is that Tunisia should be commended for its ambitious aspirations, the significant steps it has taken, and the encouraging results it has achieved towards a more open, market-oriented economy. Tunisia is encouraged to press on with liberalizing, and increasing the transparency of its trade and investment regimes, with a view to consolidating its recent reforms. Tunisia's adhesion to the GATT as well as its firm commitment to the future WTO will, I am sure, constitute a strong foundation for its further trade liberalization, which will contribute both to Tunisia's own economic development and to the reinforcement of the multilateral trading system.

A modern farm at La Kef, Tunisia: Formerly inward-looking, the economy is now significantly more open and export-oriented. (ILO Photo)
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**CALENDAR**

The following is a tentative schedule of meetings in GATT:

**JULY**

11 Sub-Committee on Services: Negotiating Group on Basic Telecommunications;
12 Sub-Committee on Trade and Environment: Services: Negotiating Group on Movement of Natural Persons
13 Services: Negotiating Group on Maritime Transport
13-14 Working Party on Ecuador
14-15 Textiles Surveillance Body
15 Sub-Committee on Services: Sub-Committee on Budget, Finance and Administration
20 COUNCIL
22 WTO Preparatory Committee
26-27 BOP Ctte: Consultations with the Slovak Repepublic and Sri Lanka; Working Party on Chinese Taipei

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