PREPARATIONS FOR MINISTERIAL MEETING IN FULL SWING

GATT is already hard at work preparing for the Ministerial Meeting to be held in November 1982. The Preparatory Committee is holding meetings every month. At its third meeting, on 19 February, it started substantive work on the various topics which, after decision by the Council, would be considered by the Ministers. Preparation for the Ministerial Meeting has also been the focus of attention in the Consultative Group of Eighteen.

GATT’s membership growing

Following Tunisia¹, Thailand has now applied for accession to the GATT, and Zambia has just become a member. GATT welcomes this continuing increase in the number of its contracting parties.

Zambia has become the 87th member state of GATT. As Zambia has, de facto, been applying GATT rules in its foreign trade since it gained independence in October 1964, a simple declaration—under the procedures of Article XXVI of the General Agreement—was enough to make it a contracting party (member state).

The Thai authorities have notified GATT that they wish to initiate negotiations as soon as convenient for the full accession of Thailand to the General Agreement, in accordance with the procedures of Article XXXIII. Thailand applied for provisional accession to the General Agreement in July 1978.

In addition to the 87 contracting parties, one country has provisionally acceded to the General Agreement and 30 countries are applying GATT rules without formal membership.

Substantive discussion in the Preparatory Committee

The third meeting of the Preparatory Committee, under the chairmanship of Ambassador Donald McPhail (Canada), focused on substantive discussion of the preparation of the Ministerial meeting. Many developed and developing countries expressed views on the objective of the Meeting, and on the various topics that might be considered by the Ministers, mainly on the basis of a catalogue of suggested topics drawn up by the Secretariat listing all the proposals so far made in the various bodies of GATT. Delegates stated their reasons for preferring certain topics and some suggested criteria for choosing them. In general, speakers felt that a selection should be made among the various proposals, so as to enable the Ministers to concentrate on particular issues.

Various suggestions were made as to the possible form and content of the document which would emerge from the Ministerial Meeting.

Participants were asked to continue thinking about the various topics and, if they wished, to submit written justifications for their choices by the next meeting, to be held on 25 and 26 March.

The Consultative Group of Eighteen discusses aims of the Ministerial Meeting

Senior trade policy officials gave their opinions on the aims of the Ministerial Meeting at a meeting of the Consultative Group of Eighteen held on 10-12 February. A record of the discussion was forwarded on 19 February to the Preparatory Committee to help its work.

The Director-General, who is Chairman of the Consultative Group, noted a number of convergent points in the Group’s discussion. Broad agreement emerged on the need for action to restore confidence in the international trading system. The members of the Group considered that such action, to be conducted within the framework of GATT, should measure up to today’s challenges on the world trading scene: the action therefore should not only aim at improving the functioning of GATT’s mechanisms (including the Tokyo Round agreements), but also address itself to measures limiting access to markets and distorting international competition.

Technical Assistance and the Ministerial Meeting

Mr. Madan Mathur, Deputy Director-General of GATT, went to Singapore in February to take part in a seminar on GATT’s present and future activities. During the first half of the year, a number of senior GATT officials will be going to Asian, Latin American and African countries, under GATT’s Technical Assistance Programme, to acquaint trade policy officials with GATT’s system and explain to them what it can mean for their countries.

¹See Focus No. 8.
More than 600 Hurdles to Trade in Industrial Products Cited

Towards the end of 1981, GATT member countries received an updated inventory of non-tariff measures affecting world trade in industrial products. The new, 800-page inventory lists more than 600 measures covering diverse fields. The inventory was originally prepared for the Tokyo Round multilateral trade negotiations; in November 1979, at the end of those negotiations, GATT's member countries decided that it should be updated in the context of continuing the process of trade liberalization. The new inventory will serve to prepare for the ministerial session of the Contracting Parties in November 1982, which will review the functioning of the multilateral trade system and consider possibilities of improving it.

Work is progressing on updating a corresponding inventory for agricultural products.

Five main categories of measures

The various non-tariff measures are classified under five headings:

1. government participation in trade and restrictive practices tolerated by governments;
2. customs and administrative entry procedures;
3. technical barriers to trade;
4. specific limitations, such as quantitative restrictions, import licensing, embargoes, exchange control, discrimination resulting from bilateral agreements, export restraints, measures to regulate domestic prices, tariff quotas, export taxes, etc.;
5. charges on imports, such as prior deposits, surcharges, discriminatory taxes, discriminatory credit restrictions, border tax adjustments, etc.

Numerous notifications

The inventory is based on notifications received from GATT's member countries. In their notifications, many members reported what they considered objectionable non-tariff measures maintained by nearly all the other member countries. The latter were invited to comment on the notifications concerning them and these comments are included in the inventory. Where the contents of a notification or its inclusion in the inventory raised objections, bilateral consultations were held to verify the existence of the measure in question or to draft an accurate and detailed description of it. The results of these consultations were then communicated to the GATT Secretariat.

The following list gives an idea of the very wide range of subjects dealt with by the notifications: certain government procurement practices; fiscal incentives to promote exports; flag preferences; merchant-marine subsidies; anti-inflation insurance for exporters; private import monopolies accorded to domestic producers; legislation on commercial invoices; consular invoices and certificates of origin; consular fees; vague tariff classifications; import-substitution systems; arbitrary customs valuations; testing and certification formalities; pharmaceutical standards; import quotas or other import limitations; export licensing regimes and administrative documents required for them; minimum prices; restrictive provisions of rules of origin; supervision of activities of foreign company branches; discrimination in industrial licensing; and difficulties in registering patents and trade-marks.

The inventory remains open: GATT members are free at any time to ask for inclusion of new notifications and for amendment or deletion of existing ones. The inventory's loose-leaf format will enable speedy circulation of changes by the Secretariat.

Distribution of the inventory is limited to governments of GATT member countries.

DAVOS SYMPOSIUM

At the Davos Symposium, sponsored by the European Management Forum and attended by some 500 people—Ministers of Industry, businessmen and high officials—Jacques de Larosière, Director of the International Monetary Fund, stressed that short-term protectionism policies aimed at support for ailing industries are both inefficient for saving jobs and very costly.

"Stagflation" is poison to the world economy", he said in describing its evils: "it has caused a major set-back to the growth of world trade and a fall in prices for many basic commodities upon which developing countries depend for their export earnings. It is also causing some of the industrial countries to back-pedal on their aid programmes. What is more, the attack on inflation by way of monetary policy in a number of industrial countries is resulting in soaring interest-rates, and much heavier debt-service costs for the developing countries."

We must go ahead if we are not to go back

"The choices we make in 1982 are pivotal for the future of the world economic order", said United States Trade Representative William Brock at Davos, strongly supporting the holding of GATT's Ministerial Meeting in November 1982. "Of course, we need to insist upon full implementation of the Tokyo Round agreements, but we also need a renewed and revitalized trading system that is designed to deal with new barriers as they arise, before they undermine past negotiating achievements." He concluded by saying that the choice was narrowly limited "to going ahead or going back".

1 "Stagflation" means high rates of inflation combined with slow growth and rising unemployment.
TRADE MEASURES TAKEN FOR BALANCE-OF-PAYMENTS PURPOSES AND THE GATT

Because of the 1974 oil crisis and the growing balance-of-payments problems affecting both industrialized and developing countries, it was feared they might resort to widespread use of trade measures to counter balance-of-payments difficulties.

In the event, this did not happen. The system of floating exchange-rates eased monetary adjustments and made recourse to trade measures for monetary purposes less necessary. Also, a consensus emerged to limit the use of such measures to a minimum. The countries participating in the Tokyo Round negotiations formally adopted in 1979 a Declaration on Trade Measures Taken for Balance-of-Payments Purposes, which strengthens the GATT disciplines in this area and reflects the determination of GATT members to prevent financial crises from having undue repercussions on trade.

GATT rules and procedures

According to Article XII, any GATT member country may restrict its imports in order to “safeguard its external financial position and its balance of payments”. The restrictions may not exceed those necessary to forestall the “imminent threat of, or to stop, a serious decline in its monetary reserves”, or, if the country has very low reserves, to “achieve a reasonable rate of increase in its reserves”, and the restrictions are to be relaxed progressively as the reserve situation improves.

A GATT member making use of the right to use trade measures for balance-of-payments purposes has to consult with the other members of GATT, which in turn consult with the International Monetary Fund on the financial aspects of the measures, in particular the consulting countries’ balance-of-payments situation. The consultations take place in GATT’s Committee on Balance-of-Payments Restrictions.

In its report to the GATT Council, the Committee evaluates the balance-of-payments situation of the consulting country, the trade impact of the measures taken and the possibility of resorting to alternative methods of correcting the balance-of-payments disequilibrium. The views of the Fund on the consulting country’s balance-of-payments situation play a key role in the formulation of the Committee’s conclusions.

A similar safeguard provision for developing countries that is specifically tailored to their needs is contained in GATT’s Article XVIII: B. In 1972, simplified procedures for consultations with developing countries were introduced; they can submit a concise written statement describing the nature of their balance-of-payments difficulties, the restrictive system used, its effects, and the prospects of liberalization. The Committee then decides whether full consultations are desirable, and if not, recommends to the Council that the country in question be considered to have consulted and to have fulfilled its obligations under Article XVIII: B for that year.

The Committee now has fifteen members, of which about one half are developing countries.

Changing attitudes

The attitudes of governments towards the rules and procedures have changed with the circumstances. In the 1960’s, countries began to use surcharges and import deposit schemes to safeguard their balance-of-payments, instead of quantitative restrictions as provided for in the General Agreement, and the view spread that this should be taken into account by the GATT.

The introduction of flexible exchange rates in the early 1970’s lessened the need to resort to trade measures to achieve payments equilibrium. This gave rise to the view that trade measures should be imposed for balance-of-payments purposes, if at all, only in highly exceptional circumstances.

In the late 1970’s, protectionist pressures rose, and some governments that had to resort to trade measures for balance-of-payments reasons claimed that their payments difficulties did not stem primarily from their own policies, but rather from restrictive measures taken by other countries. They therefore proposed that the consultations in GATT should not only cover the consulting country’s measures, but also related measures by other countries. The developing countries also sought such changes in their favour.

The 1979 Declaration

It was against this background that the Declaration on Trade Measures Taken for Balance-of-Payments Purposes was adopted by GATT’s member states in November 1979 at the conclusion of the Tokyo Round. In this Declaration, GATT’s members express their conviction that “restrictive trade measures are in general an inefficient means to maintain or restore balance-of-payments equilibrium” and they recognize that “developed contracting parties should avoid the imposition of restrictive trade measures for balance-of-payments purposes to the maximum extent possible”. In the present world economic situation characterized by widespread payments imbalances, this willingness and conviction should not be underestimated.

(continued overleaf)
Working Party on Sugar

A working party on sugar, set up by the Council last September, met on 17 February.

The working party had been established following lengthy discussions in the Council during 1981 over reports by panels set up to investigate complaints by Australia and Brazil concerning the European Community's system of granting export refunds on sugar. They should give preference to the schedule reflects the conviction of the contracting parties that they should try to avoid restrictive import measures taken for balance-of-payments purposes and to stimulate "new investments that would not be economically viable in the absence of the measures".

At a meeting on 25 September 1981, the Council had noted that Australia and Brazil were maintaining their complaints, while the EEC contended that it had fulfilled its obligations under Article XVI:1 of the GATT (concerning subsidies). The Council decided "without prejudice to the rights and obligations of contracting parties under the General Agreement, to establish a working party to conduct a review of the situation, and to report to the Council not later than 1 March 1982". At the same time, the Council took note of the Chairman's understanding that the members of the working party, in the review of the situation, could raise "any element having a bearing on the consideration of this matter relating to sugar".

At the meeting of the working party on 17 February, delegations expressed differing opinions on the nature of the working party’s mandate, i.e., whether members of the working party should examine the situation deriving from the fact that the EEC refund system has caused prejudice, as established by the panels, or whether the situation to be discussed was more generally that of the world sugar market and the influence of various trade policies of all participants in the working party in the deterioration of the world sugar market situation. It was not possible to reach agreement on this point, and consequently there was only limited substantive discussion of the sugar issue.

The working party will report on its meeting to the Council.

Trade measures taken for balance-of-payment purposes and the GATT (continued)

Certain rules are prescribed: the contracting parties shall, subject to certain provisos, give preference to the type of measure which has the least disruptive effect on trade; they should avoid the simultaneous application of more than one type of trade measure for balance-of-payments purposes, and they shall, whenever practicable, publicly announce a time schedule for the removal of the measures. The requirement to announce a time schedule reflects the conviction of the Contracting Parties that they should try to avoid restrictive import measures taken for balance-of-payments purposes from stimulating "new investments that would not be economically viable in the absence of the measures". The Balance-of-Payments Committee has in its recent consultations paid particular attention to the observance of these new conditions.

The Declaration also obliges developed contracting parties to take into account the export interests of the less-developed GATT members, and it allows them to exempt from their restrictive measures products of export interest to the less-developed members. The Declaration also deals with procedural and institutional matters; it contains provisions taking into account particular concerns of developing countries. For instance, the decision whether to hold full or simplified consultations with a developing country is to be based on certain objective criteria and not merely at the request of a Committee member; the Committee shall also report to the Council on any measure taken by a consulting country that is in important respects related to restrictive trade measures maintained by another contracting party, or that has a significant adverse impact on the export interests of a less-developed contracting party.

GATT FOCUS

Newsletter published 10 times a year in English, French and Spanish by the GATT External Relations and Information Division

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Coming GATT Activities

Provisional programme of meetings in March:

1-30 Informal consultations on Trade Liberalization
4-5 Committee on Technical Barriers to Trade
9-10 Working Party on Structural Adjustment
15-17 TSB
17 Committee on Trade in Civil Aircraft
25-26 Preparatory Committee
29-31 Committees of the Protocols Regarding Certain Milk Powders, Milk Fat and Certain Cheeses

The Secretariat of GATT has learned with deep regret of the death of Theodore Hijzen, former Director-General for External Relations of the Commission of the European Communities, whose eminent rôle during the many negotiations held under the auspices of GATT is remembered with admiration and respect.

GATT will not forget his important contribution to the success of the Kennedy Round.