Consultations on trade liberalization for tropical products and quantitative restrictions

Throughout March, developed and developing countries participated in informal consultations at GATT aimed at systematic identification and analysis of trade problems of exporting developing countries concerning tropical products and quantitative restrictions, so as to further liberalize trade in these areas.

The programme of consultations was launched by the Committee on Trade and Development at its meeting in November 1981, as part of its efforts to further liberalize trade in sectors of particular interest to developing countries. These nations considered that the concessions granted in the Tokyo Round by industrial countries on tropical products and quantitative restrictions still left room for substantial progress.

For each of the tropical products covered by the consultations (see box opposite), developed importing countries are examining with interested developing producers the situation regarding access to their markets, the post-Tokyo Round tariff situation, and application of non-tariff measures to certain tropical products (import levies, State-trading practices, selective internal taxes, quotas, etc.) on the basis of background documentation prepared by the GATT Secretariat. Developed countries are also stating their reasons for maintaining present levels of protection and are examining with developing countries the feasibility of further liberalization.

(Continued on page 3)

STRUCTURAL ADJUSTMENT

Working party studies structural changes in production, employment and trade

Meeting on 18 February and 9 March, the Working party on Structural Adjustment and Trade Policy, in which thirty-four countries are participating, began discussing a GATT Secretariat study on changes in the structure of production, employment and trade since 1963.

The Working party was established to analyze and discuss the relationship between developments in trade and changes in production structures, and to examine information communicated by GATT members on their own experience in the field of structural adjustment.

The Secretariat study identifies structural changes by broad categories and examines the international pattern of production and trade in agriculture, mining and manufacturing. It also examines the various factors relevant to structural changes, such as conditions of domestic supply and demand, international trade, and government policies. The study does not attempt to establish any causal link between changes and the factors relevant to them, leaving each country to draw its own conclusions.

Many GATT member countries have communicated information on their experience in the field of structural adjustment. The discussion is to be resumed after additional information has been given and delegations have had time to study the data. The Working party will meet again on 27 April. In due course, it will report to the Preparatory Committee for the November 1982 Ministerial meeting, and will decide what contribution it can make toward that meeting.

Tropical products covered by the consultations:

1. Tropical beverages:
   - Coffee and coffee products;
   - Cocoa and cocoa products;
   - Tea and instant tea.

2. Spices, flowers, plants, gums and essential oils.

3. Certain oilseeds, vegetable oils and oilcakes (palm, copra, castor, etc.).

4. Tobacco, rice and tropical roots (in particular manioc).

5. Tropical fruits:
   - bananas and banana products;
   - nuts and nut products;
   - other tropical fruits and tropical fruit products.

6. Tropical wood and rubber, products and articles thereof.
INTERNATIONAL TRADE IN 1981 AND PRESENT PROSPECTS

First assessment by GATT’s economists

Volume of world trade stagnates

World merchandise trade amounted to nearly $2,000 billion in 1981, one per cent less than in 1980. This was the first year-over-year decline in the value of world trade since 1958. The decline followed an increase of more than 20 per cent in the preceding year. It was essentially due to the movement of export unit values expressed in dollar terms, which had risen by nearly 20 per cent in 1980, but which declined by 1 per cent in 1981.

In volume terms—a more significant criterion—world trade stagnated in 1981. World exports of petroleum were down 14 per cent, and those of other minerals down 5 per cent. On the other hand, world exports of agricultural products and manufactures increased by 5 per cent and 3 per cent respectively.

World trade by areas, 1979–1981 (Billion dollars and percentages)

<table>
<thead>
<tr>
<th></th>
<th>Exports (f. o. b.)</th>
<th>Import (c. i. f.)</th>
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<tbody>
<tr>
<td></td>
<td>Value 1980</td>
<td>Change over previous year 1980</td>
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<tr>
<td>World</td>
<td>2,000</td>
<td>1,970</td>
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<tr>
<td>of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial countries</td>
<td>1,233</td>
<td>1,215</td>
</tr>
<tr>
<td>OPEC</td>
<td>296</td>
<td>270</td>
</tr>
<tr>
<td>Other developing countries</td>
<td>250</td>
<td>265</td>
</tr>
<tr>
<td>Eastern Trading Area</td>
<td>176</td>
<td>179</td>
</tr>
</tbody>
</table>

1 Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

Imports f.o.b.

Note: Figures for 1981 are based on incomplete returns and are subject to revision.


Developed countries

The combined trade deficit of the industrial countries fell by about one third in 1981. Terms of trade deteriorated for the third consecutive year. In volume terms, imports by these countries declined by 2.5 per cent, while their exports grew by nearly 3 per cent.

Trade among developed countries slowed down appreciably, while their exports expanded rapidly to the rest of the world, especially to OPEC countries. As for their imports, only those from non-OPEC developing countries continued to rise.

United States imports were up by 1 per cent while its exports fell in volume by 3 per cent. Nonetheless, owing to an improvement in the terms of trade—mainly because of the appreciating dollar—the U.S. recorded only a moderate increase in its trade deficit.

In Japan, a marked increase in exports combined with moderate import growth in volume terms shifted the trade balance from a deficit exceeding $7 billion to a surplus of nearly $9 billion in 1981. Toward the end of the year, however, Japan’s exports began to slow down, and the trend has continued in early 1982.

The value of Western Europe’s exports fell by around 7 per cent in 1981, and imports by 10 per cent, the decline being slightly less pronounced in the European Community countries.

Developing countries

The economies and trade of developing nations showed varying trends in 1981. Oil production dropped back sharply in the OPEC countries but expanded in other developing countries, in particular Mexico. According to first estimates, gross domestic product (GDP) growth of the oil-importing developing countries seems to have fallen close to the rate of population growth in 1981, representing the lowest economic growth rate for these countries since the second world war.

Despite a 9 per cent decline in export earnings in 1981, the OPEC countries remained the most dynamic import market, with an import growth rate of roughly 15 per cent in value (compared to 34 per cent in 1980) but virtually no change in volume. Their aggregate trade surplus declined by about $45 billion, reaching $115 billion (of which $100 billion was for Saudi Arabia and the Gulf states). Slower import growth coupled with borrowing on international capital markets is foreseen for some of the OPEC nations.

Overall imports by the non-OPEC developing countries increased by around 7 per cent in 1981, to the level of $330 billion, but with wide variations from one country to another. The outstanding example is Mexico which has become the eighth largest supplier of crude petroleum, its oil exports having increased by one half to some $14 billion (i.e. 70 per cent of the country’s total exports), while the value of its imports rose by 28 per cent. A few other developing countries (such as Egypt, Oman and Cameroon) also recorded substantial growth rates for their oil exports, while certain oil-importing countries in the Far East expanded both their exports and imports in 1981. In all other oil-importing developing countries, the volume of imports increased only very slightly, and in some cases declined.

1 Each Spring, the GATT Secretariat assesses trade trends for the preceding year. Fuller information will be published in the Autumn in the report International Trade 1981/82.
For the first time, exports of manufactures surpassed exports of primary products other than oil.

Export prices of raw materials other than petroleum were down about 13 per cent from the 1980 level, with a still larger fall for coffee, cocoa, sugar, copper and tin. This, together with weakening demand for these products, generally resulted in stagnating or dwindling export revenue for producing countries, with only a few exceptions.

Price trends and export opportunities were in general more favourable for manufactures produced by developing countries, and for the first time these exports surpassed sales of raw materials other than petroleum. Demand was keen for engineering products, clothing and certain consumer goods in the oil-exporting developing countries, as well as in some industrial countries and in China.

Eastern trading area

Overall growth rates of production and trade continued to decline in 1981, but with differences between the various zones.

In Eastern Europe, output and the value of trade were down, particularly with the developed Western countries. The balance-of-payments difficulties experienced by Eastern European countries resulted primarily from slow growth in their export earnings, a deterioration in the terms of trade resulting from higher energy prices, and increased costs of debt servicing, further aggravated by high interest rates.

On the other hand, the Soviet Union increased both production and trade in 1981. Its imports from developed market economies rose by 11 per cent in the first nine months of the year, and those from developing countries were up by nearly 50 per cent in value.

In China, combined output of industry and agriculture appears to have increased by 3 per cent in 1981, the lowest growth in the past 30 years. In value terms, China’s exports were up by 5 per cent and imports by 10 per cent.

In its next issue, FOCUS will report on the second part of this assessment by GATT’s economists, covering problems of inflation and unemployment and their relevance to international economic policy and growing protectionist pressures.

Trade liberalization (continued)

Toward the end of March, developed and developing countries were also discussing quantitative restrictions on imports of other agricultural and industrial products of interest to developing countries.

A general stock-taking on these consultations will be put before the Committee on Trade and Development at its meeting on 5-6 April when it will determine its contribution to the work of the Preparatory Committee for the Ministerial meeting scheduled for November 1982.
GATT's Director-General warns against bilateralism and sectoralism in trade policy

"The prime function of governments is to appreciate the global, not sectoral, interests of their countries. A foreign trade policy has to consider national trade needs globally; as sectoral arrangements proliferate, coherent policy-making becomes impossible, and economic efficiency is lost at every stage", said Arthur Dunkel. GATT's Director-General addressing a meeting of businessmen at Hamburg on 5 March on the occasion of the "Ostaschisches Liebesmahl."

The Director-General recalled that apart from the Multifibre Arrangement—which is a negotiated derogation from the GATT rules—special arrangements have been made in a number of other sectors (steel, shipbuilding, synthetic fibres, automobiles, agriculture where intervention has become institutionalized). He said this tendency could undermine the credibility of those who champion the open trading system and could endanger international economic cooperation.

Mr. Dunkel pointed to the use of subsidies, both domestically and in export markets, as an equally dangerous distortion of competitive conditions. "The fact that in all Western economies, subsidies have risen sharply in relation to gross national product (GNP) over the last ten or fifteen years, and that they are increasingly given in addition to protection, is a logical and at the same time absurd consequence of the sectoral approach," he said.

"As each country protects its national industry domestically," he added, "all of them together are, by subsidies, artificially intensifying the competition of these industries in the export market which, of course, consists of each other's domestic markets, the same markets all are trying to protect. Furthermore, he said, sectoralization of commercial policy disrupted the necessary balance between the industrial and the financial sides of the economy; indebtedness could be sustained only by a continuing, if not accelerated, expansion of trade, which was an essential factor of industrial recovery.

Strict reciprocity is technically infeasible

In the Director-General's view, the notion that trade should be conducted on the basis of strict reciprocity implied "repudiation of existing international obligations, and of all the lessons of the past which have demonstrated that strict reciprocity is technically infeasible... The fact that countries have been negotiating and contracting with each other in the GATT on the basis of reciprocity and the most-favoured-nation clause is due to their understanding that reciprocity is always a subjective notion, which cannot be looked at in bilateral terms. It cannot be determined exactly; it can only be agreed upon among countries sharing a commitment to some higher principle which is the rule of law."

Are the GATT rules outdated?

In reply to people who say the GATT rules have become obsolete and ineffective for present-day problems. Mr. Dunkel pointed out that lately these rules had not been given much chance to prove themselves. Countries that did not apply them claimed that they were unrealistic, too strict and too demanding. Did it follow that looser, more permissive rules would be more faithfully observed by governments? No, said Mr. Dunkel, who added that it seemed appropriate to ask if the system of law which governments have laid down in the General Agreement no longer in their judgement corresponds to the national interests of their countries, or whether the problem is that these countries are no longer willing to make the continuous adjustments which the system demands.

The Director-General said he remained convinced that it was "in the national interest of every trading nation to abide by the rules, which were accepted as valid for good times and bad, and to frame their internal policies accordingly. Those who believe in the open trading system must recognize and accept the need to correct those rigidities in their economic and social systems which obstruct the process of continuing adjustment on which economic growth depends." With such conviction and resolution, he said, the present crisis of confidence could be overcome and recovery might begin.

Coming GATT activities

Provisional programme of meetings for April:

1 Committee on Tariff Concessions
1-2 International Dairy Products Council
2 Committee on Safeguards
5-6 Committee on Trade and Development
19-20 Working Party on Accession of Thailand
20-21 Preparatory Committee
26-30 Committee on Anti-Dumping Practices
28-30 Committee on Subsidies and Countervailing Measures
27 Working Party on Structural Adjustment
28 Technical Sub-Committee on Trade in Civil Aircraft

Tentative programme for May:

4-7 Consultative Group of Eighteen
4-5 Committee on Customs Valuation
10-11 Committee on Import Licensing
18-19 Preparatory Committee
24-25 Committee on Technical Barriers to Trade

Multifibre Arrangement

By 15 March 1982, the Protocol extending the GATT Multifibre Arrangement, negotiated in December 1981. had been accepted by sixteen signatories: Brazil, Commission of the European Communities (on behalf of its ten member States), Egypt, Finland, Hong Kong, Hungary, India, Japan, Korea, Mexico, Pakistan, Philippines, Poland, Sri Lanka, Switzerland and the United States.

GATT FOCUS

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Centre William Rappard,
154 rue de Lausanne, 1211 Geneva 21
(tel. 31 02 31)