MINISTERIAL SESSION

The Preparatory Committee for the GATT Ministerial session scheduled for November 1982 is meeting each month; on 25–26 March it continued discussing topics that might be included in the agenda for the session.

The provisional catalogue of proposed topics includes some general issues, such as problems facing the world economic and trading system, protectionism, and implementation of the GATT. Among new topics proposed are trade in services, and certain problems specific to individual sectors. A number of topics reflect special concerns of developing countries and the problems of the least-developed among them.

Previous discussions in the Committee mainly centred on reasons for maintaining or withdrawing specific topics, and the presentation of issues of particular interest to some delegations. At the Committee’s March meeting, however, proposals were made for integrating topics in a structured agenda. Participants also considered the type of suggested final document to be put before the Ministers for their Geneva meeting.

A short paper was prepared to bring the Committee’s deliberations into better focus at its next meeting, on 28 April.

The Preparatory Committee has decided that the Ministerial session will take place at the Geneva International Conference Centre.

COMMITTEE ON TRADE AND DEVELOPMENT

Contribution to Ministerial meeting

The GATT Committee on Trade and Development (CTD) met on 5–6 April and discussed two main issues: the results of the consultations on trade liberalization (see article p. 3) and its contribution to the GATT Ministerial session scheduled for November 1982; the Committee will shortly be reporting on this to the Preparatory Committee.

The discussions on the Ministerial session brought out two possibilities for contributions:

- in the first place, the CTD could examine the substantive matters within its field of responsibility, directly linked to trade relations between developed and developing countries. They include increased trade liberalization in sectors of particular interest for developing countries, implementation of Part IV of the GATT regarding developing countries and of the reenabling clause resulting from the Tokyo Round, and the effective observance of its provisions by all contracting parties, together with technical assistance to developing countries; any other question for which the CTD has direct responsibility could also be put forward.

- Secondly, the CTD could contribute to the examination of broader issues concerning trade relations in general, but from the aspect of developing country interests. Several general topics included in the provisional catalogue of issues that might be examined by the ministers are of particular relevance to developing countries.

SAFEGUARDS

Identification of safeguard measures

Meeting on 2 April, the Committee on Safeguards saw the Ministerial meeting to be held in November 1982 as offering an opportunity for reactivating negotiations on safeguards. Some representatives hoped that before November an agreement could be reached which could be endorsed by the Ministers; others felt that the Ministers should be asked to give a political stimulus for completing negotiations within a reasonable period.

Following the Committee’s discussions, the Secretariat is working on a list of recently-imposed measures which have a safeguarding effect. The need for greater transparency in safeguard action has been recognized by all members of the Committee. Its next meeting will be on 24 May.
Full participation in the international division of labour remains a condition for sustained, stable growth

In the second part of their study on international trade in 1981 and present prospects, the GATT economists find that while there has been little change from 1980 in the economic situation, the tone of the economic policy debate - national and international - has become increasingly acrimonious.

How is the world economy to return to a more satisfactory state? The main condition appears to be a more differentiated and more comprehensive diagnosis of its present ills, without attention being focused on a single explanation to the detriment of others. "Good management of the economic order requires a global approach - a rethinking of the proper balance between national policies designed to secure the needs of particular industries, the needs of the national economy as a whole, and those of the international system."

Indebtedness of the non-OPEC developing countries still one of the major international economic issues

In 1981, the gross indebtedness of the non-OPEC developing countries increased further by some $50 billion, while their foreign exchange reserves were drawn down by about $5 billion. In the last two years, a rising proportion of new international borrowing has been used for debt servicing. The GATT economists consider it unavoidable that the availability of international credit for this purpose is shrinking rapidly.

Inflation and unemployment

It is impossible to estimate just how much investment the world economy now requires to correct the accumulated backlog of adjustments needed to open up a new period of sustained growth, absorb existing unemployment and improve productivity.

In the present situation, according to the study, "an attempt to loosen up credit and step up the creation of money is more likely to send interest rates up than down".

Moreover, there is a real danger that the would-be low interest rate countries might resort to capital controls to prevent funds from moving internationally in search of higher rates of return, and might gradually extend controls to current payments, which would be equivalent to controlling trade flows directly.

In the view of the GATT economists, only indirect approaches (policies aimed at increasing private saving and reducing budget deficits) seem to hold out any promise for reducing interest rates.

Unemployment and protection

"Protection against imports can only aggravate the employment picture on the whole" say the GATT economists, noting that a well-tested theorem of economics explains why a country that reduced its imports would by that policy reduce its exports as well, even if other countries continued trading without restrictions.

In conclusion, they consider that "from more than two decades of experience it has been generally acknowledged that import-substitution development strategies have not been successful in promoting economic growth. Full participation in the international division of labour remains the necessary condition for sustained, stable growth."

Trade in Civil Aircraft

The Committee on Trade in Civil Aircraft met on 17 March. It welcomed information from Japan on the efforts that country is making to ensure greater transparency in statistical methods and on the withdrawal of civil aircraft from the list of imports under quota restriction.

\[1\] See in particular FOCUS No. 11 of February 1982.

COUNCIL

At its meeting on 31 March the GATT Council appointed a panel to examine a United States request regarding certain Canadian trade practices in the context of its legislation on foreign investment.

Also at the request of the United States, the Council set up a panel to examine the trade effects of subsidies granted by the European Community on certain fruit preserves.

The question of sugar has once more been considered by GATT. The Council adopted the report of the working party which met in February and which had found widely differing views between the European Community and its partners over the working party's terms of reference.

Editor's note: On 2 April, ten sugar-exporting GATT countries addressed a collective request to the Commission of the European Communities for the opening of consultations on the Community's sugar policy. The request has been notified to GATT.

International Dairy Products Council

At its meeting on 1 April, the International Dairy Products Council found that the general situation and prospects for the world dairy market were giving concern and should be followed closely.

Considerable concern is being felt over stocks, which are at a particularly high level in the United States and can be expected to continue to rise, as well as over problems of stock disposal. The downturn in world international prices of milk powders, butter and anhydrous milk fat which developed at the end of 1981 seems to have continued in early 1982. Stock levels and appreciation of the US dollar have contributed to this trend, in which more sluggish demand may also be playing a rôle. In addition, milk production is tending to increase in 1982, after having been relatively stationary in 1981.
INFORMAL CONSULTATIONS ON LIBERALIZATION OF TROPICAL PRODUCTS AND QUANTITATIVE RESTRICTIONS

Informal consultations were held during March, under the auspices of the Committee on Trade and Development, to examine possibilities for the further liberalization of trade in tropical products and of quantitative restrictions. Developed and developing countries which took part in the exercise agree that the consultations have clarified the situation in these areas. Developing supplying countries now have a more complete picture of the trade policy measures in force and the reasons for them. Developed importing countries, for their part, have gained a better appreciation of the impact of these measures on the trade of developing countries and of the importance, for individual developing countries, of the trade interests affected.

Although progress has been made over the years in liberalizing trade in tropical products, a considerable number of measures still affecting trade in those products, in both primary and processed forms, were identified in the course of the consultations. Developing supplying countries made specific suggestions for improvement which the developed countries have agreed to examine.

While it is still difficult to foresee the concrete results, the exercise should be seen in the context of the GATT work programme for the post-Tokyo Round period and more particularly the mandate given to the GATT Committee on Trade and Development regarding increased trade liberalization in sectors of interest to developing countries. The Ministerial meeting of November 1982 could give a new impetus to this work (see article page 1).

**Tropical products**

**Progress to date**

Substantial progress was made toward liberalizing tropical products in the Kennedy Round and, more recently, in the Tokyo Round when special and more favourable treatment was provided for this sector. The generalized preference schemes brought into effect by developed countries have also improved conditions of access to their markets. Trade in some products, including rubber, essential oils, certain vegetables, vegetable materials and gums, has been liberalized very considerably. Nevertheless, major obstacles are still hampering market access and consumption of tropical products.

**Trade problems**

The tropical products covered by the March consultations in GATT (see box) represent important sources of export earnings for developing countries. The latter have stressed the rôle that the industries processing tropical products are expected to play in their economic development programmes. They have referred to the problems of low prices and market instability currently facing many tropical products and to the importance of the successful conclusion and effective operation of international commodity agreements wherever feasible and appropriate, and have underlined the need to remove all obstacles to increased consumption of tropical products.

In a case-by-case examination, many developing countries mentioned the existence of high tariffs on numerous tropical products in the primary state and of higher tariffs on processed products (tariff escalation). Import restrictions applied by some countries, as well as internal charges on certain products such as coffee, cocoa, tea and bananas, are felt to have a disincentive effect on consumption. In addition, trade flows are adversely affected by difficulties resulting from plant-health regulations applied on cut flowers, manioc, certain oilseeds and oilcakes, and also from State-trading arrangements, production aids, export disposal policy and mixing regulations.

In reply, several developed countries said that some import charges on coffee, cocoa, etc. were being maintained to provide a margin of preference for certain developing supplying countries, including some of the least developed. They also mentioned the need to protect their domestic industry in particular cases; imports of many processed products (for example certain vegetable oils, instant coffee and plywood) have increased substantially, causing difficulties for the domestic industries concerned. The view was also expressed that internal charges do not necessarily have a significant effect on consumption; some import restrictions are seasonal, while others are designed to protect domestic production of substitutes.

**Quantitative restrictions**

Many developing countries regretted that, in spite of decisions or declarations made by contracting parties on various occasions in favour of progressive liberalization or elimination of quantitative restrictions affecting developing countries, and of the commitments set out in Part IV of the General Agreement, efforts in that direction have had only limited effects. They pointed out that quantitative import restrictions not only directly hamper trade flows, but in addition...
COMMITTEE ON TARIFF CONCESSIONS

Contribution to the Ministerial meeting

The Committee on Tariff Concessions, at its meetings on 1 and 21 April, discussed its possible contribution to the Ministerial meeting scheduled for November 1982. Two topics in particular may be put before the ministers: the new tariff nomenclature, known as the harmonized system, and tariff escalation.

Adoption of the harmonized system currently being developed by the Customs Co-operation Council in Brussels would be of great interest to GATT; it would ensure greater uniformity in customs classification, and thus greater ability to monitor and maintain existing concessions, and better comparability of the statistics used in tariff negotiations. The ministers, it was felt, could encourage adoption of the system and endorse guiding principles for work in this area, to the extent that such principles could be agreed on before next autumn by the Committee on Tariff Concessions.

As regards tariff escalation, a pilot study on copper has just been carried out. Tariff escalation is of particular relevance for exporters of raw materials, since the level of protection increases with the degree of processing of products; it is generally held to be a factor inhibiting more rapid growth of international trade. Members of the Committee on Tariff Concessions believe that the ministers could intervene in this area by expressing support for a work programme to analyse tariff escalation on selected products and examine possibilities for reducing escalation.

In addition, the Committee continued its discussion on the legal validity of loose-leaf schedules, and the practical problems encountered in that area. It also considered the present status of implementation of tariff concessions resulting from the Tokyo Round.

LIBERALISATION OF TRADE IN TROPICAL PRODUCTS AND QUANTITATIVE RESTRICTIONS (continued)

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Developing countries made several proposals aimed at defining a global approach for reducing or eliminating quantitative restrictions in the industrial and agricultural sectors.

Developed countries explained and clarified the historical, economic and social reasons for maintaining various restrictions and the scope of some of them. They recalled that substantial progress had been made during the Tokyo Round and that efforts were continuing to further liberalize remaining import restrictions.

Annual report on GATT activities in 1981

The main themes of "GATT Activities in 1981" include increasing trade tensions, and continuing efforts to open up world markets, to strengthen the international trading system and to settle commercial disputes between GATT members.

The report gives a brief but comprehensive account of the work done by GATT in the course of the year. For 1982, it sees the coming Ministerial meeting as an opportunity to respond to problems and challenges facing the trading nations.

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Coming GATT activities

Provisional programme of meetings for May:

4-5 Committee on Customs Valuation
4-7 Consultative Group of 18
7 Council
10-11 Committee on Import Licensing
10-12 TSB
17-19 TSB
24-25 Committee on Technical Barriers to Trade
24-25 Preparatory Committee

Tentative programme for June

Beginning of June
Committee on Safeguards
14-15 Meat Market Analysis Group
17-18 International Meat Council
21-22 Committees on Milk Powders, Milk Fat and Cheeses
22-23 Preparatory Committee
23 Balance-of-Payments Committee
25 Balance-of-Payments Committee
28 Technical Sub-Committee on Trade on Civil Aircraft
29 Council (notification and surveillance. and regular meeting)
30 Committee on Trade in Civil Aircraft