MINISTERIAL MEETING

The Preparatory Committee for the Ministerial session has entered a new phase of its work. At its meeting on 28 April, a broad consensus emerged on the structure of the document to be submitted to the Ministers when they meet for the Geneva session of the Contracting Parties in November 1982. This document would consist of three parts: (1) a declaration or political undertaking; (2) substantive decisions giving effect to the declaration; (3) subjects requiring future examination.

The Committee asked its Chairman, Ambassador Donald McPhail (Canada), to carry out informal consultations with members of the Committee so as to make a first draft of the conclusions on which the Ministers will decide in November.

The Consultative Group of Eighteen, at its meeting of 4-6 May, held a detailed discussion on the possibilities of action by the Ministers, in order to assist GATT member governments to prepare for the November session during the coming months. The Group also continued the discussion it had begun earlier on possible means of improving or strengthening co-operation in international agricultural trade.

TEXTILES COMMITTEE

New Chairman for the Textiles Surveillance Body

At the meeting of the Textiles Committee on 21 May, Mr. Marcelo Raffaelli, currently Ambassador of Brazil to the Ivory Coast, was appointed as the new Chairman of the Textiles Surveillance Body (TSB). He will take up his appointment on 1 July, succeeding the present Chairman, Mr. Paul Wurth, Ambassador of Switzerland, whose eight-year term of office expires on 30 June.

Mr. Raffaelli has served in the Brazilian diplomatic service for nearly thirty years; he has represented Brazil in many United Nations bodies and various regional organizations, and in many capital cities. He was Head of the Brazilian delegation at the negotiations leading to conclusion of the Multifibre Arrangement (MFA) in 1973, and at those leading to its extension in 1977.

The Textiles Committee paid a tribute to Mr. Wurth, emphasizing the high professional and human qualities he had shown throughout his term of office, in circumstances which were often difficult because of the sensitive character of the textile sector. With his sense of diplomacy and personal dedication, he had played an important part in reconciling divergent interests, and by his cordiality and sense of humour he had been able to gain the sympathies of all participants. It was to Mr. Wurth that the Textiles Surveillance Body owed the position it now occupies in international cooperation.

The main tasks of the TSB are to examine all new restrictions on imports of textile products imposed unilaterally or under bilateral agreements, to determine whether they are fully compatible with the provisions of the MFA, and to provide a framework for the settlement of disputes. An important function of the TSB in such cases is to lend its good offices in pursuit of conciliation and, where appropriate, to make such recommendations as may help to bring about a settlement of the dispute. The Multifibre Arrangement has now been accepted by 24 signatories (representing 33 countries): Israel and Czechoslovakia have announced their intention of signing it shortly.

The Textiles Committee also confirmed the appointment of a Sub-group on Adjustment Measures in the textile sector, to replace the Working Group which had that task.

Working Party on Structural Adjustment

Discussion of possible contribution to the Ministerial session

The Working Party on Structural Adjustment continued, at its meeting on 29 April, its discussions on the Secretariat's study concerning changes in the structure of production, employment and trade since 1963, and on the contribution which the Working Party might make to the Ministerial meeting in November 1982.

Most of the Working Party members considered that its contribution to preparing for the Ministerial meeting should not be confined to submitting a factual report on activities relating to adjustment, but that it should invite Ministers to enter into a specific political undertaking.

The Working Party also noted that the information communicated by the GATT members regarding their experience in the matter of structural adjustment was now sufficient for a discussion on that subject to be started.

1 See article on page 3 and Focus Nos. 5, 6 and 12.
ACCESSION OF THAILAND TO GATT

Drafting of the Protocol of Accession

A Working Party, set up in February 1982 by the GATT Council to examine the application of Thailand to accede to the General Agreement, met on 19 and 20 April. The members of the Working Party welcomed and supported Thailand’s application.

The Working Party examined Thailand’s foreign trade regime and concluded that in the light of Thai explanations and assurances, and subject to a satisfactory conclusion of the relevant tariff negotiations, Thailand should be invited to accede to the General Agreement under the provisions of Article XXIII. For this purpose, the Working Party prepared a draft Decision and Protocol of Accession which will be submitted to the Council for approval at a future meeting. When the tariff negotiations for accession have been concluded, the result will be communicated to the Contracting Parties which will then take a formal decision on Thailand’s accession to GATT.

The representative of Thailand pointed out that his country’s economy was heavily dependent on external trade, and that in spite of enormous trade deficits the government had maintained an open trade regime. He hoped that the tariff negotiations would be concluded in time to enable Thailand to become a full GATT member before the Ministerial meeting in November 1982.

The Working Party examined various points concerning Thailand’s trade regime, in particular special import fees, certain import and export restrictions, the system of import licences, methods of customs valuation, and business and excise taxes.

SUBSIDIES AND COUNTERVAILLING MEASURES

Discussions centre on transparency

At the meeting of the Committee on Subsidies and Countervailing Measures on 28 April, the Chairman renewed his appeal to the Code’s signatories to comply more strictly with their obligations of notification under GATT’s Article XVI; that article provides that all subsidies must be notified, and the Subsidies and Countervailing Measures Code has reinforced that obligation. The Chairman stressed that national notifications or information transmitted bilaterally between partners did not dispense countries from making a multilateral notification to GATT. He reminded the Committee that at previous meetings the problem of the subjectivity of information had been raised: he thought that the decision as to whether a measure came under Article XVI and constituted a subsidy should not be left to the unilateral judgement of the country applying that measure.

During discussion on this question, several countries questioned the adequacy of the questionnaire on notifications of subsidies. Others thought that transparency should not be made an end in itself and that a balance should be struck between theoretical needs and practical possibilities. Some countries considered that the “self-incriminating” nature of the obligation to notify explained the reticence of governments.

The Committee examined other questions, such as the U.S. Domestic International Sales Corporations (DISC’s); several countries said these constituted an export subsidy and should be notified as such to GATT. The Committee also had before it a complaint by India concerning the modalities of application of countervailing duties by the United States: it agreed to seek a solution of that question by the conciliation procedures set out in the Code’s Article 17. The question of U.S. procedures was also raised by the European Community, which referred to inquiries made by the U.S. concerning European steel-exporting companies.

The Committee also discussed the contribution it could make to the preparation of the Ministerial meeting, and invited members to make written proposals on the subject.

Ten years after the Stockholm Conference

The International Conference on the Environment, held at Stockholm in June 1972, marked an awakening to the ecological dangers to which the world is exposed by human activities. At the start of the 1970’s, GATT — like other international organizations — considered the possible relations between its activities and industrial pollution control policies. The acceptance by governments of rules such as that of the principle that “the polluter pays”, which means that governments do not compensate industrial polluters for the expenses imposed by government requirements relating to environmental protection, is in accord with GATT aims. During the Tokyo Round, an Agreement on Technical Barriers to Trade was concluded, partly with a view to preventing trade barriers from being erected under cover of perfectly legitimate rules and regulations designed to protect the health of the individual and of the environment.

Coming GATT activities

Provisional programme of meetings:

June
9 Committee on Safeguards
10 Preparatory Committee
14-15 Meat Marketing Analysis Group
15 Sub-Committee on Trade of Least-Developed Countries
17-18 International Meat Council
21-22 Committees on Milk Powders, Milkfat and Cheeses
23-25 Balance-of-Payments Committee
28 Technical Sub-Committee on Trade in Civil Aircraft
29 Council (special meeting on notification and surveillance, and regular meeting)
30 Committee on Trade in Civil Aircraft

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1-2 Trade and Development Committee
2 Committee on Trade in Civil Aircraft
7-9 Consultative Group of Eighteen
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STRUCTURAL ADJUSTMENT, GATT AND INTERNATIONAL TRADE

Several international organizations are studying the issue of structural adjustment in the light of their own terms of reference. GATT is studying this subject from the point of view of trade policies, so as to better understand the nature of the process of adjustment and its interrelations with trade policies favouring the expansion of international commerce.

Although it is not certain yet what subjects will be dealt with at the Ministerial meeting in November 1982, the question of structural adjustment is among the items proposed. A Working Party, set up in June 1981 by the GATT Council (see article on page 1) to study structural adjustment from the point of view of trade policies, is considering the contribution that it could make to prepare for the Ministerial meeting.

Diversity of adjustment policies

A dynamic economy must continually adapt itself to shifting trends of supply and demand and to changing factors of production.

Although in market economies it is the business enterprises themselves which bring about most structural adjustments in response to market signals (price, etc.), governmental authorities can to some extent determine the speed and direction of the process of innovation and adjustment by creating incentives or obstacles to that process. According to whether adjustment policies are positive or negative, they facilitate or hinder the movement of resources towards goods that are in increasing demand, towards more efficient production methods and towards sectors whose relative advantage is increasing.

Some policies are general and affect all business enterprises, whereas others are selective.

Negative adjustment policies include, for example, fiscal disincentives to investment, customs duties to assist a sector in difficulty, subsidies to undertakings working at a loss, and government procurement regulations favouring branches of national production unable to contend with competition from imports. Positive adjustment policies, on the other hand, may include measures to enhance competition and improve conditions for investment and innovation. Greater mobility of labour and payments by governmental authorities to workers in threatened sectors to help them seek new employment and/or settle elsewhere.

Adjustments seem to have been less easy to make in recent years in the industrial countries. Mainly because of slow economic growth, many governments have adopted policies designed to maintain employment opportunities in particular sectors. Mobility of resources and the facility of adjustment have also been affected by a whole range of measures adopted by governmental authorities in the spheres of taxation, housing, security of employment, and price and wage controls.

GATT and structural adjustment

Following discussions on structural adjustment in the Consultative Group of Eighteen and the GATT Committee on Trade and Development, a Working Party was set up in June 1981 to study this issue from the point of view of trade policy (see article on page 1).

The Working Party was instructed to analyze and discuss: (1) the existing relationship between the provisions of the General Agreement and the process of structural adjustment; (2) the relationship between developments in trade and changes in production structures; (3) information to be communicated to it by GATT members on their experience with structural adjustment.

GATT provisions and instruments

In providing a framework for negotiating the liberalization of international trade and rules for the maintenance of that liberalization, GATT has made a large contribution to structural adjustment. Attainment of the objectives of the General Agreement entails a continuous process of structural adjustment; this link is more or less obvious.

- The basic idea of certain safeguard measures (Articles XII, XVIII: B. XIX) is that they should be temporary and not applied in such a way as to create or sustain fundamentally uncompetitive structures that would require long-term maintenance of levels of protection inconsistent with GATT obligations.

- The Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement (the subsidies code) recognizes, in Article 11 in particular, that one of the aims of subsidies other than export subsidies can be "to facilitate the restructuring under socially acceptable conditions of certain sectors".

- Other provisions of the General Agreement deal specifically with structural adjustment: the interpretative note to Article XXXVII paragraph 3(b) mentions steps to promote domestic structural changes as one of the means which might be used by developed contracting parties to widen the possibilities of increasing their imports from developing countries.

Finally, the Arrangement Regarding International Trade in Textiles (the Multifibre Arrangement) refers explicitly, in Article 1, paragraphs 4 and 5, to the need for safeguard measures to be accompanied by structural adjustment measures or policies.

- The question of structural adjustment has already been examined by various (Continued overleaf)
On 7 May, the GATT Council discussed the DISC tax legislation of the United States, and the prohibition by the United States of imports of tuna and tuna products from Canada; it took note of a report by the Preparatory Committee on preparations for the Ministerial meeting of November 1982, and also of a report by a Working Party on the fifth triannual review of the application of the Protocol for the Accession of Switzerland to GATT.

The Council also had before it a complaint by Argentina concerning trade measures applied against it by the European Community, Australia and Canada, for non-economic reasons. The representative of Argentina said the suspension of imports from Argentina decided on by those countries was contrary to the principles and objectives of the General Agreement and violated several of its provisions, in particular the most-favoured nation clause. He stressed that the measures had not been notified to GATT and insisted that the reference to Article XXI by the countries concerned was not justified, since only one of them was directly involved in the South Atlantic conflict.

The countries which had taken the measures argued that the exercise of their inherent rights, reflected in GATT's Article XXI, did not require notification, justification, or approval, and that it was for each Contracting Party to judge whether those rights should be exercised.

The Council decided to leave the question open and to keep it on the agenda.

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**Structural adjustment (continued)**

GATT bodies in the past: a Group of Experts on Adjustment Assistance Measures studied such measures from 1965 to 1972. A Working Group on Adjustment Measures was set up by the Textiles Committee in December 1979 to examine structural adjustment measures taken in the textiles sector, with reference to the provisions of Article I, paragraphs 4 and 5 of the MFA. The issue was also discussed during the Tokyo Round multilateral trade negotiations, in the context of improving the international safeguards system.

Development in trade and changes in the production structure

The study made by the GATT Secretariat on this subject first identifies the changes in the structure of production, employment and trade since 1963, sector by sector, before taking up various factors connected with structural changes that have taken place: domestic supply and demand, international trade and government policies. The study points out, in particular, that international trade can have an important influence on the magnitude and rate of domestic structural changes, by amplifying them. Many industries which are currently experiencing difficulties in the industrial countries were in relative decline before import penetration became a problem. International trade can also play an active role, causing changes in the industrial structure of a country which would not otherwise have taken place. Like the structural changes resulting from domestic forces, trade-induced changes are an important factor in economic growth.

**Trade’s contribution to the process of adjustment**

Although one must wait until the autumn of 1982 to know what place the Ministers’ meeting at GATT intends to give to structural adjustment, and the rôle that it will entrust to GATT in this sphere, one can already point to the basic contribution which the establishment and liberalization of the system of multilateral trade has made to the process of adjustment over the last 35 years, at both the national and international level. The enormous increase in world trade, and the international specialization which has accompanied it, have been made possible by the almost continuous liberalization of commerce which governments have negotiated during this period. The body of international rules and disciplines set out in the General Agreement has served to safeguard and consolidate the results obtained by liberalization.

The action of GATT has thus been twofold: it brought about liberalization permitting a beneficial change of structures, while at the same time checking the use of trade restrictions calculated to prevent such adjustment.

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**CUSTOMS VALUATION**

Yugoslavia informed the Committee on Customs Valuation at its meeting of 4 to 5 May, that it had given effect as from 1 April 1982 to the Arrangement on Implementation of Article VII, more commonly known as the Customs Valuation Code; New Zealand announced that it would do so as from 1 July 1982. Thus 31 countries will be applying the Customs Valuation Code.

Pakistan informed the Committee that its authorities were now examining the accession of Pakistan to the Code. One of the essential elements in Pakistan's decision will be the special and more favourable treatment accorded by the Code to developing countries. While stressing that the Code included positive elements in that respect, the representative of Pakistan expressed the wish that technical assistance provided for in the Code should be directed more towards practical problems relating to its implementation.

As usual, the Committee on Customs Valuation discussed information communicated to it by the signatories regarding the administration and implementation of the Code. In particular, it examined the Canadian draft legislation on this subject.

Members of the Committee exchanged views on different methods of customs valuation of goods used by signatories to the Code, and on the advisability of their submitting more detailed information on the volumes of trade subject to each of the five methods authorized by the Code.

The Committee also discussed the possibility of amending the Code to take account of practical questions (for example, treatment of interest for deferred payments and evaluation of computer software), and the results of the work of its technical sub-committee.

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