SAFEGUARDS

The Safeguards Committee met on 9 June to clarify the objectives and positions of participants on the issue of improving the international safeguards system. The Committee was unanimous in recognizing the urgency of restoring confidence in the system's functioning. While there was some agreement on certain features of a future safeguard system, in particular that recourse to emergency safeguard measures against imports should be exceptional and temporary, and that greater international transparency and discipline were needed, other elements of the system are still up for discussion. Improvement of the international safeguards system is one of the topics which Ministers are expected to address at the session in November this year.

Issues for Ministerial Session reviewed by Consultative Group of Eighteen

Issues to be raised at the November GATT Ministerial session have again been discussed by senior trade policy officials in Geneva. The officials, meeting in GATT's Consultative Group of Eighteen from 7 to 9 July, focused their attention on a limited number of key issues to be put before the Ministers.

As in its previous meeting in May, the Group also continued its broader discussion of possibilities for improving co-operation on agriculture in the GATT.

The Consultative Group will meet again from 6 to 8 October for a further exchange of views before the Ministerial session.

COUNCIL

Two subjects came in for particularly through discussion at the Council meeting on 29 and 30 June: the United States DISC tax legislation, and trade restrictions applied to Argentina for non-economic reasons.

The European Community, supported by several other participants in the Council, called on the Contracting Parties to urge prompt action by the U.S. to bring its DISC programme into conformity with Article XVI:4 of the General Agreement, as proposed by a panel which reported its conclusions to the Council on this issue in 1976. In the Community's view, the "understanding" interpreting certain concepts regarding export activities, which was adopted by the Council in December 1981, in no way affected the panel's conclusions concerning the DISC legislation.

The United States maintained that the DISC legislation was consistent with Article XVI:4 and that the common interpretation adopted by the Council last December had exonerated the DISC programme from inconsistency with the GATT provisions. The U.S. argued that its global tax system, which taxes the worldwide income of its domestic corporations, regardless of where the income is earned, subjected U.S. exporters to a higher tax than that produced by the territorial system which the Council's interpretation permitted. The DISC eased this situation, but still left U.S. exporters with a higher tax burden than a territorial system: it did not therefore, in the U.S. view, violate GATT either in economic effects or on grounds of equity.

Other GATT members disagreed. Article XVI:4 of the GATT, they insisted, had nothing to do with the possibility that a country might apply a less burdensome tax system on its exports. It simply required that countries should not grant a subsidy which resulted in an exported product being sold at a price lower than on the domestic market. What counted, they said, was the comparison between levels of taxation on exported products and those sold on the domestic market.

The Council agreed to return to this question at its next meeting on 21 July. Argentina reiterated in detail its position on the trade restrictions applied against it for non-economic reasons; these measures have now been (continued on page 2)
AGRICULTURE

Bovine meat; situation gives concern, but some hope for improvement

1981 was perhaps the worst year for the beef market since the improvement recorded in the late 1970s. At international level, commercial transactions in beef declined sharply in value, if not in volume. Weaker beef demand appeared to be a feature of the beef market in practically all consuming countries. The recessionary/inflationary situation affected beef demand in most importing countries. Also, in certain countries, supplies of competing meats continued high or increased while beef supplies also rose. These factors have caused generally lower average export prices (expressed in US dollars). While certain developments in early 1982 could set the stage for a recovery toward the end of the year or early 1983, there are still major uncertainties. The International Meat Council met on 17 and 18 June, following the session of the Meat Market Analysis Group on 14 and 15 June, and reviewed this and other information.

In addition, the Council was informed of two further signatories—Egypt and Poland—to the Arrangement Regarding Bovine Meat, bringing the membership to 22.

Dairy products: uncertain trend

The members of the Committees which administer the Protocols regarding certain milk powders, milk fat and certain cheeses, met on 21 and 22 June. Concern was expressed over the high level of stocks of these products, particularly in the United States. The Committees noted that international prices of the milk powders and milk fat covered by the Protocols have weakened somewhat, partly because of appreciation of the US dollar, while cheese prices currently seem to be firm.

COUNCIL (continued)

lifited by Australia, Canada and the European Community in the expectation that no further acts of force will be carried out in the South Atlantic. In particular, Argentina insisted that recourse to Article XXI of the General Agreement, invoked by those countries as justification for their restrictions, should be subject to the Article XXIII rules concerning dispute settlement, and Argentina reserved its rights in this respect.

In addition, Argentina proposed that an interpretative note should be drawn up to determine conditions for application of Article XXI; this proposal was supported by several countries.

Australia, Canada and the EEC, supported by several other countries, underlined the sovereign rights of contracting parties in matters affecting national security, as confirmed by past GATT practice; they reserved their position on the Argentinian proposal.

The Chairman decided to keep this issue on the agenda for the Council’s next meeting on 21 July.

The Council also set up a working party to examine the United States report on application of its Agricultural Adjustment Act, covered since 1955 by a waiver from certain provisions of the GATT.

Special session on notification, consultation, dispute settlement and surveillance

The Council met in special session on 29 June to carry out its fourth review of developments in the international trading system. It paid particular attention to the GATT rules and procedures for dispute settlement which have increasingly been used over the past few years, and to suggestions which might be put before Ministers in November 1982 for improving the system’s functioning. Some countries considered that the rules resulting from the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance, negotiated in the Tokyo Round, were adequate and that only better application was needed. Other representatives proposed procedural improvements with some strengthening of existing mechanisms, in particular the conciliation and jurisdictional functions of GATT, and underlined the need for a better balance between those two functions.

The Chairman of the Council and the secretariat are to consult informally with delegations on proposals that might be put before the Ministers.

1 See Focus No. 3.

Participation of developing countries in international trade discussions

Opening the first seminar in Africa on GATT activities, held from 28 May to 4 June at Abidjan (Ivory Coast), Mr. Amaoakon Thiemélé, Trade Minister of the Ivory Coast, said that “for the developing countries as a whole, the fact of having participated in the Kennedy and Tokyo Rounds of multilateral trade negotiations is of capital importance, even though that participation did not always match their real needs”.

Through those negotiations, he said, developing countries had realised the complexity of international dialogue, what it involved and the effort they had to make to secure due regard for their economic interests in any future international discussions. Participation in the negotiations had also given them the opportunity “to discover in GATT the ideal forum for seeking common solutions to their economic development and trade problems”.

Speaking on the same occasion, Mr. Arthur Dunkel, GATT Director-General, stressed that it was by participating actively in the preparatory phase, then in the Ministerial meeting itself, that developing countries could ensure that special measures were taken not only to safeguard the future of their trade, but also to protect their interests in the short and medium term; they could secure maintenance and even strengthening of the differential treatment they already enjoyed, adoption of measures to encourage active participation by developing countries in GATT activities, the study of any specific matters of interest for their trade, and also ensure that account was taken of their special interests in the context of any new areas of activity which GATT might develop in the coming decade.

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Focus on...

Preparations for the GATT Ministerial Session

In four months time, from 24-26 November, the Geneva International Conference Centre will host some 800 high-ranking delegates to the 38th Session of the GATT Contracting Parties at Ministerial level: Ministers for economy, trade, industry, or senior officials responsible for framing trade policy in their respective countries.

Coming from nearly 90 GATT member countries and from some sixty countries with observer status, they will discuss the future of the GATT international trading system and take whatever decisions they judge necessary to improve its functioning. The subject is vast and the time available short, hence the importance of preparing properly for the Ministerial meeting — a task in which senior national officials and the GATT secretariat have been busily engaged for nearly a year.

Attention has focussed in these preparations on developing an agenda for the Ministerial meeting as well as a final document to be put before the Ministers. Since May this year, the work has moved on to formulating a first draft of this document, to be followed by intensive negotiation on the final draft.

Agenda objectives

The proposal to hold a session of the GATT Contracting Parties at Ministerial level in 1982 was made by the Consultative Group of Eighteen in June 1981. Noting that “trade relations are beset by a number of complex and potentially disruptive problems, reflecting growing protectionist pressures”, the Consultative Group found that there was “a need for improved international co-operation to solve these problems ... and that it would be useful to consider at the political level the overall condition of the trading system”. In their unanimous decision of 25 November 1981, the GATT Contracting Parties agreed that the Ministers would address themselves to “the implementation of the results of the (Tokyo Round) Multilateral Trade Negotiations, problems affecting the trading system, the position of developing countries in world trade and future prospects for the development of trade. Finally, in the context of their consideration of the work programme of the GATT for the 1980’s, Ministers would also determine future priorities for co-operation among contracting parties”.

In December 1981, the Council, which has overall responsibility for preparing the Ministerial meeting, set up a Preparatory Committee, open to all GATT members, to assist it in its task and to draw up the agenda. The Preparatory Committee has met regularly each month and has been developing an agenda for the Ministerial meeting while preparing a first, and still preliminary draft of the final document to be put before the Ministers for examination and approval.

Choice of topics and organization of agenda

So far, two phases can be seen in the Preparatory Committee’s work:

- a phase of making a list of all the various topics proposed in recent months for examination by the Ministers, supplemented by written proposals from national delegations explaining their interest in certain topics on the list, or proposing the inclusion of new ones;
- a phase of selecting topics on the basis of certain criteria such as their particular relevance for many GATT member states, their importance for the international trading system, work already done in GATT in the area concerned, etc.

In March, it was agreed that the preparatory work should be organized under three main headings:

1. A first part, to be a political declaration of problems facing the international trading community, and a resolute reaffirmation by the contracting parties of their commitment to abide by the GATT disciplines and to seek the necessary solutions to world trade problems.

2. A second part, containing concrete decisions that the Ministers would take to give effect to the political declaration. These decisions could be of two kinds: the Ministers could agree on specific solutions to certain problems, or they could lay down guidelines for the solution of problems within a stipulated time-limit.

3. A third part, concerning subjects to be further examined in GATT, whether bearing on the present or the future of the trading system; the Ministers could propose specific studies and set time-limits for presenting the relevant conclusions.

Intensive consultations have taken place on this basis between the Chairman of the Preparatory Committee, the GATT secretariat and members of the Committee in order to organize the various suggested topics into these three divisions. A first draft was prepared in May, followed by a second version in July. The final product of these drafts will be submitted to capitals during the summer for examination by the appropriate authorities, and then by the Preparatory Committee on 23 September.

At this stage it is difficult to state precisely which topics might be included in the various parts of the document to be put before the Ministers. On the basis of negotiations now proceeding, the document can nevertheless be expected to mention improvement of the GATT international safeguards system, the system of notification, consultation, dispute settlement and surveillance, subsidies, agriculture, tariffs, and implementation of GATT rules in respect of developing countries, even if the precise nature of commitments that might be undertaken in these areas has not yet been spelt out. Proposals made by various delegations on these as well as other topics such as international trade in services, the trade problems of developing countries, etc., are being examined closely. (continued on page 4)

Coming GATT Activities

Provisional Programme of Meetings:

September
23 Preparatory Committee
27-29 Committees of the Protocols on Milk Powders, Milk Fat and Cheeses
28-29 Sub-Committee on Protective Measures
30 International Dairy Products Council

October
1 International Dairy Products Council
1 Council
6-7 Committee on Trade in Civil Aircraft
13-15 Committee on Technical Barriers to Trade
Week Committees on Subsidies and of 25 Countervailing Measures, and Anti-Dumping Practices

November
1-2 Council
3-5 Committee on Government Procurement
10-12 Committee on Customs Valuation
22-26 Thirty-Eighth Session of CONTRACTING PARTIES AT MINISTERIAL LEVEL.
Deterioration of Developing Countries Trade

Oil-importing Developing Countries

In 1981 the oil-importing developing countries had their slowest growth of total production since World War II. Their combined GNP increasing less than their total population. Despite a pronounced slowing down in the volume growth of their imports, the oil-importing developing countries were faced with a further rise in their current account deficit. One of the most disturbing features of the present trade and payments position of most developing countries is not so much the size of the current account deficit, but the fact that it has occurred despite a marked slowing down, or actual cutbacks in many countries, in the volume of their imports.

According to a report prepared by the secretariat for GATT's Committee on Trade and Development, "the present outlook does not provide grounds for expecting any significant decline in the combined current account deficit of the oil-importing developing countries in the near future... However, it seems likely that the size of the combined current account deficit of the oil-importing developing countries will be constrained by policies of adjustment adopted by some of those countries that are up against, or close to, their limits for financing payment imbalances. The extent to which these policies need not lead to a curtailment of imports will of course depend substantially on the success of these countries in expanding their exports. At a time when the prospects for substantial economic growth in the industrial countries are poor, this will in turn depend vitally on the avoidance of new measures to restrict imports from developing countries and the liberalization to the extent possible of existing trade barriers."

Least-Developed Countries

A separate report prepared by the secretariat for the Sub-Committee on Trade of Least-Developed Countries says that the situation of these countries seems to have deteriorated further in 1981. On the basis of the incomplete data currently available, their trade deficit with developed regions continued to grow in 1981, mainly because of a decline in their exports. Already in 1980, growth of their exports had lagged considerably behind that of their imports and their trade deficit widened further, to nearly $8 billion. The trade position of these countries has been worsening steadily since 1973, except in 1979, and their trade deficit in 1978 was four to five times larger than in 1973. The report adds that the generally unfavourable development in export earnings of the least-developed countries in 1981 stemmed both from slow growth in export volumes and from an almost general decline in the prices of exports. The strongest price declines were recorded for sugar (by two thirds), cotton (by one quarter) and groundnut oil (by one fifth). This trend continued generally in the first quarter of 1982.

In 1981 these countries were faced with a still growing current account deficit which could not be entirely financed by official development assistance, so that some of them were obliged to draw on international reserves.

At the meeting of the Sub-Committee on Trade of Least-Developed Countries, held on 15 and 17 June, many countries expressed concern at this situation. While underlining the importance of economic and trade co-operation measures already taken in favour of these countries, delegations underlined the need to seek new incentives to expand and diversify the trade of least-developed countries, to strengthen technical co-operation in the trade area, and to facilitate integration of these countries in the GATT trading system. The Sub-Committee sees the November Ministerial meeting as an opportunity to review actions already taken in favour of least-developed countries and to undertake new commitments to them.

Ministerial meeting (continued)

Contributions by GATT bodies

It has been agreed that each of the various GATT bodies will contribute to preparing for the Ministerial meeting. Apart from its consultative functions, the Group of Eighteen has special responsibility with regard to world agricultural trade. As for the Council, in addition to having overall responsibility for preparing the meeting, it is making suggestions on the GATT legal framework (see article, page 2, on notification, consultation and dispute settlement.)

At its most recent meeting, on 1 and 2 July, the Committee on Trade and Development decided to reflect further on its possible contribution to the Ministerial session in respect of special trade liberalization measures in favour of developing countries (tropical products, quantitative restrictions), tariff escalation, implementation of Part IV of the General Agreement, and the enabling clause; the Committee also adopted proposals made by the Sub-Committee on Trade of Least-Developed Countries (see article on page 4).

The Committee on Tariff Concessions has decided that two topics could be submitted to the Ministers: adoption of a harmonized commodity description and coding system, and tariff escalation; tariff re-classification and rules of origin have also been suggested for consideration.

Other GATT bodies (Committee on Safeguards, Working Party on Structural Adjustment, Committee on Subsidies and Countervailing Measures, Committee on Anti-Dumping Practices) are considering what contribution they could make to preparing for the Ministerial session. The Committee on Technical Barriers to Trade has agreed that it will present a contribution in the form of a three-yearly review of operation of the Agreement on Technical Barriers to Trade which is to be undertaken this year.

STRUCTURAL ADJUSTMENT

Varied experience and approaches

At its meeting on 30 June, the Working Party on Structural Adjustment and Trade Policy examined information communicated by many governments on their experience with adjustment measures at national level and their reasons for adopting specific policies in this area. In its interim report to the Preparatory Committee for the 1982 Ministerial session, the Working Party states that, in view of the wide disparity revealed by country submissions, further analysis and additional information would be needed before specific conclusions can be drawn. The Working Party also commented on information contained in the secretariat study on structural changes in production, employment and trade since 1963; it hopes to be in a position to submit a more comprehensive report on the issue of structural adjustment to the Preparatory Committee, allowing specific conclusions to be drawn, in time for consideration before the Ministerial meeting in November.

This study is not available to the general public. For fuller information see Focus Nos. 12 & 14.