Preparations for Ministerial session in crucial phase

With only a few days to go before the session of the GATT Contracting Parties at Ministerial level, negotiations are proceeding intensively on the document to be put before the Ministers for examination and approval. These preparations are now the responsibility of the GATT Council, as agreed by the Contracting Parties in November 1981; the Preparatory Committee established to assist in this task completed its work on 22 October. The Council is now in permanent session, which means that it can be convened at any time on short notice.

As we go to press, many options are still open on substantive issues. At the Council session on 2–3 November, all delegations which spoke underlined the need to concentrate on the major problems and establish priorities for future GATT activities. There are still many points of disagreement and the general feeling is that the text will have to be simplified considerably. While everyone agrees on the need to arrive at a political commitment to combat protectionism and disintegration of the multilateral trading system, opinions differ as to the factors to be held responsible and the strength of the remedies to be applied. As regards areas in which concrete action could be undertaken by GATT, the topics most widely supported include safeguards, agriculture, problems of developing countries, and the GATT dispute settlement system. With respect to studies that GATT might undertake to explore new areas of activity, it is becoming increasingly clear that broad divergencies of opinion remain and difficult choices will have to be made.

COUNCIL

Meeting on 2–3 November, the Council discussed a complaint by Poland concerning United States suspension of most-favoured-nation treatment for Polish exports. In particular, Poland held that the GATT consultation procedures as provided under Article 7 of the Protocol for the Accession of Poland to the General Agreement had not been observed, and said that the United States decision was of a political character. The United States, for its part, underlined that for a number of years Poland had not been fulfilling its obligations under the Protocol to increase its imports, and that the required consultations had taken place. The Council agreed to revert to the matter at its next meeting; this topic could also be raised when the Contracting Parties examine the Council’s report in November.

With respect to trade restrictions applied against Argentina for non-economic reasons, which had already been discussed at the Council’s three preceding meetings, the Argentine delegation put forward a proposal providing, among other things, for measures of that type to be notified to GATT and for the possibility of retaliatory measures, requesting that the proposal be put before the Contracting Parties in November. At the request of the United States, the Council established a panel to examine the EEC import system for citrus fruit. It was agreed that other interested countries, in particular Mediterranean countries with which the EEC has preferential arrangements regarding these products, would have a full opportunity to express their views before the panel.

The Council also set up a panel at the request of the EEC to examine Finland’s internal regulations affecting imports of certain parts for footwear intended for subsequent export.

Japan drew the Council’s attention to recent measures taken by France regarding video tape recorders, and reserved its rights in that respect. Brazil also reserved its rights under the GATT regarding the United States régime for sugar imports, consultations between the two countries on this issue having yielded no satisfactory results.

At its meeting on 1 October, the Council established a panel at the request of Hong Kong, to examine EEC quantitative restrictions on imports of certain products from Hong Kong.
COMMITTEE ON TRADE AND DEVELOPMENT

At the session of the Committee on Trade and Development on 25–28 October, some developing countries pointed to the grave problems they are facing, and warned that they might not be able to continue contributing as much as in recent years to sustaining economic growth and world trade. Many developing countries have already been forced to curtail domestic demands and imports. They stressed the importance of reversing the trend toward protectionism and of adopting a renewed commitment to trade liberalization at the GATT Ministerial meeting.

While recognizing that the Sub-Committee on Protective Measures has played an important role in improving transparency of trade measures affecting the exports of developing countries, the chairman of the Sub-Committee suggested that more direction and effectiveness might be sought for examining measures brought to its attention. In his view, that could be one of the tasks that the Ministerial meeting might assign to the Committee on Trade and Development when reviewing implementation of GATT’s Part IV.

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Market trends give cause for concern

Meeting on 30 September, the International Dairy Products Council, which administers the International Dairy Arrangement, noted that some concern is being felt over developments in the dairy market in 1982. World production of milk is forecast to increase by slightly above 1 per cent, as against only about 0.5 per cent in 1981. Expansion of output, which depends on measures taken and their effectiveness, is also largely dependent on weather conditions and their impact on higher yield. In these circumstances, the Council underlined the importance of co-operation among the parties to the Arrangement and of the need for a responsible attitude on their part in order to maintain market stability.

International trade in dairy products in 1981, estimated at 25 million tons of milk equivalent, was short of the record level reached in 1980; this downward trend seems to have continued in 1982. Short-term prospects are uncertain; as well as uncertainties about the ability of the USSR and other Eastern European countries to purchase large quantities of dairy products, there is additional uncertainty resulting from a cut in incomes of the oil-exporting countries.

In the past year, world consumption of dairy products seems to have been developing more slowly than production.

At the end of 1981, world stocks were above the levels recorded at the end of 1980 and are expected to increase still further by the end of 1982. United States stocks have been rising very rapidly since the beginning of 1980 and continue to increase; EEC stocks have also shown an upward trend.

Satisfactory functioning of Arrangement

The International Dairy Products Council finds that the International Dairy Arrangement has been functioning satisfactorily over its three years of operation to date, contributing to better knowledge of the market and its problems, and to strengthening international co-operation.

Structural adjustment and trade policy

Reporting to the GATT Council in early November, the Working Party on Structural Adjustment and Trade Policy said it would need a few more months to complete its analysis of the adjustment policies of its members. The Working Party’s objectives are to arrive at a better understanding of the adjustment process so as to ease adoption of trade policy measures designed to liberalize trade.

The Working Party reached this conclusion on its future work at the end of its sixth meeting, held from 27–29 September, confirming and clarifying the views it expressed last July in its report to the Preparatory Committee for the November Ministerial meeting. Structural adjustment is a matter of prime importance for most developing countries, which have participated actively in the Working Party.

GATT publications

International Trade in 1981/82

This report (see excerpts in this issue of FOCUS) has just been published by GATT in English, French and Spanish; it is obtainable from the GATT Secretariat or from bookshops: price Sw.Fr. 30.–.

World Market for Dairy Products

This annual report contains comprehensive information on production, trade, consumption, stocks and world market prices of dairy products in 1981 and early 1982, with estimates for 1982 as a whole. It is available free of charge in English, French and Spanish from the GATT Secretariat.
Different trends according to products

Manufactures remained the principal category in world trade in 1981, representing 56 per cent of the total. The volume of world trade in fuels declined substantially, but this decline was offset by an increase in export prices, so that the share of these products in the total value of world trade remained unchanged at about 24 per cent. Trade in ores, other non-fuel minerals and non-ferrous metals declined in value by 18 per cent in 1981, mainly as a result of a sharp fall in prices. The proportion of world trade accounted for by agricultural products remained unchanged at 15 per cent, while the dollar value of these products declined slightly.

World trade in agricultural raw materials, as in the case of raw materials of mineral origin, was mostly affected by sluggishness of demand in the industrial countries. In value, exports of this category fell by 10 per cent, and their share in the world total continued to decline, to 3½ per cent. Export prices of agricultural raw materials exported by developing countries declined by 12½ per cent in 1981, twice as fast as those exported by developed countries.

Developed countries

The volume growth of exports by industrial countries slowed down from 4½ per cent to 3 per cent in 1981, whereas imports declined by 2 per cent, as in the preceding year. For the first time since 1958, the trade of industrial countries decreased in dollar terms, exports declining by 1½ per cent and imports by 4½ per cent. This trend was more pronounced in Western Europe because of strong depreciation of European currencies against the dollar in 1981. The industrial countries’ consolidated trade deficit, having levelled off in the second half of 1981, deteriorated slightly in the first quarter of 1982.

Developing countries

The proportion of world oil output accounted for by the traditional oil-exporting countries continued in 1981 the accelerated decline of the preceding year, dropping back from 44 per cent to 39 per cent, and this trend has continued in 1982. Total export revenue of these countries fell by 3 per cent in 1981. In contrast, the dollar value of imports by these countries continued to increase (18 per cent growth in 1981 as against 37 per cent in 1980); the apparent deceleration was mainly due to the sharp appreciation of the dollar.

As in earlier years, market conditions were generally more favourable for exports of manufactures from other developing countries than for non-fuel primary commodities. The dollar value of manufactured exports is estimated to have increased by nearly 10 per cent, due mainly to higher volume. The share of mutual exchanges in total exports of manufactures by developing countries continued to increase and reached 37 per cent; overall, however, purchases by the oil-importing countries increased much less than in previous years, and many countries even reduced their imports. The widening of the current account deficit of developing countries, to about $85 billion in 1981, was less a consequence of the aggregate trade deficit, which was only marginally higher, than of a sharp increase in interest payments on foreign loans.

Indications are that in the early months of 1982 the aggregate economic growth of these countries was even slower than in 1981, with further reductions in mining output and levelling off in manufactured production.

Eastern Trading Area

In dollar value, the rate of growth of this area’s foreign trade declined sharply in 1981, to 5 per cent for exports and to 1 per cent for imports, as against 17 per cent in 1980. The area’s trade balance shifted from a small deficit in 1980 to a surplus of $6 billion in 1981, the first in ten years. This export expansion was mainly due to exports to developing countries, while deliveries to the developed-market economies declined.

Thailand joins GATT

On 21 October 1982, Thailand signed its Protocol of Accession to the General Agreement and on 20 November it will become GATT’s 88th member state.

On becoming a contracting party to the General Agreement, Thailand will be able to participate fully in all GATT work, including the November Ministerial session in Geneva, and will benefit from all tariff concessions negotiated by contracting parties since GATT’s inception in 1948: these concessions are bound against increase in the tariff schedules of GATT’s member states. Thailand, for its part, has agreed to bind a certain number of its customs duties under the GATT consistently with its development, financial and trade needs. Thailand’s accession was negotiated in April 1982 in a working party, and was then approved by the GATT Council in July. Thailand’s accession was formally approved in a recent postal ballot of the GATT member states.

On Thailand’s accession, all five members of the Association of South-East Asian Nations (ASEAN) will be members of GATT.
In brief...

**Subsidies and countervailing measures**

The Committee on Subsidies and Countervailing Measures was kept busy in the period 1 July 1981 to 30 June 1982, with a net increase in the number of investigations initiated and actions taken by governments, and by frequent recourse to the conciliation and dispute settlement machinery established under the Agreement on Subsidies and Countervailing Measures. This trend was particularly apparent in the case of the United States and the EEC. After the parties to the disputes had exhausted the consultation procedures of Articles 12 and 13 and the conciliation procedures of Article 17 of the Agreement, the Committee established two panels at the request of the United States to examine EEC export subsidies on wheat flour and pasta. These two panels have not yet reported back to the Committee.

In view of the agreement reached between the United States and the EEC in the steel sector, this matter was not raised in the Committee at its meeting on 27-28 October 1982. Some progress has been made by a group of experts established to draw up rules for calculating the amount of subsidies: this practical question has been left pending after the Tokyo Round.

**Anti-dumping practices**

Reviewing operation of the revised GATT Anti-Dumping Code, the GATT Secretariat notes that there has been an increase in the number of anti-dumping actions in 1981–82 compared to the 1980–81 period. In 1981–82, there were 156 decisions to initiate anti-dumping investigations, 41 cases of provisional measures, 60 definitive duties and 18 price undertakings. Decisions taken by the most active parties (Canada, EEC and USA) in this field mainly affect exports from developed countries.

**Trade in civil aircraft**

Meeting on 6–7 October, the Committee on Trade in Civil Aircraft discussed, among other things, the objectives and scope of further negotiations with a view to broadening and improving the Agreement on Trade in Civil Aircraft. Article 8.3 of the Agreement provides that such negotiations are to be undertaken “not later than the end of the third year from the entry into force of the Agreement and periodically thereafter ... on the basis of mutual reciprocity”. It is time to plan for these negotiations, since the Agreement entered into force on 1 January 1980, and the Committee examined the report of its technical sub-committee which proposes additions to the list of products covered by the Agreement. It agreed to examine, in such negotiations, the question of acceptance of the Agreement by interested developing countries.

The Committee also continued discussing possibilities for eliminating customs duties and other charges on all civil aircraft repairs.

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**Textiles**

By 20 October, the Protocol extending the Arrangement Regarding International Trade in Textiles (Multifibre Arrangement), negotiated at Geneva on 22 December 1981, had been accepted by 34 signatories representing 43 countries: Argentina, Austria, Bangladesh, Brazil, Canada, Colombia, Czechoslovakia, Egypt, El Salvador, EEC, Finland, Guatemala, Hungary, India, Indonesia, Israel, Jamaica, Japan, Korea, Malaysia, Mexico, Pakistan, Philippines, Poland, Portugal on behalf of Macao, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United Kingdom on behalf of Hong Kong, United States of America.

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**Trade measures taken for balance-of-payments purposes, and the effort against protectionism**

In a note to the Council, the chairman of the Committee on Balance-of-Payments Restrictions said that implementation of the Declaration on trade measures taken for balance-of-payments purposes – one of the “framework” agreements approved by GATT’s member states in November 1979 – has on the whole been satisfactory. The Declaration has helped to improve transparency in this field by introducing additional conditions for the application of restrictive measures, strengthening notification procedures, establishing criteria for the choice of consultation procedures, and stipulating that all restrictive import measures taken for balance-of-payments purposes must be subject to consultation in the Committee.

The Chairman also noted that during a period of growing concern about the use of restrictive measures in international trade, developed countries – following the Declaration – have avoided imposing restrictive trade measures for balance-of-payments purposes. On the other hand, current account balances, especially those of developing countries, are deteriorating, thereby compelling many of these countries to maintain or introduce balance-of-payments restrictions. In so far as this situation is aggravated by restrictive trade measures adopted by GATT member states, it may provide an additional argument to Ministers, meeting during the session of the GATT Contracting Parties from 24–27 November, for overcoming protectionist pressures and encouraging the expansion and liberalization of trade.

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1 See feature article on trade measures taken for balance-of-payments purposes in Focus No. 11.

2 Under the General Agreement, developing countries are subject to more flexible rules in this area than those applicable to developed countries.