TRADE IN AGRICULTURE
work programme launched

The new GATT Committee on Trade in Agriculture held its first meeting on 2-3 March. It established its work programme and schedule of meetings for carrying out its mandate under the Ministerial Declaration of November 1982.

The Committee is to examine three issues:

1. Trade measures affecting market access and supplies, with a view to achieving greater liberalization of agricultural trade, with respect to both tariffs and non-tariff measures;

2. Operation of the General Agreement as regards subsidies affecting agriculture and other forms of assistance;

3. Trade measures affecting agriculture maintained under exceptions or derogations from the General Agreement.

This work programme is to be undertaken in the light of other provisions of the Declaration relevant to agriculture and of the positions expressed by GATT members at the end of the Ministerial meeting.

This first meeting of the Committee, which was chaired by the Director-General of GATT pending appointment of its Chairman, was mainly concerned with organizing the Committee's work and drawing up its work programme for the next two years. As emphasized in the Ministerial Declaration, "full transparency" will be needed for the Committee to carry out its tasks. Collection of information is therefore of central importance.

GATT has already assembled documentation on tariffs and non-tariff measures affecting agriculture, in the context of earlier activities in this area (see box), but it needs to be updated and completed. The Committee has set a deadline of 15 June 1983 for updating and completing the documentation so that it can be used for the various examinations to be undertaken.

Operation of the General Agreement as regards subsidies and other forms of assistance

The Committee on Trade in Agriculture has requested participants to furnish by 15 June 1983 information on subsidies and other forms of assistance, including any form of (continued on page 4)
The close inter-relationship between foreign trade and the threat of severe disruption of the world's financial markets was underlined in a recent statement by the Director-General of GATT. Addressing the Interim Committee of the International Monetary Fund in Washington D.C. on 11 February, Mr. Arthur Dunkel said: "It is obvious that in the last resort the foreign debt of countries in deficit can only be serviced through trade and that if these countries are unable to earn the necessary foreign exchange through their exports their debts will become insupportable. However, there is still a need to bring this home to those responsible for trade policy as the immediate and pressing problem that it is. There has been a tendency for concern about the effects of the recession, particularly on employment, to lead to the adoption of more restrictive trade policies. This is bound to aggravate the very serious debt problems of developing countries. It is extremely important, as the process of economic recovery gets under way, that the inevitable deterioration in the current balances of those countries leading the recovery should not provoke a protectionist response. Since growth cannot be synchronised in all countries, acceptance of a temporary increase in imports should be seen as an important contribution to general recovery. "To keep the trade/money relationship under control, therefore, will require policy adjustments in both debtor and creditor countries; we cannot expect the burden of adjustment to be borne by the debtors alone, and it should not be forgotten that if adjustment by them were to take the form (of large-scale retrenchment) there would be severe repercussions on the economies of the industrialized world. In the past two years imports by developing countries have accounted for 60 and 70 per cent respectively of the growth in world trade in manufactures. Perhaps the greatest challenge we have to face, in both the trade and financial areas, is to keep the debtor countries within the framework of international economic cooperation and to sustain the confidence of developing countries, in particular, that competition in world markets and outward-looking domestic policies are the surest path to sustained economic growth. This will only be possible if the industrialized countries themselves demonstrate unqualified commitment to an open and liberal trading system." Mr. Dunkel added: "To this end, I think it is essential to strengthen further the cooperation, at national levels, between the financial and trade authorities. In the same spirit we in the GATT secretariat welcome the suggestions made by the IMF Executive Board with a view to the reinforcement of the existing links between our two institutions."

The Managing Director of the International Monetary Fund, Mr. de Larosière, also stressed at the GATT Ministerial session in November 1982 that "a return to protectionism would jeopardize not only the adjustment process, which is the essential condition for sustainable growth, but the entire economic and financial system as well". Protectionism, he said, "is compounding the balance-of-payments problems of the developing countries", making the burden of their external debt virtually intolerable. "In the longer term, protectionism—which is 'anti-adjustment'—impedes the optimal utilization of resources, both domestically and internationally". By making countries inward-looking, protectionism could endanger the economic strategy that has fostered post-war development. Protectionism, Mr. de Larosière warned, is endangering the prospects for medium-term recovery that are now developing in the world economy.

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**GATT Bibliography**

**International Trade Regulation:**

**GATT, the United States and the European Community** (Edmond McGovern)

Mr. McGovern's book describes the recent transformation in the rules of international trade, the most obvious developments being those associated with the conclusion and implementation of the Tokyo Round agreements: he also identifies other changes, both inside and outside the GATT system, and notes the growing importance attached to law and legal procedures.

Mr. McGovern's approach is to examine each issue from the point of view of international law and to see how the latter is implemented in the world's two largest trading entities, the United States and the European Community. The international rules examined are mostly those of the GATT, but they also include contributions of other organizations such as the Customs Co-operation Council, UNCTAD and OECD, as well as those of the international commodity agreements.

Further decline in world trade in 1982

In a first assessment of trade developments in 1982', the GATT secretariat reports that world trade declined in volume by an estimated 2% to about the same level as in 1979; this contraction, acting in combination with lower dollar unit values, has pushed the value of world trade down to an estimated $1,800 billion in 1982, 6% below the 1981 level.

In contrast to the agricultural and minerals sectors, where production out-performed trade in 1982, trade in manufactures seems to have declined less (-1%) than production (-2%). The traditional oil-exporting developing countries recorded a marginal decline in the volume of their manufactured imports, while imports by other developing countries declined by about 8%. Trade in manufactures among industrial countries, which is still the major trade flow, appears to have stagnated in volume, while industrial countries' imports of manufactures from developing countries expanded.

- The combined GDP of industrial countries fell by about 0.5% in 1982, and their industrial production by 4%. In volume terms, both exports and imports are estimated to have fallen by 1%, due mainly to reduced purchases of fuels and a decrease in shipments to non-oil developing countries.

- The fragmentary information available suggests that there was a noticeable deterioration, for the second consecutive year, in the economic performance of most developing countries. Export receipts of the traditional oil-exporting developing countries fell 20% below the 1981 level, while their imports declined by 3% in value, implying only a slight rise in volume. Their current account surplus, which stood at $115 billion in 1980, may have declined to around $20 billion in 1982.

In the other developing countries, expansion of GDP slowed further to 1%, probably the lowest growth rate recorded in the post-war period. The export volume of these countries was unchanged, while imports dropped back. Their terms of trade declined, mainly because of lower export prices of primary commodities. The aggregate trade deficit of these countries is estimated to have fallen from about $60 billion to around $40 billion in 1982; their current account deficit also declined.

- In the Eastern trading area, the East European countries recorded an export surplus of nearly $4 billion; the overall trade surplus of the Soviet Union rose to around $8 billion, while that of China is estimated at $4.6 billion.

### World trade by areas, 1981-1982
(Billion dollars and percentages)

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<th></th>
<th>Exports (f.o.b.)</th>
<th>Imports (c.i.f.)</th>
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<td>Value</td>
<td>Change over previous year</td>
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<td>Traditional oil-exporters</td>
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<tr>
<td>Other developing countries</td>
<td>268</td>
<td>255</td>
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<td>Eastern Trading Area</td>
<td>183</td>
<td>190</td>
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*Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

*Exports f.o.b.

Note: Figures for 1982 are based on incomplete returns and are subject to revisions.


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55th Trade Policy Course

The fifty-fifth Commercial Policy Course organized by GATT opened on 14 February and will run until 17 June. The course, in English, has twenty-one participants, drawn from as many developing countries. Since the programme was set up, 812 officials from 109 countries and 6 regional organizations have participated in the commercial policy courses.

**CORRECTION**

Reduction or elimination of customs duties has been implemented by Japan on 323 tariff headings, and not on 322 as erroneously indicated in FOCUS No. 19.
income or price support which operates directly or indirectly to increase exports or reduce imports. The present fulfilment of this notification requirement under Article XVI:1 is far from satisfactory, and on several occasions the Committee on Subsidies and Countervailing Measures established after the Tokyo Round has called for better compliance by its members.

As regards subsidies on agricultural exports, the operation of Article XVI:2 and 3 and all other relevant provisions of GATT will be examined on the basis of documentation to be prepared by the secretariat (which will include an analytical index covering the drafting history of Article XVI, with a summary of cases dealt with by panels or working parties in this area), as well as on the basis of written contributions from delegations.

Organization of work

The Committee plans to hold at least four further meetings before making its recommendations to the November 1984 session of the Contracting Parties.

The Committee will begin its examination of measures affecting agricultural trade in October 1983.

In the initial stage, examination of the operation of the General Agreement as regards subsidies and other forms of assistance may be of an exploratory in nature, since fairly complex and delicate problems of interpretation are involved.

COMMITTEE ON TRADE AND DEVELOPMENT

Progress toward implementing Ministerial Declaration

Meeting on 8–9 March, the Committee on Trade and Development adopted its work programme for carrying out decisions in the Ministerial Declaration which are relevant to developing countries. The programme provides for review of the implementation of Part IV and the enabling clause (to which the next issue of FOCUS will devote a special article) and the holding of consultations and negotiations on tropical products in 1983 and 1984.

Initial consideration was also given to the proposal for liberalization of tropical products made by the Ivory Coast at the Ministerial meeting. In addition, the Committee had an initial exchange of views on prospects for expanding trade between developed and developing countries, and possibilities within GATT which could lead to that objective. The Committee will come back to these matters at its next meeting.

COUNCIL

Panel had found no United States infringement of its commitments under the General Agreement. The Council agreed to revert to this matter.

The Council adopted the 24th report of the working party on United States import restrictions on agricultural products. Several countries stressed the significance of the waiver granted to the United States in 1955 by the Contracting Parties, particularly in relation to the Ministerial Declaration which has established a Committee on Trade in Agriculture to examine trade measures affecting agriculture maintained under exceptions or derogations; they hoped that the United States would soon cease to invoke the 1955 decision.

The United States requested establishment of a panel to examine restrictions imposed by Japan on certain leather imports. The Council has asked the parties to continue consultations with a view to reaching an adjustment.

The Director-General of GATT, Mr. Arthur Dunkel, presented a report on the nine panels at present in existence or being set up. Whether under the General Agreement or under specific settlement procedures of the Tokyo Round codes. He expressed concern regarding confidentiality of panel reports, particularly in the conciliation phase, and recalled the independence of panel members, who are appointed in a personal capacity and not as representatives of their countries.

Past GATT work on agriculture

Apart from the multilateral arrangements on dairy products and bovine meat, concluded in the Tokyo Round, GATT has taken up agricultural matters on a number of occasions.

In 1955 the Contracting Parties adopted two resolutions of particular relevance to agriculture, concerning disposal of agricultural surpluses and liquidation of strategic stocks of primary products. These were aimed at avoiding market disruption and injury to other contracting parties. The first of those resolutions provided for consultations, and the second for prior notice of actions.

A committee on agricultural protection was set up in 1959 to examine existing protective measures, their effects on trade, the adequacy of the relevant GATT rules and to suggest procedures for consultations between contracting parties on agricultural policies. The committee found that non-tariff devices had seriously affected international trade in the products concerned, and that a moderation of agricultural protection in both importing and exporting countries was desirable.

Following the Kennedy Round, an Agriculture Committee was established in 1967 to examine problems in the agricultural sector and explore opportunities for making progress in the attainment of GATT objectives in this sector. It produced a fairly comprehensive survey of techniques and means for dealing with the principal problems of trade in agricultural commodities.

At the end of the Tokyo Round, the Trade Negotiations Committee recommended that the Contracting Parties develop active co-operation in the agricultural sector. From 1980, and up to the Ministerial session of 1982, agricultural trade matters were discussed in the Consultative Group of Eighteen.

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