COUNCIL

At its meeting of 20 April, the Council gave the green light to the initiation of a number of basic studies on problems of trade in certain natural-resource products. These are non-ferrous metals and minerals, forestry products, and fish and fishery products. Each study will examine tariffs, non-tariff measures and other factors affecting trade in the products concerned. The Council will in due course decide on what action should be taken on these studies and on possible recommendations for solutions.

The Council also took a decision on how it will proceed to review the operation of the agreements and arrangements resulting from the Multilateral Trade Negotiations. The review, to be based on the views of the MTN committees and councils, will focus on the adequacy and effectiveness of these agreements and arrangements and on the obstacles to their acceptance by interested parties. The Council will report on the question to the GATT Contracting Parties at their thirty-ninth session, in November 1983.

These two decisions represent further steps in putting into effect the Ministerial Declaration of November 1982.

Settlement of disputes

Working parties

The Council of 20 April discussed a number of current trade disputes and decided to establish a panel or a working party for some of them. In the case, however, of a request of the European Community to establish a working party to examine the factors in Japan resulting in "nullification or impairment of the benefits accruing to the EEC under the General Agreement", a new conciliation effort was undertaken and Japan stated that it was prepared to continue consultations with the EEC. The council agreed to revert to the matter at a later meeting.

At the request of the European Community, the Council established a Panel to determine whether Section 601 of the United States Copyright Act was consistent with the provisions of the General Agreement. Section 601 contains a "manufacturing clause" which has the general effect of prohibiting importation into, or distribution within, the territory of the United States of non-dramatic literary material by an American author unless it has been manufactured in the United States.

(continued on page 2)

QUANTITATIVE RESTRICTIONS AND OTHER NON-TARIFF MEASURES:

Work started

A new GATT group has been set up to study existing quantitative restrictions and other non-tariff measures, the reasons why they are employed and their conformity with the General Agreement. The purpose of the group, whose establishment carries forward the process of putting the Ministerial Declaration of November 1982 into effect, is to promote liberalization of such measures, with special attention to products of interest to developing countries. The Group on Quantitative Restrictions and Other Non-Tariff Measures held its first meeting on 10 March 1983 and adopted its programme of work.

In the first stage of its work, which will last till September 1983, the Group will assemble and supplement existing documentation, arranging it in a consolidated form. It will then analyse it during the second stage (October 1983 to April 1984) before developing its findings and conclusions and submitting its report to the GATT Contracting Parties in the autumn of 1984.

GATT is not new to the field of quantitative restrictions and other non-tariff measures. In its early years, notable progress was made on the elimination of quantitative restrictions imposed for balance-of-payments reasons. In the 1960s, quantitative restrictions, both agricultural and industrial, were the subject of negotiations in the framework of the Kennedy Round, but with relatively few results. In 1970, the Council established the Joint Group on Import Restrictions, whose task was to improve the information in this sector and explore the scope for liberalizing such restrictions. Some progress was made during the Tokyo Round, and after those negotiations the work was continued as part of GATT's Work Programme on trade liberalization. Quantitative restrictions were the subject of intensive bilateral and plurilateral consultations between developed and developing countries held in March 1982.

As far as concerns other non-tariff measures, an Anti-Dumping Code was negotiated during the Kennedy Round, and six further multilateral instruments were negotiated during the Tokyo Round. They represented appreciable progress in the areas of technical barriers to trade, subsidies and countervailing duties, import licensing, customs valuation, government procurement and updating of the earlier Anti-Dumping Code.
CURRENT POLICY ISSUES

Cyclical recovery and international indebtedness

Several economic indicators now suggest that a spontaneous upturn may be expected in industrial countries, according to the GATT economists. But the potential created by these favourable conditions will, they argue, be realized only in an appropriate policy environment. It would be a mistake to think that a sustained recovery in the major developed countries would be a sufficient condition for solving the problem of international indebtedness.

With regard economic recovery, the GATT economists regret that recent economic policy discussion has concentrated on the macroeconomic (demand management) aspect at the expense of microeconomic factors (structural distortions). They raise questions about the realism of the price system, citing many sectors where prices are not determined by market forces, and about the rationale, under such conditions, of policies based on demand and on prices. "If relative prices are not flexible, the price signals which businesses rely on to identify changing patterns of demand are weak and often unintelligible" they point out. "In such a situation, even 'prudently' expansionary policies... are likely to lead to a resurgence of inflation, as the nascent recovery soon encounters supply bottlenecks". The situation, they believe, also has repercussions on investment.

The GATT economists believe that the microeconomic changes needed to restore stable growth have in fact been neglected because, in dealing with such questions as subsidies, trade restrictions and so forth, they nearly always affect the interests of well-defined and organized groups. Against the background of the general economic deterioration caused by the extensive impairment of the price system, it is easy to understand why demands of individual lobbies for special treatment continue to aggravate the problem.

International indebtedness

"Long-term distortion of relative prices and wages which underlie the rigidity of economic structures and the policies responsible for them play an equally important role in the second major problem, that of managing the international debt situation," say the GATT economists. They point out that the need of debtors for capital can be satisfied to only a limited extent by governments and international organizations. The extent to which two sources of additional annual report by the United States on its Agricultural Adjustment Act, which limits imports of certain agricultural products and for which the Contracting Parties granted a waiver in 1955. A number of countries said that the report submitted to the Council did not provide sufficient justification for maintaining that waiver, which was supposed to be temporary. It was agreed that establishment of the working party would not preclude discussion of the question, in a broader context, in the newly-established Committee on Trade in Agriculture.

Lastly, the Council was informed of the conclusion of a trade agreement by Australia and New Zealand strengthening the already close trade relations between the two countries. In accordance with GATT's usual procedure, a working group was established to examine the conformity of the new agreement with the provisions of the General Agreement.

COUNCIL (continued)

States or Canada. In the opinion of the EEC this constitutes a deliberate and arbitrary barrier to trade, and is contrary to Articles XI and XIII of the General Agreement.

At the request of the United States, the Council also established a Panel to examine measures applied by Japan to certain leather imports. According to the United States, the Japanese restrictions are contrary to Articles XI, X: 1, X: 3, and XIII: 3 of the General Agreement. Several other countries indicated that they had a trading interest in this question. It was stressed that the establishment of the Panel should not preclude possible conciliation between the United States and Japan, which is the normal procedure in GATT.

The Council established a working party to examine the twenty-fifth provisions of the General Agreement.
Better application of GATT provisions on developing countries’ trade

Problems encountered by developing countries in their trade were a major subject for Ministers of GATT contracting parties at their meeting in Geneva in November 1982. They called for improved operation of the GATT rules relating to developing countries, in particular Part IV of the General Agreement and the “Enabling Clause” Decision adopted on 28 November 1979, at the end of the Tokyo Round, on “Differential and more favourable treatment, reciprocity and fuller participation of developing countries”. The Ministers reaffirmed the responsibilities of the GATT Committee on Trade and Development in this area, instructing it to consult regularly with member countries individually or collectively on their response to Part IV’s requirements, and to review operation of the enabling clause with a view to its more effective implementation. At its first meeting since the Ministerial session (see article opposite), the Committee on Trade and Development made arrangements for carrying out these two reviews. The Contracting Parties will examine the results at their 1984 session.

Continuing efforts

Part IV, which was incorporated in the General Agreement and entered into force in 1966, provides a legal basis for efforts in GATT to take account of the particular problems and interests of developing countries. It comprises three Articles:

- Article XXXVI sets forth the principles and objectives to govern policies of contracting parties in regard to the trade of developing countries. It contains the non-reciprocity clause under which “the developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties”.

- Article XXXVII spells out the commitments of contracting parties – in particular to reduce and eliminate barriers to trade in products of export interest to less-developed countries and to refrain from introducing or increasing the incidence of trade barriers (standstill) – and provides for consultations in the event of non-observance of these commitments.

- Article XXXVIII mentions several forms of joint action aimed at promoting trade of developing countries, including the conclusion of international commodity arrangements and co-operation at the level of the various international organizations.

The enabling clause, which is one of the four decisions that make up the Tokyo Round understanding on legal framework, constitutes a major extension of Part IV. It affords a permanent legal basis for the grant of preferences to developing countries which was considerably expanded in the 1970s, in particular by the establishment of generalized preference schemes by developed countries, and the exchange of preferences among developing countries. If difficulties arise in connection with the establishment, modification or withdrawal of preferential treatment, the parties concerned must consult. In addition, the enabling clause reaffirms the concept of non-reciprocity and includes a clause stipulating that less-developed contracting parties expect that their capacity to make contributions or negotiated concessions would improve with the progressive development of their economies and improvement in their trade situation, and would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement.

Activities of Committee on Trade and Development and Sub-Committee on Protective Measure

The Committee on Trade and Development was set up to oversee implementation of Part IV. Each year it reviews action taken by developed countries in favour of developing countries, in particular in the context of the generalized system of preferences, as well as trade measures establishing or intensifying barriers to the trade of developing countries. Since March 1980, it has been assisted by its Sub-Committee on Protective Measures, established after developing countries called for closer supervision of operation of the standstill in the light of renewed protectionism, and also in response to Resolution 131 of the Fifth United Nations Conference on Trade and Development in 1979. This resolution invited GATT to examine protective measures affecting exports of developing countries.

Consultations

The Ministerial Declaration established more detailed and concrete procedures for review of implementation of Part IV. These will take the form of individual and collective consultation.

At its meeting on 8-9 March the Committee on Trade and Development made arrangements for the consultations, and agreed on a tentative time-table for them. The discussions will include an assessment as to how the economic and trade policies of countries consulted have responded to their commitments under Articles XXXVI and XXXVII, and the joint action requirements embodied in Article XXXVIII.

Each consulting country will be invited to supply information on all these points, covering a period of at least three years. That information will be supplemented by material prepared by the GATT secretariat on developments in trade and commercial policies. The Sub-Committee on Protective Measures will also continue to examine any new measures not yet considered in the consultations, in the light of the provisions of Part IV.

Because of the relationship between Part IV commitments and the enabling clause, the Committee on Trade and Development will look at the same time at how both are being put into effect. The Ministerial Declaration calls (continued page 4)
Warning by the Director-General of GATT:

Trade barriers and distortions threaten prospects of economic recovery

While it is natural to hope that economic recovery will restore growth to international trade, and relative harmony to trade relations, one cannot rely on that hope alone. This warning was given by Arthur Dunkel, Director-General of GATT, to the meeting of the IBRD/IMF Development Committee in Washington on 29 April 1983. “There is reason to fear” he added “that the recent accumulation of protective measures may seriously impede, or even prevent, a lasting recovery period.”

In his opinion, that fear, if it should prove justified, would have exceedingly serious implications for developed and developing countries alike, and would be felt across the whole field of international economic co-operation. Pointing out that the present debt crisis of certain developing countries had revealed the disappearance of the traditionally-recognized frontiers between aid, trade and finance, and that in the last resort international borrowing could be serviced only by exports. Mr. Dunkel went on to say that “an expansion in exports, if it is to be strong and rapid, will require the elimination of a large number of trade barriers”. He noted that calculations made by the GATT secretariat showed that roughly one third of the exports of the six developing countries with the highest amount of debts consisted of products which the developed countries considered “sensitive” and which encountered import restrictions in a substantial number of countries. “The existence of these restrictions”, the Director-General stated, “clearly indicates that it is precisely these products which offer the greatest potential for export growth. Trade liberalization must occur in these areas if debt problems are to be alleviated effectively”.

He regretted that it was not better understood that liberal trade policies directly benefited the country practising them: they were not simply a sacrifice that must be accepted as the price for opening up the markets of others, but a necessary condition for an efficient modern economy. This applied equally to developed and developing countries. In conclusion, the Director-General stressed that problems of trade and finance should be considered together, but added that institutional co-operation alone was not enough. “What matters, he said, is that national policies be coherent, that their objectives take account of the imperatives of both finance and trade. If this essential goal of harmonization of national policies can be reached, there should be no difficulty in supporting such policies through co-operation at the level of the multilateral institutions”.

Maldives Latest member of GATT

The Maldives become the 89th contracting party to the General Agreement on Tariffs and Trade. Since attaining independence on 26 July 1965. the Maldives has been applying the rules of the General Agreement on a de facto basis. Having now decided to seek full membership in GATT, it was able, by making a simple declaration to that effect, to become a contracting party by virtue of Article XXVI of the General Agreement.

Focus on... (continued)

on the Committee to review the operation of the enabling clause “with a view to its more effective implementation, inter alia, with respect to objectivity and transparency of modifications to GSP schemes and the operation of consultative provisions relating to differential and more favourable treatment for developing countries”.

In brief...

Concern about the dairy products market

At a meeting of International Dairy Products Council held on 24 March, several members of the International Dairy Arrangement expressed serious concern about the market situation in the market for those products, and particularly for skimmed milk powder and butter. At present dairy production is expected to increase, stocks of certain products are high, and various other factors, including a possible decline in import demand from certain markets, affect the world market. The Council believes that the utmost vigilance is necessary, and that a continuing responsible attitude and effective co-operation on the part of participants in the Arrangement are of decisive importance if disruption of the world market for dairy products is to be avoided. The Council underlined the need for strict observance of the provisions of the Arrangement.

Coming GATT Activities

Provisional schedule of meetings:

May
10-11 Committee on Customs Valuation
16-18 Textiles Surveillance Body
17-18 Committee on Technical Barriers to Trade
18-19 Committee on Subsidies and Countervailing Duties
25 Sub-Committee on Least Developed Countries
25-27 Committee on Government Procurement
26 Council
27 Working Party on Structural Adjustment
31 Textiles Surveillance Body

June
1-2 Textiles Surveillance Body
6-7 Committee on Import Licensing
6 Technical Sub-Committee on Trade in Civil Aircraft
13-15 Textiles Surveillance Body
20-21 Meat Market Analysis Group
22-24 Textiles Surveillance Body
23-24 International Meat Council
27-29 Committees on Milk Powders, Milk Fat and Cheeses

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