39th session of the Contracting Parties

ONE YEAR AFTER THE MINISTERIAL MEETING

At their 39th session, held from 21 to 23 November, the GATT Contracting Parties reviewed progress in the organization’s activities during the year since the Ministers met at Geneva and pledged themselves to fight protectionism and identify priority fields of action for GATT. The session marked the mid-way point in the two-year work programme adopted in November 1982.

No substantive decisions were called for except with respect to safeguards, on which an understanding should have been drawn up and adopted by the Contracting Parties in November 1983. After the preparatory work done this year, 1984 will be decisive and intensive consultations and negotiations are in prospect.

New procedures have been set up to facilitate the review of the international trading system and for overseeing implementation of the commitments on protectionism set out in paragraph 7 (i) of the Ministerial Declaration.

In addition to its regular activities, the Committee on Trade and Development has launched a series of consultations, in particular concerning tropical products and implementation of Part IV.

Seven “wise men” to study problems affecting the international trading system

The Director-General of GATT Arthur Dunkel, informed the Contracting Parties that he had set up, on his own initiative, an independent group of seven distinguished persons and had invited them to draw on their wide experience “to identify the fundamental causes of the problems affecting the international trading system and to consider how these may be overcome during the remainder of the 1980s”.

As Mr. Dunkel pointed out, “faced with serious social, financial and economic problems, many governments are finding it more and more difficult in practice to maintain, individually and collectively, the policy orientation to which they continue in principle to subscribe” in the field of trade. The group’s report should “assist governments in reconciling their short-term preoccupations with their continuing long-term objective of preserving and developing a well-functioning international trading system”.

The members of the group are:

Senator Bill Bradley (Democrat, New Jersey), United States;
Mr. Pehr Gyllenhammar, Chairman and Chief Executive Officer of Volvo, Gothenburg, Sweden;
Dr. Guy Ladreit de Lacharrière, Judge of the International Court of Justice, The Hague, and former high official in the Foreign Ministry of France;
Dr. Fritz Leutwiler, current President of the Bank for International Settlements and Chairman of the Governing Board of the Swiss National Bank, Switzerland;
Dr. Indraprasad G. Patel, Director of the Indian Institute of Management, Director designate of the London School of Economics, and former Governor of the Reserve Bank of India;
Professor Mario H. Simonsen, Director of the Postgraduate School of Economics of the Getulio Vargas Foundation and former Minister of Finance of Brazil;
Dr. Sumitrto Djohohadikusumo, Professor of Economics, University of Indonesia, and former Minister of Trade and Finance and Minister of Research of Indonesia.

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"The time has come for Governments to act courageously to resolve the conflict between short-term expediency and the long-term interest of their economies" says Contracting Parties Chairman

"We are faced with the question of whether Governments are sufficiently committed to adopt corrective policies and measures in trade and whether enough boldness will be displayed to resist pressures which dictate otherwise", said Ambassador B.L. Das (India), Chairman of the Contracting Parties for 1983, at the opening of the Thirty-Ninth Session, in November.

GATT had a rôle to play in that process, but "decisions can only be carried out if the political will exists to do so. The need for collective consciousness and the realization of collective responsibility is at the root of the problem".

Ambassador Das felt that the difficulties at present facing the world economy "are not merely cyclical but also more basic in character and are indicative of fundamental deficiencies in the world economic system". Even though there were signs of recovery in certain countries, "we have to ask, however, what implications such a recovery has for the acute difficulties faced by the rest of the world, and particularly by the developing countries". He said there had been a welcome growth in awareness of the nature of links between trade and finance; but "it is unfortunate that, so far, import contraction has made a more prominent contribution than has export expansion" in the search for a solution to the problem of indebtedness of the developing countries.

"We know that the problem cannot be solved satisfactorily in this manner. Not only does import scarcity fuel inflation, increase unemployment and reduce capacity utilization rates, it also makes it increasingly difficult to export competitively; for the developing countries, it seriously impedes the very process of development." These adverse effects were being transmitted to the world at large because of the inevitable linkage of economies.

A heavy work programme

The implementation of the Ministerial Declaration of 1982, in addition to regular activities, imposed on GATT one of the heaviest work programmes ever assigned to it, said Ambassador Das. The most difficult issues were undoubtedly the ones which had remained unresolved the longest – agriculture, textiles and safeguards: issues "where the conflict between international obligations and domestic sectoral interest group pressure is the strongest". With regard to agriculture, the problems had been discussed openly, but "the outcome of the deliberations will be an important test of the durability of the undertakings entered into at last year's session". The same was true of textiles. "We have to realize the seriousness and the implications of the fact that in this important sector normal GATT rules have been set aside for nearly two decades". Finally, it was very important that an intensified political will should be found to reach a comprehensive understanding on safeguards.

Ambassador Das said that the systematic review of the commitments made in the Ministerial Declaration relating to protectionism was well in hand. He also pointed out that comparatively few developing countries had acceded to the Tokyo Round Agreements and Arrangements which "calls into question the consistency and integrity of the GATT system as a whole". He invited the Contracting Parties to consider carefully the reasons for this apparent apathy. He went on to draw their attention to the importance of the question of structural adjustment and the need make decisions on further work by GATT in that area.

"1984 should be a year of reconciliation and restoration of confidence"

Valiant efforts would have to be made to identify the sources of tension and to defuse them, argued Ambassador Das, as he outlined the problems to be faced by GATT in 1984. A heavy workload of analysis and decision-making would have to be undertaken in the course of the coming year, and would involve intensive consultations and negotiations, formal and informal.

The proposals to be presented by the delegations would have to be examined in an environment free from emotion and preconceived ideas. The pursuit of national interests, both economic and political, could not help but gain in effectiveness in an atmosphere of peace and mutual confidence, he said – confidence in GATT and among the trading nations themselves.

A constructive, imaginative and patient approach to problems – but also a bold approach – would be more necessary than ever.

Election of officers of the Contracting Parties for 1984

At the close of their thirty-ninth-session, the Contracting Parties elected their officers for 1984:

Chairman of the CP
Ambassador Hans V. Ewerlöf (Sweden)

Vice-Chairmen of the CP
Mr. Mahmoud Abdel-Bari Hamza (Egypt)
Ambassador Kazimir Vidas (Yugoslavia)
Ambassador Anne Warburton (United Kingdom)

Chairman of the Council
Ambassador Felipe Jaramillo (Colombia)

Chairman of the Committee on Trade and Development
Ambassador Tai Soo Chew (Singapore)
Active rôle of Council Chairman

According to Ambassador Hans Ewerlôf, Chairman of the Council for 1983, one of the outstanding features of the Council’s activity over the last few years, especially in 1983, had been the growing rôle assumed by its Chairman in consultations. Not only was he involved in consultations on the designation of the chairmen and members of panels and in drawing up the terms of reference of panels, but also in consultations which would enable the Council to adopt the panels’ reports.

During the past year, the Chairman of the Council had also been actively involved in consultations aimed at effective implementation of certain items of the Ministerial Declaration of 1982, said Ambassador Ewerlôf, citing in particular safeguards, trade in counterfeit goods and problems of trade in certain natural resource products. The consultations on these issues would need to be pursued in 1984 with a view to reaching decisions. He greatly regretted that it had not been possible to achieve a comprehensive understanding on safeguards before the session of the Contracting Parties.

He also drew attention to the additional duties which the Council – and its Chairman – would have from now onwards in the twice-yearly review of the international trading system.

SAFEGUARDS

“There remains an imperative need to draw up a comprehensive understanding”

The adoption of the Ministerial Declaration in November 1982 had not halted the recent of proliferation safeguard actions taken outside the rules of GATT; and it was particularly important, in the present economic environment, to reach a comprehensive understanding on safeguards, said Ambassador Hans Ewerlôf, Chairman of the Council in 1983, outlining the informal consultations he had had on this issue in the course of the previous year.1

A certain amount of progress had been made in further preparing the ground for the establishment of this comprehensive understanding, but it had not been possible for the moment to work out a text crystallizing measures to be decided on immediately. The text would have acted as a signal while efforts towards reaching a comprehensive understanding continued. In the circumstances, the Contracting Parties should continue to work with a view to drawing up a comprehensive understanding.

He pointed out that such a comprehensive understanding should also encompass the problem of so-called “grey area” actions outside GATT. Meanwhile, all the Contracting Parties should exercise the utmost restraint with regard to behaviour that might weaken the trading system.

Problems of the developing countries: Work on specific and concrete issues by the Committee on Trade and Development

The work of the Committee on Trade and Development, during 1983, centered on implementation of the provisions of the Ministerial Declaration relating to developing countries.

The consultations under Part IV called for by the Ministers provided an opportunity for discussion of all the trade policies and measures which the countries consulted are applying in order to implement the differential and more favourable treatment for developing countries that is provided for in Part IV. Ambassador Vidas of Yugoslavia, Chairman of the Committee on Trade and Development for 1983, said that the consultations were a dynamic process in which it was possible to focus on specific trade and market access problems faced by that country. The Sub-Committee on Trade of Least-Developed Countries, which is responsible for monitoring implementation of the provisions of the Ministerial Declaration relating to these countries, will consider the possibility of further consultations in 1984.

The Committee on Trade and Development has kept under review recent developments in international trade and trade policy affecting the trade and payments position of developing countries.

Coming GATT Activities

Provisional programme of meetings for

January:
18-20 Textiles Surveillance Body
24 Working Party on Trade with Hungary
31 Committee on Government Procurement

February:
1-3 Committee on Government Procurement
13-14 Textiles Surveillance Body
14 Committee of Participating Countries
28-29 Committee on Technical Barriers to Trade

Exact dates have not yet been fixed for the meetings of the Council and of the Consultative Group of Eighteen (respectively 7-8 or 14-15 February and late February–early March).

1 Cf. FOCUS Nos. 21 and 25
Faster progress needed on Ministerial programme

Several Contracting Parties underlined that the Ministerial Declaration formed a balanced whole reflecting the various concerns of GATT members—a balance that should be maintained in implementing the GATT work programme. They noted that in some areas attainment of the objectives of the Ministerial Declaration was behind schedule.

While some developed countries expressed the view that the economic recovery process is under way and could spread to the other economies, most of them were doubtful about the benefits that recovery could have on those countries. They pointed out that they were still faced with extremely difficult economic conditions and, in addition, protective measures were being stepped up, especially in the form of anti-dumping and countervailing duties.

Many representatives expressed concern over the fact that for the moment the commitments taken on by the Ministers in 1982 with regard to protectionism seem only to have yielded declarations of good intention. Nevertheless, while the need for an increased trade liberalization effort seems to be generally recognized, varying opinions have been expressed as to the form that such an effort could take. The Japanese and United States proposal for a new round of multilateral trade negotiations has aroused serious reservations on the part of developing countries which attach greater importance to satisfactory implementation of the GATT work programme and to taking account in a more concrete way of the problems of developing countries. These countries also underlined the adverse effects of protective measures on their balance-of-payments situation.

As regards the GATT dispute settlement system, its effective functioning depends in the first place on political will, not merely on a set of legal rules. Lastly, most developing countries were of the view that their limited participation in the Tokyo Round Agreements and Arrangements calls into question the integrity and consistency of the GATT system. The main cause of that situation, they say, is that certain provisions of those Agreements are not suited to their needs, and that the special and differential treatment provided in their favour is not sufficient. In addition, they pointed out, the objectives of some of those agreements have been disregarded and they have been used for protectionist purposes.

GATT Publications

GATT Report on “International Trade 1982/83”

The introductory chapter of this report, excerpts from which were published in Focus No. 24, discusses the main developments in international trade from January 1982 to August 1983, as well as prospects for the future. In the next four chapters, GATT economists deal with trade in commodities, trade of the industrialized nations, trade of the developing countries and trade of the Eastern trading area.

This report has been issued in English, French and Spanish. It is available from the GATT secretariat or from booksellers, price Sw fr 30.

In the United Kingdom, orders should be placed with HMSO, P.O. Box 276, London SW8 5DT, and in the United States with UNIPUB, 345 Park Avenue, South, New York, N.Y. 10010.

The World Market for Dairy Products

The GATT secretariat has just published its fourth annual report on The World Market for Dairy Products. This report contains detailed information on production, trade, consumption, stocks and market prices of dairy products.

The report indicates that the situation in the world market for dairy products is serious and for certain products such as cheese could deteriorate still further.

French, English and Spanish versions of this report may be obtained free of charge from the GATT secretariat.