Council – Calls for acceleration of work programme

At the Council’s meeting on 15-16 May, many countries – both developed and developing – called for speedier implementation of the Work Programme adopted by the Ministers in November 1982.1 Next November the Contracting Parties are to review work done in this area over the past two years, and decide what further action is needed on the Programme which comprises seventeen decisions on a wide range of issues.

Speaking on behalf of the developing countries, the Uruguayan representative underlined the importance of adequate implementation of the Programme for improving world trading relations, particularly for the developing countries whose situation had deteriorated under the impact of growing protectionism. He called on the international community to respect the commitments made by Ministers in regard to developing countries, citing possible measures for achieving more favourable treatment. “Unless and until the Work Programme is fully implemented in this manner”, he concluded, “any initiative such as a new round of negotiations in GATT would be lacking in credibility and devoid of relevance, particularly for developing countries.”

While recognizing the serious concern felt by developing countries, a number of developed countries underlined the importance of full and balanced implementation of the GATT Work Programme, and expressed varying views regarding possible continuity between implementation of the Work Programme and a new round of multilateral negotiations, as well as on appropriate timing and the conditions for launching such negotiations.

Japan viewed the idea of a new round of negotiations and full implementation of the Ministerial Declaration as being complementary.

While confirming that the European Community would support any concrete and specific proposals likely to strengthen the trading system in the 1980s, the EEC representative underlined that the first priority must be to resist protectionist pressures, dismantle any existing restrictive measures, and implement the work programme.

The United States representative called for intensified efforts by all contracting parties to observe the time-limits set by the Ministers.

The Council adopted reports by two dispute panels considering complaints on the Manufacturing Clause of US copyright legislation and on measures applied by Japan on imports of leather. Both countries indicated that they would need a certain time to implement the recommendations made by the panels to bring their practices into line with the General Agreement. The Japanese representative said that, as a first stage, his country would liberalize trade in certain of the products involved.

During a discussion on reports of the Textiles Committee, several developing countries expressed concern over the increasing number of requests made to them for consultations regarding textile trade. Since last December, when the United States administration introduced new domestic criteria defining market disruption – criteria to which they had objected2 – more than eighty consultation requests had been addressed to the MFA exporters by the United States authorities, covering many products.

While understanding the concern of developing countries, the United States representative noted that his country’s textile imports had risen by 38% in the first quarter of 1984 (as against 25% for 1983 as a whole) and that developing countries had accounted for 70% of the increase.

(Continued on page 4)

1 At a special meeting on the morning of 15 May, the Council examined the political commitments on protectionism which are set forth in the opening section of the GATT Work Programme.
2 See FOCUS No. 27
International trade recovery in 1983

The GATT secretariat has just completed a first assessment of international trade developments in 1983; the salient points are reported below. Following two years of stagnation and decline, the volume of world trade increased by 2% in 1983. The expansion of world exports was particularly rapid in the second half of the year. The decline in dollar unit values of trade more than offset the increase in volume, causing the value of world trade to decline by 2%, to about $1,810 billion. The trade deficit of the non-oil developing countries reached its lowest level – relative to exports – since 1953.

The composition of world trade has changed appreciably: trade in mineral products declined for the fourth consecutive year, due to the continuing decline in exports of petroleum, while agricultural and manufactured exports continued to expand, by 2% and 4% respectively.

\[\text{Development of World Exports} \]

<table>
<thead>
<tr>
<th></th>
<th>1970-1983</th>
<th>(Volume indices, 1970 = 100)</th>
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<tbody>
<tr>
<td></td>
<td>80</td>
<td>100</td>
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<tr>
<td></td>
<td>120</td>
<td>140</td>
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<td>180</td>
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<tr>
<td></td>
<td>200</td>
<td>220</td>
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</tbody>
</table>

This 4% increase was primarily the result of an expansion of trade among industrial countries, as well as significantly larger exports from certain developing countries to the industrial countries. Imports of manufactures by the industrial countries from developing countries increased, by 6 to 7% overall, while there was a significant decline in trade in manufactures between the heavily indebted countries and the traditional oil-exporters.

- The overall trade deficit of the industrial countries remained at the previous year’s level, with the dollar value of both exports and imports falling by about 1 to 1.5%. In volume terms, exports and imports recovered by approximately 2 and 4% respectively. The increase of imports into the United States was equivalent to one half of the net increase in the volume of world trade in 1983.

- As regards the Eastern trading area, exports and imports by the East European countries increased in dollar value by 5 and 4.5% respectively and their trade surplus rose by a further $1 billion to nearly $5 billion in 1983. Similarly, the Soviet Union’s trade surplus increased further from $9 billion to $11 billion. In dollar value, imports by China increased by about 7%, while exports stagnated; the trade surplus contracted from $3 billion to an estimated $2 billion in 1983.

**Divergent recovery trends**

GATT’s economists view these developments as indicating that the recovery of world trade in 1983 conceals highly divergent trends by region and product groups. Imports expanded strongly in those industrial countries experiencing a consumer-led recovery especially North America and the United Kingdom, but also the Federal Republic of Germany, as well as in the Eastern trading area and developing countries in South and Far East Asia. Import growth for individual countries generally ranged between 7 and 12%. The situation was very different in countries with sluggish growth and/or severe debt-serviced problems, where in many instances imports declined sharply.

The impact of the recovery on different product groups is also interesting. The most outstanding development was the boom in trade in electronic products, especially computers and related equipment, electronic components (such as semi-conductors and electronic microcircuits) and parts of consumer electronic goods. With the exception of personal computers and video tape recorders, on the other hand, the expansion of trade in finished consumer electronic products (such as television sets and radios) was not particularly strong. Trade in iron and steel continued to be weak, in contrast to other semi-manufactured goods such as non-ferrous metals and wood manufactures. Civil aircraft and passenger cars recorded growth rates above the average for manufactures, after years of depressed sales. There was little change in trade in textiles and clothing globally, with the major exception of North America; in the United States, clothing imports increased by 17% per cent in dollar terms, compared with 12 per cent for total manufactures.

Because the United States, the Federal Republic of Germany, the United Kingdom and Canada account for about 75 per cent of the industrial countries’ imports of manufactures from developing countries, the recovery in these markets strongly stimulated the exports of manufactures from developing countries. Thus, among the developing countries, the principal beneficiaries of the recovery in the industrial countries were those countries for which manufactures are a large part of total exports. Among the industrial countries themselves, only a few recorded high export growth rates (expressed in dollar terms).

**Indebtedness and balance-of-payments adjustment**

Eleven out of the fifteen indebted developing countries considered in the GATT study experienced either a reduction in their trade deficit or even a trade surplus. However, apart from Brazil and Korea, whose exports increased, the trend was attributable to a sharp decline in imports. Thus, with the limited exception of certain countries for which manufactures are an important part of total exports, the recovery in the industrial countries has (continued on page 3)

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1 Document GATT/1358, available from the GATT Information Service in French, English and Spanish. The full report will be published at the end of the year.
World trade by areas in 1982 and 1983
(Billion dollars and percentages)

<table>
<thead>
<tr>
<th></th>
<th>Exports (fob)</th>
<th>Imports (cif)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value 1982</td>
<td>Change over</td>
</tr>
<tr>
<td></td>
<td>Value 1983</td>
<td>previous year</td>
</tr>
<tr>
<td>WORLD of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial countries</td>
<td>1 850 1 810</td>
<td>-6 -2</td>
</tr>
<tr>
<td>Traditional oil-exporting countries</td>
<td>1 147 1 133</td>
<td>-5% -1</td>
</tr>
<tr>
<td>Other developing countries</td>
<td>217 177</td>
<td>-22 -18½</td>
</tr>
<tr>
<td>Eastern Trading Area b</td>
<td>255 265</td>
<td>-4 +4</td>
</tr>
<tr>
<td></td>
<td>193 203</td>
<td>+5 +5</td>
</tr>
</tbody>
</table>

* b: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahirya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

Note: Data for 1983 are based on incomplete returns and are subject to revisions.

yet to have a significant impact on trade of the more heavily indebted developing countries.

Impact on industrial countries

Altogether, declining exports to the fifteen heavily indebted developing countries and to the traditional oil-exporting developing countries were equivalent to about two-thirds of the United States' export decline in 1983 and to about 60% of the decline in the value of the European Communities' exports. In the case of Japan, depressed sales to these two groups of developing countries caused slower export growth.

Exports by the United States and the EEC were particularly affected by the decline in imports into the heavily indebted developing countries.

GOVERNMENT PROCUREMENT

Adoption of report on VAT

On 16 May, the Committee on Government Procurement adopted the report of the Panel established at the request of the United States to examine the EEC's practice of excluding value-added tax (VAT) from the threshold value of contracts awarded by public entities.

Under the Agreement on Government Procurement, only contracts of a value of SDR 150,000 or more are subject to international competition. The Panel found that the "contract value" fixed by the Agreement should include VAT unless the entity concerned was exempt from paying it. The Panel concluded that the present EEC practice was not in conformity with that interpretation of the Agreement when the entity was not exempted from paying VAT.

While not opposing adoption of the report, the EEC representative said that the Panel's interpretation could give rise to problems for the Community owing to the existence of differing tax systems and practices affecting government purchasing, and in particular the application of different VAT rates, both within the Community and in other countries, as well as different rules for tax exemptions. He underline the need to explore various avenues and formulae in order to arrive at a balance of advantages and commitments for all signatories of the Agreement.

The United States representative noted that the Panel had clearly concluded that signatories could not unilaterally make deductions from contract value. He considered unacceptable any suggestion that all signatories exclude VAT charges in making threshold determinations. Some countries supported this point of view, while others regretted that no recommendation had been made, the EEC being expected to report to the Committee actions it was taking to change its present practice.

Outlook for 1984: Is any durable solution in sight?

It seems likely that the volume of world trade in 1984 will be between 5 and 6% above the 1983 level.

In the view of GATT's economists, the continued reliance on import contraction to "improve" the payments positions of the heavily indebted developing countries makes it clear that a satisfactory resolution of the debt crisis is still to be found. They note furthermore that demand for borrowed capital remains strong relative to available savings, helping to keep interest rates high; moreover, there is as yet no clear evidence of a permanent victory in the fight against inflation in the major industrial countries.

In conclusion, say the GATT economists, durable solutions have yet to be found for two of the fundamental economic problems of the 1980s— the debt crisis and the need for sustained non-inflationary growth in the world economy. These two problems merge into one to the extent that the solution to the debt crisis lies in a resumption of economic growth worldwide.
The Council adopted the report of the Committee on Balance-of-Payments Restrictions on its consultations with Nigeria, and considered a new approach to the consideration of external trade conditions in the work of the Committee aimed at easing the balance-of-payments problems of heavily indebted countries.

Textiles and exchange rate studies
Trade in textiles and the impact on trade of erratic fluctuations in exchange rates were among the topics identified by the Ministers for study. For some 20 years now, trade in textiles has been the subject of restrictions negotiated within GATT. A study recently presented to the Council on "textiles and clothing in the world economy" is designed to help GATT members decide how these products should be treated in future. The Council decided to set up a Working Party "to examine modalities of further trade liberalization in textiles and clothing including the possibilities for bringing about the full application of GATT provisions to this sector".

Having discussed the study prepared by the IMF at the request of GATT on "exchange rate volatility and world trade", the Council asked its Chairman to consult informally with interested delegations to ascertain the best way of taking this issue further.

1 The study is not at present available to the general public.
2 The Multifibre Arrangement, which at present regulates trade in textiles and clothing, is due to expire in July 1986 and negotiations regarding its future are to commence at the end of this year.

In brief ...

Developing countries: New consultations
The Committee on Trade and Development is to consult with the European Community and the United States on 21-22 June to examine the extent to which trade policies and measures of these countries have fulfilled the provisions of Part IV of the General Agreement, which calls for special rules in favour of developing countries. This will be the second round of consultations held under a decision adopted at the Ministerial Session of November 1982 and designed to promote fuller and more effective implementation of Part IV which aims to improve conditions of access for exports of developing countries.

1 A feature article on these consultations was published in FOCUS No. 21.

Customs valuation: agreement on treatment of interest charges
On 26 April, the Committee on Customs Valuations adopted a decision excluding from the customs value of imported goods any interest charges relating to their purchase and payable under a financing arrangement entered into by the buyer. The practical implications of this decision, which contains detailed implementing conditions, will be quite substantial.

Government procurement: pilot studies on certain services
At its meeting on 11 and 12 April, the Committee on Government Procurement agreed that initial pilot studies are to be carried out on architectural and consulting engineering services, and on insurance services. This decision is to be seen in the context of Article IX:6(b) of the Agreement of Government Procurement, under which the Committee is called upon to explore possibilities of expanding the Agreement's coverage to include service contracts. It is understood that these studies will in no way prejudice the manner in which the question of services is to be taken up in GATT, nor the position of any delegations on possible inclusion of service contracts in the Agreement's coverage.

The parties to the agreement will be communicating to the GATT secretariat any information they have on these types of services.

Trade in Agricultural Products
The work of the Committee on Trade in Agriculture is progressing at a satisfactory rate. At its meetings on 5-6 March and 2-3 April, the Committee examined various approaches for bringing trade in these products under closer discipline and improving market access conditions. The secretariat and the Chairman have prepared a draft recommendation for examination by the Committee at its forthcoming meetings. The Committee has thus moved on to a new phase of its work that of making recommendations to the Contracting Parties, in accordance with the Declaration of November 1982.

At earlier meetings, the Committee examined trade measures affecting market access and supplies, the operation of the General Agreement as regards agricultural subsidies, and various exceptions and derogations maintained in this sector.

1 See FOCUS Nos. 20, 23, 25.

Coming GATT Activities
Provisional schedule of meetings:

June
4-5 Working Party on Australia/New Zealand Agreement
5-6 Committee on Trade and Development
6-8 Committee on Trade in Agriculture
12 Committee on Import Licensing
12-13 Textiles Surveillance Body
13-15 Group on Quantitative Restrictions and Other Non-Tariff Measures
13-15 Meat Market Analysis Group
14 COUNCIL
18-19 International Meat Council
19-21 Committee on Government Procurement
20-22 Committees on Milk Powders, Milk Fat and Cheeses
21-22 Committee on Trade and Development (Part IV consultations)
25-26 ad hoc Group on Implementation of the Anti-Dumping Code
25-26 Textiles Surveillance Body
25-29 Working Party on Natural Resources

July
2-3 Group on Quantitative Restrictions and Other Non-Tariff Measures
2-5 Textiles Surveillance Body
9-10 Committee on Technical Barriers to Trade
12 COUNCIL
16-18 Textiles Surveillance Body
and 31