COUNCIL

Constructive dialogue on possible new round of multilateral trade negotiations

On 5 and 6 June the Council embarked on substantive discussions on possibilities for holding a new round of multilateral trade negotiations within GATT. Until now the subject had been approached in GATT only in a consultative framework—the most recent meetings by the Consultative Group of Eighteen—or in informal consultations, and outside GATT in plurilateral high-level meetings or in certain international fora. Many representatives of the Council expressed their satisfaction that discussion was commencing in the GATT body which is the most representative and best placed to take a stand on the matter.

The Council was reviewing developments in international trade (see article opposite on protectionism) and implementation of the Work Programme adopted in 1982. It would seem increasingly realistic to consider that satisfactory implementation of the Programme would, in one way or another, be linked to a multilateral negotiation. Indeed, the Ministerial Declaration of 1982 carried the seeds of such a possibility for specific issues such as agriculture. Moreover, even wider-ranging political commitments, in particular those undertaken by the contracting parties under paragraph 7(i) of the Declaration to refrain from adopting or maintaining any trade policies and measures inconsistent with the General Agreement seem to be increasingly difficult to implement except in the context of collective and concerted action by the contracting parties. There seems to be a general feeling that the time has come to move on to a more active phase.

Many GATT members described how they envisaged new multilateral negotiations and gave preliminary indications as to the issues they would wish to be included. On behalf of an informal group of 24 developing countries the Indian representative recalled that they saw little evidence that a new round of negotiations alone would reduce or eliminate the basic assymetry in trade relations between developed and developing countries. Nevertheless those countries declared their readiness to make specific proposals for new negotiations which in their view should be limited to trade in goods, and mentioned the following areas in which agreement should be sought before the negotiations as such could be launched:

- individual measures to stop and reverse protectionism, in line with the Ministerial Declaration;
- recognition of the need for urgent multilateral action on issues of special interest to developing countries (textiles, tropical products, quantitative restrictions and other non-tariff measures, subsidies, countervailing and anti-dumping measures, safeguards, dispute settlement);

Protectionism has continued to intensify despite some partial improvements

While there were a few encouraging signs during the period 1 October 1984 to 31 March 1985, developments in trade policy have been mainly characterized by new trade restrictions and by continuing strong pressures for protective action and recourse to trade measures outside the multilateral framework established by the General Agreement, notes the GATT secretariat in a recent report which was examined by the Council on 5 June.

The acceleration of Tokyo Round tariff cuts by a number of industrialized countries stands out as the main concrete and concerted action to liberalize trade during the six-month period. Some improvements were also made in certain GSP schemes, notably in favour of the least-developed countries. A few countries, such as India, Korea, New Zealand and Turkey, took significant steps to liberalize their foreign trade, and Japan announced that it would be taking further steps to encourage imports. A number of countries have presented proposals for liberalizing some quantitative restrictions in the context of the Group which deals with these matters.

In fact, notes the Secretariat report, despite the economic recovery which accelerated in 1984, particularly in the United States, many of the factors which encouraged trade growth have contributed also to reinforcing pressures for protection. The growth of the United States trade deficit has led
numerous Latin American countries largely correspond to those of interest to be included in the negotiations, which indicated the issues they would wish to national security reasons and were. The United States representative said the ASEAN group countries likewise indicated the issues they would wish to be included in the negotiations, which largely correspond to those of interest to other developing countries.

Many developed countries welcomed the fact that the developing countries had made specific proposals with a view to a new round of negotiations; they commented on those proposals, indicating their respective positions on the issues identified as well as on other topics of interest to them. They explained why it seemed to them important to embark on a new round of negotiations. The representative of the European Communities, inter alia, underlined that, in his view, the new round was, in fact, already under way and that initial differences of position constituted the very essence of a negotiation.

COUNCIL — Constructive dialogue (continued)

— reaffirmation of special and differential treatment for developing countries. In addition, these countries considered it necessary to start, in the appropriate bodies, a parallel process to review and reform the international financial and monetary system, and to examine in depth within GATT all the effects of exchange rate fluctuations on international trade.

The ASEAN group countries likewise indicated the issues they would wish to be included in the negotiations, which largely correspond to those of interest to other developing countries.

COUNCIL

Discussion on trade disputes

At its meeting on 29 May, the Council discussed at length the trade measures taken by the United States against Nicaragua, which had been made effective on 7 May.

The representative of Nicaragua asked the Council to condemn the trade embargo and other measures taken by the United States, and to urge that country to revoke the measures. In his view, the measures violated the principles and certain specific provisions of the General Agreement, and were furthermore in breach of other international treaties and legal provisions. He underlined the serious economic impact of the measures for Nicaragua's exports, which had already been affected by the cut in the sugar quota allocated to Nicaragua by the United States.

The United States representative said the measures had been taken for national security reasons and were therefore justified under Article XXI of the General Agreement, which left to each contracting party the judgement of any action necessary for its national security interests. In his view, GATT was not an appropriate forum for debating political and security issues. Numerous Latin American countries and many other countries supported the request for the measures to be revoked, and expressed the hope that a mutually satisfactory bilateral solution would be found to the problems between the United States and Nicaragua. They recalled that the Ministerial Declaration of 1982 had called on contracting parties to abstain from taking economic measures for non-commercial reasons. They considered that the United States had had no justification for invoking Article XXI and that the measures under reference were heightening tension in the region concerned.

Some other countries, while deploiring the adverse effects of the United States' measures on Nicaragua's economy and while urging the parties to seek an amicable solution to their problems, recalled that Article XXI left to each contracting party the judgement of what constituted its essential security interests. Some delegations nevertheless regretted that the United States had given an extensive interpretation to that definition, and expressed concern over the risk of erosion of the GATT rules which could result from excessive recourse to the provisions of Article XXI.

The Council agreed that its Chairman would consult with delegations to determine how this matter could be dealt with at a future Council meeting. At the meeting on 5–6 June, Nicaragua reserved the right to revert to the matter at the meeting scheduled for 17–18 July.

On 5–6 June the United States reminded the Council that the report of the panel on EEC tariff treatment of imports of citrus products from Mediterranean countries had still not been adopted because of opposition from the countries concerned, and that the EEC had not proposed any economic solution to resolve the dispute. The proposal made by the EFTA countries for a working party to be set up to examine the considerations put forward by the EEC and the Mediterranean countries seemed unlikely to yield any concrete result, in the light of past experience of that type of procedure.

The EEC reiterated its doubts as to the legal justification of some of the panel's conclusions and expressed concern over rumours that the United States might be considering unilateral compensatory action.

The United States representative drew the Council's attention to the fact that Japan had only partly implemented the recommendations of the panel which had examined Japanese measures on leather imports, since their adoption in May 1984. He asked the Council to authorize its Chairman to consult with a view to finding a satisfactory solution on the matter or to determine compensatory measures that the United States would be authorized to take.

The Japanese representative recalled the various measures taken to date, underlining that his country's leather imports had almost doubled in value between 1983 and 1984. In his view it would be counter-productive at the current juncture to hold the consultations suggested by the United States, and his country was ready to continue stage-by-stage implementation of the panel's conclusions.

Canada, Australia, Argentina, Brazil, New Zealand, the EEC, Uruguay, India and Yugoslavia reserved the right to participate, if need be, in the consultations requested by the USA. The Council agreed to revert to the matter at its next meeting.
The basic objective of the Association is to provide a forum in Geneva for maintaining close contact among past participants and for a discussion and exchange of views on matters of common interest to them in international trade and economic relations. Towards this end the Association proposes to hold periodic meetings of its members, and also to invite eminent persons as guest lecturers on topical issues. By arranging some of its meetings and ‘get togethers’ at the time of important GATT and other meetings, the Association expects that it would be able to develop contacts with those participants who come to Geneva to attend GATT and other meetings.

DAIRY PRODUCTS
Agreement to adjust minimum prices

At a special meeting on 31 May the International Dairy Products Council, which had met on a number of occasions since the end of 1984 to discuss problems in this sector, reached agreement on certain matters put before it by the committees that oversee the various dairy Protocols.

The committees decided to lower, as from 5 June 1985, the minimum price of certain dairy products in order to take account of the rising dollar and the market situation. Accordingly, the minimum price has been lowered from $1,200 to $1,000 per ton for butter, from $1,440 to $1,200 for anhydrous milk fat, and from $950 to $830 for whole milk powder.

The minimum prices remain unchanged in respect of the other products covered by the Arrangement, namely skimmed milk powder, buttermilk and certain cheeses.

The Council accordingly considered that there was no further reason to maintain the resolution of 16 November 1984 which had authorized, by way of safeguard measures, the sale of butter at less than the minimum price, and rescinded the resolution with effect from 5 June 1985. The Council also reached agreement regarding the sale of butter more than 18 months old: if a participant in the Arrangement has exceptionally large stocks of this type of butter, it is authorized, subject to certain conditions, to sell it at less than the minimum price. This derogation will remain in effect until 31 December 1986, unless rescinded before then.

Lastly, the Council noted that the committees which administer the various Protocols regarding dairy products have decided to examine as soon as possible the question of adjusting minimum prices to take account of fluctuations in the exchange rate for the US dollar.
in that country to a preoccupation with bilateral trade imbalances and to widespread calls for trade restrictions, including proposals for a general surcharge on imports. Furthermore, the rise in the dollar has had effects on the terms of trade of developing countries and on their debt-servicing burdens. The failure of economic recovery to reduce unemployment significantly had undoubtedly contributed greatly to continued protectionist pressures, particularly in Western Europe.

There is only meagre evidence of any rollback of trade restrictions. The drift towards increasing management of trade, especially through voluntary export restraints, has continued and such arrangements have even been extended in the steel sector where effectively there is now a globally managed trade framework which in some respects parallels that already in existence for textiles and clothing. In the agricultural sector, where concern over the use of subsidy measures has been particularly pronounced, further unfavourable trade developments have occurred in respect of dairy products and meat. For textiles and clothing, the tendency to apply the Multifibre Arrangement more and more restrictively has continued to cause concern. Lastly, one may note a distinctive rise in the use of countertrade virtually worldwide.

Yet governments have continued to express determination to resist protectionist pressures and to reinforce the multilateral trading system, inter alia in OECD, the World Bank-IMF Development Committee and in GATT. In these various bodies there has been increasing discussion of the possibility of holding new trade negotiations in GATT.

For developing countries, world economic trends in recent months have permitted some improvement in their current account situation, and a pick-up in the growth of their exports, varying from one country to another. Nevertheless the continuing tensions and uncertainty in international trade relations appear to be inhibiting plans for the future postulated on continuing export growth. An important consequence of current difficulties appears to have been to weaken, or even reverse, the recent trend for developing countries to liberalize their foreign trade systems, and to encourage heavily indebted countries to rely to a greater extent on import substitution policies than on export expansion strategies in dealing with immediate balance-of-payments difficulties.

During the Council discussions of the secretariat report, some countries expressed the view that it underestimated the gravity of the situation; others were of the opinion that there were some signs of improvement and firmer resolve to undertake collective action to strengthen the trading system. For their part, developing-country exporters of textiles and clothing underlined growing protectionist trends in that sector, and their concern over the Jenkins Bill currently before the United States Congress.

Jan Tumlir

Jan Tumlir died suddenly on 22 June in Geneva aged 58 years, shortly before leaving for California where he was to return to teaching economics.

Since 1967 and until recently Jan Tumlir had been GATT’s Director of Economic Research and Analysis. Before joining the GATT in 1964, he had obtained a Ph.D. (Econ.) at Yale University (USA) where he subsequently taught as an assistant professor of economics. He also taught economics at the Graduate Institute of International Studies in Geneva since 1968 and was the author of a number of monographs and many articles.

These few milestones in Jan Tumlir’s professional career do not adequately reflect the wealth of his thinking and personality nor the tremendous influence he had on everyone around him, whether in professional life or in his contacts with students.

To work with Jan Tumlir was equivalent to pursuing post-graduate studies in economics, because of his extensive knowledge and his learning which never ceased growing. His successor, Richard Blackhurst, who worked with him for eleven years, has underlined his enthusiasm for sharing discoveries with his colleagues. “Jan was an educator, he loved economics and had a great deal to teach us. He was also a natural born leader, someone with the ability to draw others to him and to communicate an extraordinary focus of commitment because of having a vision, a dream, a frame of reference…”

That dream was the dream of freedom, which pervaded all Jan Tumlir’s life and his economic thinking. He condemned in particular the dangers and costs of protectionism and the role of structural rigidities in encouraging it. Many of his ideas, which at first were very much minority views, are now widely recognized and have helped GATT take a lead among international organizations in accurately analysing many of the key economic problems of our times.

Jan Tumlir was both demanding and generous by nature. He was stimulated by the challenge of discovering both the causes of, and the remedies for, declining economic performance. He was demanding in respect of national policy makers and politicians from whom he expected the highest standards of integrity and courage in resisting the numerous pressures brought to bear on them.

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“Over these years, Jan became the conscience and the resident philosopher of the GATT. He understood and expressed more clearly than anybody I have known the historical background and political significance of our work, and he communicated to others his own commitment to it… He was a man of total integrity, incapable of selfishness or pettiness. We must be grateful for what he has been for us and for the heritage he leaves, on which we shall draw for many years.” (Arthur Dunkel, Director-General of GATT)