SPECIAL SESSION OF THE CONTRACTING PARTIES

Preparatory process now initiated on proposed new round of trade negotiations

At a special session held by the GATT Contracting Parties from 30 September to 2 October, a major step forward was made toward preparing new multilateral trade negotiations. The session was convened to examine “the subject matter and modalities of a proposed new round of multilateral trade negotiations in the light of the GATT Work Programme and priorities for the 1980s as contained in the Ministerial Declaration of 1982 and the continuing consideration of changes in the trading environment so as to ensure that the GATT is responsive to these changes”.

The Contracting Parties agreed (see box) by consensus to establish a group of senior officials to examine the matters referred to and to report to them at their November session. The group has begun its work (see article p. 8).

The Contracting Parties agreed as follows:
- a preparatory process on the proposed new round of multilateral trade negotiations has now been initiated;
- in order to further this process, a group of senior officials, open to all contracting parties, is established; it will meet for the first time on 14 October;
- this group will report to the Contracting Parties at their November session;
- at that session of the Contracting Parties, a decision will be taken on the establishment of a Preparatory Committee to prepare the basis for the launching of a new round.

It is understood that:
- the senior officials’ group will examine the subject matter and modalities of the proposed negotiations in the light of the GATT Work Programme and priorities for the 1980s as contained in the Ministerial Declaration of 1982 and the continuing consideration of changes in the trading environment so as to ensure that the GATT is responsive to these changes;
- the work of the senior officials’ group will not prejudice the ongoing work of the GATT in terms of the 1982 Work Programme, and will not prejudice the work on services in terms of the 1982 and 1984 decisions and agreed conclusions of the Contracting Parties; the November session will also receive reports on this ongoing work”.

From right to left: Felipe Jaramillo, Chairman of the CPs, Arthur Dunkel, Director General of GATT, Madan Mathur and William Kelly, Deputy Directors-General.
FOCUS on...

WORLD TRADE GROWTH SHOWS SIGNS OF SLOWING DOWN

Vigorous boost needed

A study of the outlook for world trade recently prepared by the Economic Research and Analysis Unit of the GATT Secretariat pursues the following main themes, some of which are interlinked:

- a more pronounced weakening of economic recovery than expected;
- changes in the pattern of intercontinental trade flows;
- the danger that the international trading system will become a scapegoat for problems whose origins lie outside the trade area;
- the threat to the international trading system caused by the proliferation of trade-restrictive agreements;
- the risk that expansive monetary and fiscal policies designed to reactivate economic recovery could re-ignite inflation, as was the case in the 1970s;
- the prospect of a new round of multilateral negotiations in GATT, which could give a strong, non-inflationary, medium-term macro-economic boost to the world economy.

Contrasting developments

After noting that the volume of world trade increased 9 per cent in 1984 over 1983, while world production was up 5½ per cent, GATT's economists express the view that currently available statistics for 1985 not only confirm the predicted moderation in the growth of world output in trade, but also suggest that the slowdown may be more pronounced than the forecasts (see box).

They note further that recent developments reveal both disappointments and achievements. The geographically unbalanced nature of the recovery contributed to the emergence of major current account imbalances, which in turn have added to long-standing protectionist pressures, especially in the United States. It slowed down, but did not reverse, the upward trend in Western Europe's already high unemployment rate. It gave several of the heavily indebted developing countries a breathing space, but little more—as is shown by the decline in the value of the exports and imports of many of these countries in the first half of 1985. And indications that the recovery is slowing down this year more than expected, especially in North America and parts of South-East Asia, could signal that the world economy is in danger of slipping back into the anaemic performance of the post-1973 era.

Progress has been modest in most instances thus far, however, and there are some important exceptions. There has been a deterioration in trade policies almost everywhere.

From a trade policy perspective, GATT's economists find that a review of the current situation points to two broad conclusions.

(continued on page 3)

Forecasts for 1985 and 1986

Despite a considerable amount of uncertainty surrounding the outlook for certain key variables (such as the US dollar's exchange rate, interest rates, and growth rates in the United States and Western Europe) in the first six months of this year, the forecasts tended to converge around 3 to 3½ per cent for world output growth and 5 to 5½ per cent for world trade growth in 1985 and 1986.

Recently available information suggests that the assumptions on which these forecasts were made could turn out to have been too optimistic. For example, growth in the first half of 1985 in the United States, and in certain developing economies in South-East Asia, was well below expectations. There was also an unexpectedly sharp absolute decline in the value and volume of exports and imports by the members of OPEC. At the same time, commodity prices (excluding petroleum) have declined much more than anticipated. Expressed in US dollars, prices of non-petroleum commodity products exported by developing countries were down on average by 13 per cent in the first half of 1985 relative to a year earlier, which in turn has reduced the import capacity of many primary producers.

Taking into account these and other developments, it seems likely that the volume of world trade in 1985 will exceed the record 1984 level by less than 4 per cent, rather than by the 5 to 5½ per cent anticipated earlier this year by most forecasts. Some scaling down of the forecast for world output growth may ultimately also be necessary.
First, protectionist trade actions are only one element in a mosaic of policy-related problems burdening the world economy. Better trade policies alone are not sufficient to strengthen and spread economic growth and job creation because they cannot solve problems created by inept policies in other areas. By the same token, policy reforms outside the trade field cannot be fully effective if they are introduced in an environment burdened with high levels of protection and uncertainty about the future course of trade policies.

The other conclusion concerns opportunities in the trade policy field. If monetary and fiscal policies had to carry the whole burden of sustaining economic growth into the 1990s, there would be a serious risk of re-igniting inflation. In this situation a strengthening of GATT disciplines, for example in the areas of subsidies and emergency protection, coupled with further opening of markets, would be particularly timely for reasons which the GATT economists develop in the last section of their analysis.

Slower expansion of world trade

The growth in the volume of world trade in 1984 was the largest increase since 1976. Its expansion is continuing at a moderate pace. Preliminary estimates suggest that the volume of world trade in the first six months of 1985 was about 3 per cent above the first half of 1984. On an annual basis, that would be more rapid than the average for the four years from 1980 to 1983, but only one-third the rate recorded in 1984. Due to the strong volume growth, the dollar value of world trade increased by 6 per cent in 1984, the first increase in the value of world trade since 1980. This overall increase conceals widely diverging developments in individual regions.

- The industrial countries' exports were up 6½ per cent, while their imports expanded by 8 per cent in value. The combined merchandise trade deficit (f.o.b.-f.o.b.) of $49 billion reflects contrasting developments among the industrial countries.
- There was almost no change in the trade surplus of the Eastern trading area between 1983 and 1984 ($24 billion vs. $23 billion).
- The trade deficit of Australia, New Zealand and South Africa increased by $3 billion in 1984, reaching an estimated $4 billion.
- Exports and imports of the developing countries increased in value terms by 6 per cent and ½ per cent, respectively, in 1984. The trade surplus (f.o.b.-f.o.b.) of the developing countries as a group rose from $5 billion in 1983 to $31 billion in 1984. Non-OPEC developing countries reduced their trade deficit from $42 billion to $25 billion.

Leading exporters and importers: changes in rankings

In 1984, as in 1973, the twenty leading exporters and importers as a group accounted for almost three-quarters of world trade. In contrast to the stability of the aggregate share, the list of the twenty leading exporters and importers reveals important changes from the 1973 rankings:

- While the five leading exporters2 maintained their previous rankings, the 1984 list of the twenty leading exporters exhibits six names that were not on the list in 1973: the Republic of Korea, China, Hong Kong, Taiwan, Mexico and Singapore. Export expansion in Australia, Poland, Denmark, Iran, Czechoslovakia and the German Democratic Republic was not sufficient to keep them among the top twenty exporters, even though between 1973 and 1984 they achieved average annual growth rates in the dollar value of exports ranging from about 6 to 11 per cent.
- The United States and all the European areas listed had smaller shares in world imports in 1984. Canada, Japan, the USSR and all developing areas listed increased their market shares between 1973 and 1984.
- The 1984 list of leading importers exhibits six new names: the Republic of Korea, Singapore, China, Hong Kong, Taiwan and Saudi Arabia. Poland, Denmark, Austria, Brazil, Norway and the German Democratic Republic were no longer among the top twenty importers, although the dollar value of their imports increased at average annual rates from 3 to 10 per cent between 1973 and 1984.
- Among all areas of the world economy, the United States experienced by far the strongest increase in imports between 1973 and 1984; its share increased by more than five percentage points. Gains in import shares are also observable in developing areas among the top twenty in 1984. In contrast, all European countries on the list had a lower share in world imports in 1984 than a decade before.

Gains in the world market share on the export side generally went along with gains on the import side, and smaller shares on the export side went along with smaller shares on the import side. Five of the six economies that joined the list of leading importers in 1984 also joined the list of leading importers. This underlines the point that dynamic suppliers are also dynamic customers.

The significant advance of certain developing areas in world export and import markets is the most striking result in this comparison of market shares. In particular, the development of an increasingly diversified manufacturing sector in a number of developing economies became a dynamic source of export earnings which, in turn, resulted in an expansion of their imports. On the list of the world's leading exporters of manufactures, the distinction between developing and developed areas becomes more and more blurred. By 1984, for example, Taiwan and the Republic of Korea had moved up the list ahead of such traditional exporters of manufactures as Switzerland and Sweden.

Temporary improvement in trade performance of the indebted countries

The collective trade performance of the sixteen indebted developing countries examined by GATT improved (continued on page 4)

2 United States, Federal Republic of Germany, Japan, France, United Kingdom (which are also the five leading importers).
significantly in 1984 as compared with 1982 and 1983. The process of import contraction was reversed and export earnings of the group recovered by more than 10 per cent from the 1983 trough.

Three of the sixteen countries (Argentina, the Republic of Korea and Thailand) achieved the most desirable type of trade adjustment, namely export and import expansion coupled with an improved merchandise trade balance. The process of import contraction continued in half of the countries; however, in all but one (Egypt) this was coupled with export expansion. The merchandise trade balance deteriorated in five of the sixteen countries, but even in these cases the deterioration remained limited.

Preliminary data suggest, nevertheless, that in the first half of 1985 the values of both exports and imports of the majority of the sixteen indebted countries started to decline again.

Trade of Africa
The trade record of African developing countries over the past decade has been discouraging. Between 1980 and 1984, the share of Africa in world trade decreased from 4.7 to 3.1 per cent, while trade within Africa as a proportion of Africa’s total trade was less than 2 per cent in 1984.

Shift in trade activity
Among recent changes in regional trade patterns, the development of Trans-Pacific trade relative to Trans-Atlantic and EurAf-Pacific trade is particularly interesting.

In 1963, the values of Trans-Pacific and EurAf-Pacific trade (exports plus imports) were each only about one-third of the value of Trans-Atlantic trade.

By 1984, those relations had changed significantly:

- The value of EurAf-Pacific trade had reached a level equal to about one-half that of Trans-Atlantic trade.
- Trans-Pacific trade turned out to be even more dynamic; in 1984, for the first time, its value surpassed that of Trans-Atlantic trade.

This shift in trade activity is not a short-term phenomenon. While the share of Trans-Atlantic trade in world trade declined by about five percentage points during the two decades from the early 1960s to the early 1980s, the corresponding share of Trans-Pacific trade increased by about the same amount. EurAf-Pacific trade expanded at the same rate as world trade, so that its share remained constant.

Taken as a whole, inter-continental trade flows currently account for about one-quarter of world trade, that is, much the same share as twenty years ago. Thus, over the last two decades, inter-continental trade has expanded as rapidly as intra-continental trade despite the fact that (i) there were proportionately more reductions in barriers affecting intra-continental trade (for example, the enlargement of the EEC, and the free-trade agreements between the EEC and the EFTA countries) and (ii) the majority of trade restrictions introduced during that period were designed to manage (that is, reduce) the growth of inter-continental trade. These considerations suggest that inter-continental trade continues to offer large opportunities for specialization and complementary development in production.

Trade policies and changes in trade patterns
Looking at the many determinants of changes in trade patterns, GATT’s economists note that national trade policies clearly play a key rôle, with liberal trade policies promoting structural adjustment, growth and the competitiveness of the economy, which in turn leads to expanding exports and imports.

The multilateral trading system plays a critical part in this process. When the system is functioning well – in particular, when it provides a stable and effective framework for the conduct of international trade – newcomers find it easier to enter new markets, injecting dynamism into the world economy as they expand their exports and imports. And the most-favoured-nation (MFN) principle ensures that all countries share in the growth opportunities offered by the permanently changing economic environment.

Trans-Atlantic, Trans-Pacific and EurAf-Pacific Trade
1973-1984 (Exports plus imports in billion dollars)

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*Source: International Trade in 1984-85.*

3 Trans-Pacific trade is defined as exports and imports between all the Americas (North, Central and South America) on the one-hand, and Japan and other selected Pacific economies, on the other. Trans-Atlantic trade refers to the combined trade of Western Europe and Africa (not including South Africa) with the Americas. EurAf-Pacific trade refers to the combined trade of Western Europe and Africa (excluding South Africa) with Japan and the other Pacific economies noted above.
Examining interaction between growth and trade, the GATT report suggests that impaired trading conditions have caused a sharp reduction in the responsiveness of world trade to a given increase in world real income – by about one-third between 1973 and 1984.

**Strengthening and spreading economic growth**

GATT's economists note with regret that even if governments have realized that inappropriate micro-economic policies impeded economic growth and job creation in the 1970s, a large gap still exists between the new policy perceptions and current policies. For example, the federal budget deficit in the United States has increased substantially. Also, whatever their merits in achieving other goals, the mix of monetary and fiscal policies – both in national economies and internationally – has not prevented large and rapid movements in exchange rates. Further, at the micro-level, distorted wage and price signals facing workers and investors, fragmented product markets, and measures to prop up inefficient production are still widespread. For trade policy-makers, this situation is a source of serious concern because national trade policies and the multilateral trading system are particularly vulnerable to spillover effects from inept policies outside the trade area.⁴

**Market sharing and managed trade**

In this difficult environment, the trading system has shown remarkable resilience. But it must also be acknowledged that a growing number of measures are being taken which contravene countries' commitments under the GATT.

Nowhere is this trend more evident than in the spread of agreements whose purpose is to restrict competition by sharing markets, even if their names – voluntary export restraint agreements, orderly marketing agreements, “consultation”, “voluntary understanding” or “export forecast” agreements, and so forth – seem to suggest otherwise. These are, in reality, discriminatory quantitative restrictions, whether on imports or exports, which are not only inconsistent with countries' GATT obligations, but also frequently at odds with national anti-trust laws. As these arrangements multiply, the role of managed trade expands.

The temptation to see managed trade as a viable solution to trade tensions is nurtured by the fact that, from the point of view of the importing country, it eliminates the danger of retaliation. Moreover, bilateralism in this form permits importing countries to exercise their full economic and political power in relation to individual supplying countries. Equally important is its appeal to certain groups in the exporting countries. Apart from the threat that the alternative to a market-sharing agreement is unilateral action involving an even greater loss of market access, there are attractions for established suppliers in the exporting countries – the opportunity to charge higher prices, and

(continued on page 6)

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⁴ Citing by way of example the current pressure to impose an import surcharge to deal with the large United States trade deficit, GATT's economists suggest that such a surcharge would have at most only a small and temporary impact on the budget deficit (and could cause a further appreciation of the dollar); it is very unlikely that it would reduce the trade deficit; on the other hand, it would cause a major escalation of trade frictions.

**A global stimulus**

It has become obvious that well-designed monetary and fiscal policies are essential to the smooth operation of the trading system, just as effective trade rules and open markets are essential for efficient macro-economic management. The most immediate danger to the trading system is that it will become a scapegoat for problems whose origins lie outside the trade area.

In the view of GATT's economists, if difficulties in the area of macro-economic management were to result in increased resort to trade-distorting measures, present efforts to strengthen economic growth world-wide would be frustrated. On the other hand, a combination of strengthened trade disciplines and increased market access represents an important additional option for giving a strong medium-term macro-economic boost to output and employment in countries around the world.

Moreover, a more predictable and more open framework for world trade would contribute in an important way to an orderly resolution of the debt problem, thereby reducing the heavy burden of austerity and foregone development entailed by import-contracting adjustment.

Getting negotiations under way with an agreed agenda would improve the business climate – even in the short run – by providing a credible signal that governments are prepared to reverse the protectionist trends of the past decade.

GATT's economists conclude that as agreements to reduce import restrictions were implemented within the framework of strengthened rules, each economy's domestic prices would be brought closer into line with world market prices, in turn stimulating the movement of investment funds and workers into more productive activities. More flexible production structures, combined with wider and more secure access to products available on the world market, would reduce the bottlenecks that often choke off prematurely efforts to expand domestic output and employment. And since expanding imports and expanding exports go hand in hand, a global process of trade liberalization would give a double boost to production and employment in the export sector of each liberalizing country – once as a result of reductions in foreign barriers and once as a result of reductions in its own government's trade barriers.
COUNCIL

On 10 October, the Council established a panel to examine Nicaragua's complaint regarding the trade embargo imposed against it by the United States in May 1985. This matter was the subject of lengthy discussion by the Council at its meeting on 29 May$^1$, since when consultations have been continuing.

The Chairman of the Council reported that the United States, while maintaining its position, would not oppose the establishment of a panel provided that the latter should not examine or pass judgment on the validity of the United States' recourse to Article XXI: (b) (iii) in support of those measures, nor its motivations. The panel has been established; its terms of reference reflecting that agreement will be defined by the Chairman in consultation with the parties concerned

$^1$ See FOCUS No. 34.

AGRICULTURE

In-depth examination of various approaches for liberalizing agricultural trade

The main issue considered by the Committee on Trade in Agriculture at its meeting from 17 to 19 September was how some of the GATT rules and disciplines could be developed, interpreted, or applied more effectively so as to improve the conditions in which agricultural trade takes place.

The Committee examined in detail the various possible approaches suggested by the GATT Secretariat in order to implement the recommendations adopted by the Contracting Parties in November 1984$^1$; those recommendations are designed to achieve greater liberalization in the agricultural sector and to bring substantially all measures affecting this trade under more operationally rules and disciplines. They concern, among other things, improvement of market access, stricter discipline over export competition, strengthening of the linkage between the impact of domestic policies and trade measures, and more effective implementation of special and differential treatment for developing countries under the General Agreement.

The Committee is to continue its examination of how the various approaches proposed could be further elaborated as a basis for future negotiations.

INTERNATIONAL TRADE (suite de la page 5)

The two press releases issued at the end of the meeting at Seoul on 7 October of the Interim Committee of the Board of Governors of the International Monetary Fund and the Development Committee noted with satisfaction the recent discussions in GATT on preparations for a proposed new round of multilateral trade negotiations.

"A successful new round should achieve two major objectives", said Arthur Dunkel, Director-General of the GATT when he addressed the Development Committee during the Seoul meeting. "The first would be to provide a strong medium-term stimulus to business activity by improving access to markets and by restoring confidence in the intentions of governments to adhere to the rules they have accepted. The second would be to free the trading system from the great burden of distortions resulting from policy mistakes of the past - in the financial and macro-economic areas as well as in trade policy itself".

IMF/World Bank in Seoul

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GATT publications

Allgemeines Zoll- und Handelsabkommen, Wesen und Ziele.

The pamphlet "GATT, what it is, what it does" is now also available in German from the Information Service.
Further consultations between developed and developing countries

At its session on 15-16 October, the Committee on Trade and Development continued the process of consultations on how the contracting parties have responded to the requirements of Part IV of the General Agreement concerning more favourable treatment for developing countries. These consultations, envisaged by the Ministerial Declaration of 1982, started with after the Nordic countries, Austria and Hungary in October 1983. They were followed by the European Community, the United States, Japan and a group of developing countries which are members of the Latin American Integration Association in October 1984. In June 1985 consultations with Canada and Switzerland followed. At the October meeting, Australia and New Zealand furnished information on their trade situation and their policies in the light of Part IV. The consultations proved the effectiveness of this particular way of examining the implementation of Part IV, said the Chairman of the CTD at the end of the session. “Consultations like these not only provide an opportunity to assess the degree to which countries have taken into consideration their commitments under Part IV in formulating their trade policies, but have also served to increase the awareness of developed and developing countries of the kinds of future action that could be taken in pursuance of Part IV, in order to contribute to an expansion of the trade of developing countries. Moreover, the consultations provide a valuable opportunity for a frank and focussed discussion on the trade policies of particular countries, and in this way contribute to a better appreciation of the kinds of difficulties faced by the trading partners of the consulting countries, as well as the various constraints under which the consulting countries themselves have to operate when they make decisions about their trade policies.”

LEAST-DEVELOPED COUNTRIES

Special consultations and discussion of action proposals in their favour

The Sub-Committee on Trade of the Least-Developed Countries held its eighth meeting on 14 October. It reviewed the trade situation of the Republic of Sudan and continued its consultations with Bangladesh and the Republic of Tanzania. These special consultations between the least-advanced countries and their trade partners, which were decided in May 1983, are designed to secure a better knowledge of the trade situation and the difficulties encountered by their exports (tariff and non-tariff barriers, trade policies). They are the first stage in a procedure of consultations at multilateral and bilateral level with a view to promoting the export trade of these countries.

The Sub-Committee also discussed ways of facilitating trade of the least-advanced countries and lowering obstacles to their exports, on the basis of the Ministerial Recommendations of 1982 and specific proposals made in the Sub-Committee. Aspects covered included improvement of the generalized system of preferences, elimination of quantitative restrictions and other measures (likewise in sectors such as textiles and agriculture), and technical assistance. The Sub-Committee decided to put these proposals before the Committee on Trade and Development for consideration.

IN BRIEF...

Subsidies and countervailing duties

At its special meeting on 4 October, the Committee on Subsidies and Countervailing Duties established the terms of reference of the panel set up to examine the EEC complaint. The Community is very concerned over the definition of industry, in regard to wine and grapes, adopted by the United States Trade and Tariff Act of 1984 which, it considers, departs substantially from the definition of industry set forth in the Subsidies Code. Under that legislation, not only wine producers but also grape growers can request the application of countervailing duties against European wines which they consider to be subsidized. A panel had been set up earlier, in February 1985, but had not been able to start its work because the parties could not agree on its terms of reference.

COMMITTEE ON TRADE AND DEVELOPMENT

Bibliography


This book explains what GATT is, what it does and how it operates, examining the complexities of the General Agreement as a legal framework and flexible instrument for multilateral trade policy. Among other things, it deals with dispute settlement, trade negotiations, promotion of the trade of developing countries, so-called "grey area" measures, and possible ways of modifying the existing legal framework. It is also a useful reminder of GATT's operation, and of how it should be used in order to play its part as a legal framework for the conduct of trade relations among member countries and as an instrument for promoting international trade.

The French version of this book, entitled "La place du droit et ses limites dans le système commercial multilatéral du GATT" was issued in 1984 by the same publishing house.

Coming GATT activities

Provisional programme of meetings for November:
11 Senior Officials' Group
5-7 Council
8 Working Party on Computer Procurement
11-12-15 Committee on Trade and Development
13 Committee on Customs Valuation
13-14 Textiles Surveillance Body
25-29 41st Session—Contracting Parties

December:
2-6* Textiles Surveillance Body
12-13 Committee on Government Procurement
16-18 Committees on Milk Powders, Milk Fat and Cheeses
* or 9-13 December.

Numerous other meetings are planned, but the dates have not yet been finalized.
Senior officials’ group starts its work

The group of senior officials set up by the Contracting Parties at their special session to examine the subject matter and modalities of a new round of multilateral trade negotiations began its substantive work at its first session on 14, 15 and 16 October, after dealing with matters of organization and working methods. The group, which is chaired by Ambassador Felipe Jaramillo who is also Chairman of the Contracting Parties, has a number of meetings scheduled to carry out its tasks. A total of 5½ days of discussion took place during October and further meetings were scheduled for 1, 8, 12 and 13 November. Some sixty-eight countries took part in the first round of meetings.

The group began by reviewing the objectives of a future negotiation. These cover a very broad range of possibilities. Topics frequently mentioned included the strengthening of the basic GATT principles (in particular the most-favoured-nation clause) and of the credibility of the GATT legal framework as a whole, expansion and liberalization of trade, implementation of the Ministerial Work Programme of 1982 and better adjustment of the GATT rules to changes in trade and the macroeconomic environment (in particular indebtedness and monetary problems).

In discussing the subject matter of a future round of negotiations, the Group first considered commitments regarding standstill (requiring countries to refrain from introducing new protective measures) and roll-back (dismantling of existing restrictions), as mentioned in paragraph 7(i) of the Ministerial Declaration. In particular, the discussion bore on the type of measures on which such commitments would concentrate, the legal character of the commitments, oversight of their implementation, the most appropriate moment for entering into them, and the link between standstill and roll-back.

The Group next considered how special and more favourable treatment for developing and least advanced countries, and the contribution that they could make to a liberalization effort, could be best included in the negotiations. Mention was made, inter alia, of improving the generalized system of preferences, progress on a priority basis in sectors such as textiles, tropical products, agriculture, safeguards, subsidies, tariff escalation, closer consideration of indebtedness problems of developing countries, and adaptation of the special treatment granted to developing countries in relation with progress made by them.

At further meetings, the Group pursued its discussions on the subject matter and modalities of the proposed negotiations. These discussions will be reported in the next edition of Focus.

Press Comment

“GATT: the machine is back on the rails at last.
The difficult procedural exercise in which the 90 contracting parties to the General Agreement on Tariffs and Trade have been engaged this week at Geneva marks an important stage. At the beginning of this year no one would have thought it possible to release the jammed mechanism of the organization that regulates world trade.”

(Journal de Genève, 5–6 October.)

“For the US, there can be no new round without services, including banking, insurance, transport, telecommunications, software and data flows. Brazil and India point out that services are not within GATT’s present competence and contend they are being pressured to accept their inclusion in exchange for concessions in traditional trade such as alleviation of recent restrictions imposed on their exports, in violation of GATT’s rules.”

(The Times, 30 September.)

“The preliminary process which has begun is irreversible”. Despite the careful wording of the text of the decision adopted by the 90 signatories to the GATT on October 2 in Geneva, all the experts agree that a genuine starting signal for a New Round of multilateral trade negotiations (MTN) has been given. Economic realities and political pressures have finally outweighed the fears and reservations of a certain number of countries... In fact, however “irreversible” the process may seem, the problems remain. They have just been put off till the November Session of the Contracting Parties. The time allowed for the Group of Senior Officials set up on October 1 to resolve the outstanding problems seems terribly short. But it must arrive at its conclusions in the clearest manner possible if the next decisive step, the setting of a Preparatory Committee, can be taken.”

(European Report, No. 1164.)

“While no fundamental problems have yet been solved, the satisfactory result achieved in GATT in recent days is a positive element on the eve of the Seoul meetings of the World Bank and the IMF. Although the recent agreement in New York on monetary matters was already a first encouraging sign, it was important to set the trade sector moving again. No doubt, for the time being this is only a procedural stage, but in the general context it is clearly important. There is an obvious link between these two areas.”

(Le Figaro, 4 October.)

“Youth as to the substance—i.e. what should be done to maintain free trade and develop international trade—nothing is settled, so that the future of the coming MTN, and the date of their opening, remains uncertain... The session of the Contracting Parties is already being seen as a stage more difficult than the one just completed. The same rifts will emerge once more, further highlighted by a growing awareness of the extent of substantive divergences.”

(Le Monde, 4 October.)

“Negotiators for the next round of world trade talks have given themselves two months to decide whether they want a sluggish match or a polite sparring bout before the real battle begins.”

(The Guardian, 4 October.)

“In more graphic terms, this week’s session may be seen as having switched on the engine. Establishment of the preparatory committee in November will let in the clutch and, with a bit of luck, the GATT trade ministers will be able to put their foot on the accelerator some time next spring to start the negotiations rolling.”

(Financial Times, 4 October.)