41st SESSION OF THE CONTRACTING PARTIES

Green light for preparation of programme for multilateral trade negotiations

The 41st Session of the Contracting Parties, held from 25 to 28 November, focussed mainly on the future. Faced with deterioration in the credibility of the legal framework of the international trading system, with the pressures to which the system is being subjected and with a slowdown in the growth of trade, the members of GATT decided to move forward and demonstrated their desire to cooperate multilaterally within GATT in meeting these challenges.

"We have taken a critical step forward in GATT this week, and we have demonstrated to that very large community whose future is bound up with the health of international trade that GATT can and will meet the challenges that face the international trading system", said Mr. Felipe Jaramillo, Chairman of the Contracting Parties, at the end of the Session. "We have succeeded", he added, "in a spirit of cooperation in reaching a consensus decision of high importance. We have established a Preparatory Committee charged with determining the objectives, subject matter and modalities for, and participation in, a new round of multilateral trade negotiations. We have clarified certain concerns. And we have agreed to set for the Preparatory Committee a deadline for reaching agreement on its recommendations that ensures that the critically important issues set before it receive the urgent attention they require". At the same time, he noted that "the way ahead will not be easy. Many questions remain to be answered before the new round of negotiations can be launched. But the necessary mechanism for answering them has been established, and the necessary determination and goodwill on the part of governments has been demonstrated here".

"The Contracting Parties decide that:

1. The Preparatory Committee is established to determine the objectives, subject matter, modalities for and participation in the multilateral trade negotiations, taking into account the elements of the 1982 Ministerial Work Programme and the views expressed in the Group of Senior Officials;

2. The Preparatory Committee is open to any contracting party or country which has acceded provisionally to the GATT;

3. The Preparatory Committee will prepare by mid-July 1986 recommendations for the programme of negotiations for adoption at a Ministerial Meeting to be held in September 1986."

The Chairman made the following remarks after the adoption of the decision establishing the Preparatory Committee:

"It has emerged from the debate that the questions of standstill and rollback, treatment of developing countries and safeguards should constitute important issues for the work of the Preparatory Committee."

The Chairman made the following clarifying statement on the question of participation in the Preparatory Committee:

"It is the Chairman's understanding that countries which are negotiating for accession to GATT may also attend the Committee as observers. Countries which have already formally requested accession will thus be able to attend the first meeting of the Committee."

In addition, the following decision was reached on the question of GATT work related to trade in services:

"The Contracting Parties,

In pursuance of the 1982 Ministerial Decision on Services, and

In accordance with the agreed conclusions adopted by the Contracting Parties on 30 November 1984,

Decide to invite contracting parties to continue the exchange of information undertaken in pursuance of the agreed conclusions of 30 November 1984, and to prepare recommendations for consideration by the Contracting Parties at their next session."
GATT'S WORK PROGRAMME CONTINUED

Actions taken by the Contracting Parties

In adopting the report of the Council on its activities in 1985, the Contracting Parties made a number of decisions to continue work in various fields.

On the question of safeguards, the Contracting Parties directed the Safeguards Committee to review progress towards a comprehensive understanding on safeguards, to make such suggestions as would facilitate further action in the matter, and to report to the Contracting Parties at their 1986 Session.

The Committee on Trade in Agriculture will continue to function and report to the Contracting Parties as appropriate.

The Contracting Parties instructed the Group on Quantitative Restrictions and Other Non-Tariff Measures to oversee the implementation of the Ministerial mandate and the recommendations of the Group, to keep the Council informed of progress made and to report to the Contracting Parties at their 1986 Session.

The Chairman of the Contracting Parties added for the record his understanding that the recommendations of the Group foresee the presentation of proposals by contracting parties directed towards the implementation of the Ministerial mandate and that the action of the Contracting Parties would give the Council an opportunity to consider the situation and to take any appropriate decisions.

As regards agreements and arrangements resulting from the Tokyo Round, the Contracting Parties invited the Committee on Subsidies and Countervailing Measures to establish a working party to examine obstacles which contracting parties face in acceding to that Code. Participation in the working party will be open not only to countries party to the Code but also to other contracting parties having expressed an interest in acceding to it.

The Contracting Parties instructed the Council to review the question of trade in counterfeit goods, at an appropriate time, in pursuance of the Ministerial Decision on the subject.

In connection with textiles and clothing, the Contracting Parties agreed that the Working Party on Textiles and Clothing should continue to examine modalities of further trade liberalization in that sector, including the possibility of bringing about the full application of GATT provisions; the Working Party will report to the Contracting Parties at their 1986 Session.

SENIOR OFFICIALS’ GROUP COMPLETES ITS WORK

At its meetings in October and early November, the Group of Senior Officials established by the Contracting Parties at their Special Session of 30 September–2 October last (see FOCUS No. 36) completed its discussions on the subject matter and modalities of a new round of multilateral trade negotiations. The Group’s work will be taken into account by the Preparatory Committee just created by the Contracting Parties at their Session of 25–28 November.

The Group held an exchange of views on all subjects in the Work Programme established by the Ministers in 1982, and on other questions raised in connection with the consideration of changes in the trading environment, also provided for by the Ministerial Declaration.

BOARD OF THE CONTRACTING PARTIES FOR 1986

Chairman of the CPs: Amb. K. Chiba (Japan)
Vice-Chairmen of the CPs: Amb. G. A. Vargas (Nicaragua)
Mr. J.-L. Wolzfeld (Luxembourg)
Mr. M. A.-B. Hamza (Egypt)
Chairman of the Council: Amb. K. Park (Korea)
Chairman of the Committee on Trade and Development: Amb. O. Lopez-Noguerol (Argentina)

Restoring confidence

“We can now look to the future with confidence that the tensions which have bedeviled international trade relations in recent years can be resolved through negotiation and not through threats of unilateral restrictions on trade which would endanger the survival of the trading system itself.”

Arthur Dunkel, Director-General of GATT, told a meeting of the Swiss Federation of Importers and Wholesalers at Berne on 6 December.

After stressing that “the new negotiations will be at least equally important for a return to clear and effective rules in world trade as for a liberalization of access to markets”, he added that the new round must, “restore confidence in the determination of governments to apply the rules they have accepted”.

From left to right: Arthur Dunkel, Director general of GATT and Felipe Jaramillo, Chairman of the Contracting Parties.
Mexico requests accession to the GATT

On 26 November, the representative of Mexico communicated to the Contracting Parties the decision of his Government to request Mexico's accession to the General Agreement. In that way, he pointed out, “Mexico will be able to participate fully in the multilateral negotiation mechanism and not be confined to the useful but limited field of bilateral negotiation”. Mexico “hopes to conclude the accession procedure in such a way as to be able to participate with full rights as a contracting party in the new round of multilateral trade negotiations”.

Many of the contracting parties made statements welcoming Mexico’s decision.

Mexico’s share in world exports of goods increased from 0.4 per cent in 1973 to 1.3 per cent in 1984, raising it from 41st to 19th place among top exporters.

GATT PUBLICATIONS


GATT has published a detailed report on the development of international trade and trade policies during 1984 and the beginning of 1985. In addition to the main trends in international trade during that period and the outlook for the future, already publicized (see FOCUS Nos. 33 and 36), the report examines trade in commodities and the trade of industrial, developing and Eastern countries.


World market for dairy products 1985

The sixth GATT annual report on the international dairy products market, just published, indicates a number of trends currently affecting international trade in this sector:

- prices in the world dairy market have remained depressed throughout 1984 and the first half of 1985 though there is some reason for optimism in the cases of milk powder and cheese where prices may improve in late 1985 and 1986;
- the volume of international trade in dairy products recovered during 1984 and early 1985 helped by considerable disposals of some products as food aid;
- while there was an appreciable decline in stocks during the first part of 1985, including butter stocks, the outlook for milk and butter production in the near future has led to fears that heavy stocks will continue to depress world market prices for butter for some time to come.


Coming GATT activities

Tentative schedule of meetings for January:
No meetings scheduled.

For February:
Week beginning 3: Committee on Government Procurement
24-25: Sub-Committee on Trade in Civil Aircraft
Committee on Trade in Agriculture

Meetings of the Preparatory Committee will be announced later.
Textiles committee

At its meeting of 4 December, the Textiles Committee conducted its annual review of the Multifibre Arrangement and continued the discussion on the future of the Arrangement launched at its meeting of 23 July.¹

An eventful year

The Textiles Surveillance Body (TSB), which is responsible for the implementation of the Multifibre Arrangement, has had a full and active year, as the Chairman of the TSB pointed out in presenting the report for the period from August 1984 to October 1985. The TSB was notified of 16 unilateral measures taken under Article 3 of the MFA (market disruption), 26 new bilateral arrangements, and 64 changes in existing agreements; in addition, it was presented with 22 cases under the provisions of MFA Article 11 relating to the settlement of disputes in the sector. The TSB has demonstrated its effectiveness in this rôle and the response of the countries affected by its recommendations has been positive.

1986 will unquestionably be a year of great activity in the textiles sector since the present Multifibre Arrangement will expire next July. Most of the countries party to the Arrangement have not so far been in a position to provide details of their position concerning the future of the MFA beyond the preliminary indications given at the July and December 1985 meetings. The discussions and consultations should very soon become more specific in content and lead to real negotiations. A number of developing countries indicated that they regarded the signs of a future liberalization in the textiles sector—which has been hampered by restrictions for 23 years—as particularly welcome at a time when the Contracting Parties have given the go-ahead to the preparation of a new round of multilateral trade negotiations and when the treatment to be accorded developing countries has been identified as one of the priority items.

In connection with the concern expressed by many countries, both developed and developing, regarding the recent adoption by the United States Congress of a protectionist draft law known as the “Jenkins Bill”, the representative of the United States assured the Textiles Committee that the President of the United States would veto the bill. At the same time, he pointed out that the broad support received by the bill showed that a solution must be found, through international negotiations, to the excessive expansion of imports of textile products and clothing to the United States.

The Textiles Committee will hold its next meeting on 3 and 4 April. The Chairman of the Sub-Committee on Adjustment also reported on the Sub-Committee’s activities. After indicating that there had been some improvement in the number and content of notifications concerning measures taken to facilitate structural adjustment in the textiles sector, he stressed that much remained to be done. In his opinion, the Sub-Committee’s work should help to determine the possible rôle of adjustment policies and measures in reducing recourse to restrictions, and to study the place which Article 1:4 of the Arrangement, dealing with structural adjustment, should occupy in the architecture of the MFA.

Expansion of world exports of textiles and clothing

As was expected (see FOCUS No. 35), the dollar values of world exports of textiles and clothing expanded by an estimated 6½ and 15 per cent respectively in 1984, after two years of decline or stagnation. The share of the developed area in world exports of textiles and clothing continued to decline, whereas the relative importance of the developing area as the main supplier, particularly of clothing, continued to increase during the period 1983–84. On the import side, there was a rise in the share of the developed area, the main purchaser, particularly of clothing.

Area distribution of world trade in textiles and clothing, 1983–1984 (Percentage shares)

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<th>Clothing</th>
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<td>EXPORTS</td>
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<td>(billion dollars)</td>
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<td>Eastern Europe and the USSR</td>
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<td>Developed area³</td>
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<td>Eastern Europe and the USSR</td>
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¹ No. 35 of FOCUS contains a summary of the principal positions adopted by the parties to the MFA.

² Excluding intra-EC trade.

Sources: from GATT, International Trade; UN COMTRADE Data Bank.

Preliminary data for the first half of 1985 compared to the corresponding period in 1984 indicate that in a number of developed countries, in particular the United States, Canada and the EEC, imports of textiles and clothing continued to expand. The rate of expansion was however slower than the rate of expansion in the first half of 1984.

Composition of the TSB till July 1986

The Textiles Committee decided that the TSB will be composed of the following members: Canada, EEC, Indonesia, Korea, Japan, Mexico, Turkey and the United States.