FORTY-SECOND SESSION OF THE CONTRACTING PARTIES

The spirit of Punta del Este

"At this Session we can all look back over the previous twelve months with a feeling of some satisfaction. The launching of the Uruguay Round is not, however, a reason to be complacent", said Ambassador Kazuo Chiba (Japan), Chairman of the Contracting Parties in 1986, when he opened the forty-second session of the Contracting Parties held from 24 to 26 November.

"Neither the statistics for 1985 nor the results projected for 1986 show any great buoyancy in world trade", added Ambassador Chiba. Only trade in manufactures showed healthy growth last year - rising some 6 per cent over the previous year.

Developing countries experienced an especially large fall in the value of their exports in 1985 due partly to the situation in the fuels markets and partly to continued weakness in commodities markets. For the heavily-indebted developing countries, this was a major factor behind the return to the import-contraction adjustment. "It should be kept in mind, however, that these very poor results have obscured a remarkable performance by developing countries in manufactures trade in recent years. Here we see that the LDC share of manufactures trade increased from 7 per cent in the early 1970s to 12½ per cent in 1985. Moreover, statistics for the first 10 months of 1986 suggest that this year, (Continued on p. 2)

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Officers of the Contracting Parties for 1987

At the close of the forty-second session, the Contracting Parties elected the following Officers:

Chairman of the Contracting Parties
H. E. Mr. Mansur Ahmad
Ambassador (Pakistan)

Vice-Chairmen of the Contracting Parties
Mr. Ferenc Furulyas
Director-General (Hungary)
H. E. Mr. José Carlos Mariategui
Ambassador (Peru)
H. E. Mr. Richard Nottage
Ambassador (New Zealand)
H. E. Mr. Alan Oxley
Ambassador (Australia)
H. E. Mr. B. A. Adeyemi
Ambassador (Nigeria)

Chairman of the Council of Representatives
H. E. Mr. Richard Nottage
Ambassador (New Zealand)

Chairman of the Committee on Trade and Development
H. E. Mr. B. A. Adeyemi
Ambassador (Nigeria)

(Continued on p. 2)
CONTRACTING PARTIES (continued)

for the first time in the post-war period, developing countries will earn more foreign exchange from exports of manufactured goods than from exports of fuels. So there is continuing reason for confidence in the ability of the developing countries to move progressively into more sophisticated market areas. But we all recognize that it has been a tough process; too often developing countries have been turned away from the markets of their industrial partners at the very point when they have found the capacity to compete effectively”, stated the Chairman of the Contracting Parties.

“The Ministers meeting at Punta del Este managed to give us the foundation stone on which to build a better deal for all. In doing so, they created world-wide expectations . . . . Back here in Geneva, we are faced with the task of preparing to respond to those expectations. We are currently going through the very complicated process of putting in place the necessary structure and negotiating plans for the work to begin in earnest early next year . . . . The present exercise is vital, because the necessary conditions for success must be in place from the start”.

The Chairmen of the Contracting Parties emphasized in particular that it was essential to establish without delay a sensible and solid mechanism for monitoring the implementation of the standstill and rollback commitment in respect of protectionist measures.

The Chairman of the Contracting Parties, as well as a large number of representatives, paid tribute to Ambassador Kun Park (Korea) who had presided over GATT’s Council throughout almost all of 1986 before being recalled by his Government to assume other duties.

Outstanding disputes

With respect to the dispute concerning wines and alcoholic beverages imported by Japan (see article on the Council, p. 4), the EC maintained its urgent request for the establishment of a panel but noted that Japan would announce, in December, the adoption of measures likely to resolve the matter. Should no satisfactory solution be found, a panel would be set up and its mandate and membership decided upon at the Council’s first meeting.

GATT PUBLICATIONS

Report on international trade in 1985–86

GATT economists consider that world trade in terms of volume will expand by 4 per cent in 1986 owing to a sharp recovery in the volume of fuel exports. The report reveals an increase in the developing countries’ share of world trade in manufactures, and a sharp increase in trade in electronic products and in automotive products.

The world market for dairy products in 1986

This is described in the seventh annual report published by the GATT Secretariat, which reveals a further increase in world milk production in 1985 and 1986. Although the market for some dairy products improved appreciably in 1985 and 1986, the market for butter and anhydrous milk fat was adversely affected by excessive supplies and heavy stocks.

The report analyses trade trends by main product categories, categories of countries and main geographic regions.

The report is available in French, English and Spanish from the GATT Secretariat and from booksellers at the price of SwF 30.
**URUGUAY ROUND**

**Intense activity with a view to the elaboration of detailed negotiating plans and the organization of negotiations**

The Trade Negotiations Committee (TNC), the Group of Negotiations on Goods (GNG) and the Group of Negotiations on Services (GNS) have met several times since 27 October in order to organize multilateral trade negotiations. Many informal consultations have also been held. When the TNC, which is responsible for the conduct of the negotiations, meets at the ministerial level, its Chairman will be Mr. Enrique Iglesias. When it meets at the level of officials, its Chairman will be Mr. Arthur Dunkel. The chairmanship of the GNG was entrusted to the Director-General of GATT, Mr. Arthur Dunkel, and that of the Group of Negotiations on Services to Ambassador Felipe Jaramillo, who had already presided over the meetings on services that were held before the Punta del Este Ministerial Meeting.

The Group of Negotiations on Goods agreed, at its second meeting on 7 and 12 November, that the surveillance of standstill and rollback commitments in respect of protectionist measures would be a priority item in the programme of work; these commitments took effect on 20 September 1986 at the close of the Punta del Este Ministerial meeting. The nature of the mechanism responsible for monitoring compliance with these commitments, its membership and its links with the TNC and the GNG, as well as the difference between its role and the permanent monitoring role assumed by the Council when it meets in special session twice a year, were all discussed in details. The Group of Negotiations on Goods also agreed on a method of work which should result in the elaboration of detailed negotiating plans by 19 December, in accordance with the Punta del Este Declaration, and the establishment of negotiating groups.

The Group of Negotiations on Services has held three meetings. It discussed the observer status which could be granted to certain international organizations, as well as the organization of its work. The Ministerial Declaration of Punta del Este does not specify any time-limits for the elaboration of the Group’s negotiating plans.

**GOVERNMENT PROCUREMENT**

**Agreement to broaden and tighten up the Code**

At a meeting on 21 November, a package of decisions was taken by the Committee on Government Procurement to tighten up, and to work towards the extension of, the Government Procurement Agreement.

This Agreement was one of the non-tariff 'codes' negotiated during the Tokyo Round. Its purpose was to open up to foreign suppliers contracts awarded by certain government bodies of its participating countries (20 including nine countries of the European Communities).

Article IX:6(b) of the Agreement envisaged further negotiations aimed at broadening and improving it. The November agreement represents the fruits of the first phase of these renegotiations. It contains three elements: amendments to improve the present Agreement; a decision to pursue the broadening of it to new government entities and to procurement areas not currently covered; and a decision on a work programme aimed at the possible inclusion of service contracts in the Agreement.

**Improvement of the Agreement**

The Parties agreed to continue work on improving the Agreement in the light of further experience. However, at this juncture, a number of improvements to the Agreement were agreed upon and are expected to come into force on 1 January 1988 allowing participating governments necessary time for the appropriate amending legislation.

Among these immediate improvements are:

- the lowering of the threshold of the Agreement from SDR 150,000 to SDR 130,000;
- the inclusion of leasing, rentals or hire purchases (so far only purchases have been covered);
- the prohibition of discrimination against locally established firms on the basis of their degree of foreign affiliation or ownership or because they supply foreign goods;
- strengthened language to ensure competition (i) if entities seek or accept advice from companies in the process of preparing technical specifications prior to inviting bids, and (ii) if they accept option clauses;
- strengthened language to ensure that discrimination does not occur or unnecessary obstacles are not created when entities qualify potential suppliers;
- more minimum information to be given in the tender notices;
- increased minimum time-limits in the various phases of the tendering procedure (generally increased from 30 to 40 days);
- a new provision concerning details to be published after the contract award including value, the name of the winning tenderer, etc.;
- technical assistance, where possible, to developing country suppliers in overcoming language problems.

**Broadening of the Agreement**

The parties agreed to consider the coverage of further entities. It also agreed to look at further procurement areas of entities already covered. Continued work in this area will, among other things, comprise a review of the criteria for coverage and address the issue of privatization of entities.

**Service Contracts**

The Parties agreed to work toward coverage of service contracts, without prejudice to their final position on the implementation of such coverage. The work programme should include a detailed examination of the nature and scope of service contracts awarded by entities, a determination as to whether the provisions of the Agreement can be applied and, if not, how they can be modified to apply to the service contracts under examination, as well as an exploration of how to negotiate coverage of service contracts.

The Committee agreed that the above work programme in all three areas will be pursued expeditiously on the basis of concrete proposals from delegations by the end of January next year.
COUNCIL – Trade disputes

On 5 November, the Council considered the report of the Panel set up in October 1985 to examine the complaint by Nicaragua concerning trade embargo measures adopted against it by the United States. The Panel’s mandate and membership were decided upon in March and April of 1986 after extensive consultations. In introducing the Panel’s report, its Chairman emphasized that it had realized the difficulties of dealing with the case within GATT’s dispute settlement procedures, given the dearth of guidelines or precedents from previous similar cases; it had recognized the seriousness of the case, which involved a total cessation of trade between two contracting parties. The Chairman noted that the mandate given to the Panel had been very restrictive in that it had not been instructed to examine or judge the validity of, or the motivation for, the United States invocation of Article XXI: (b) (iii), which concerned national security interests. On the other hand, under its mandate the Panel had been given the somewhat broader task of making findings which would assist the Contracting Parties in taking further action in the matter. The Panel had concluded that it was restricted to examining the case “in the light of the relevant GATT provisions”, although, “they may be inadequate and incomplete for the purpose”.

The Council engaged in a lengthy discussion concerning the action that should be taken on the report, but failed to achieve a consensus. It was agreed that the Chairman of the Council would hold informal consultations and that the matter would be kept on the Council’s agenda.

At the Council’s meeting of 21 November the Chairman indicated that his consultations had not yet achieved any positive results; he would inform the Contracting Parties of any progress at their forty-second session.

The United States drew the Council’s attention to the restrictions applied by Japan on imports of herring, pollock and surimi, and requested the establishment of a panel. In the opinion of the United States, those restrictions severely affected its exports and were contrary to the General Agreement, in particular to Article XI. Japan noted that possibilities of conciliation had not been exhausted and was convinced that a practical and mutually acceptable solution could be found in the course of further consultations.

The Council agreed to revert to this matter at its next session.

The matter was once again examined by the Council at its meeting of 21 November; it was agreed that it would be brought to the attention of Contracting Parties at their 42nd session. The European Communities requested the establishment of a panel to consider Japan’s customs duties, taxes and labelling practices on imported wines and alcoholic beverages. The Communities considered in particular that such practices were not in conformity with Articles III and IX:6 of the General Agreement. It indicated that it had not been instructed to hold high-level consultations with Japan for years without any satisfactory results. In view of the magnitude of the injury sustained, the EC requested Contracting Parties to apply, as a matter of urgency, the procedure provided for in the 1979 Understanding. Japan was of the view that the measures in question were consistent with the General Agreement. It requested the EC to be patient until the end of December, and pointed out that the tax reform that had almost been completed in Japan would meet the tax concerns of the EC.

The matter was discussed once again by the Council at its meeting on 21 November. Several countries expressed their interest in the question and supported the request for the establishment of a panel. It was also pointed out that one party could not oppose the establishment of a panel and that its establishment would not hamper the search for a compromise solution. The Chairman indicated that the question would automatically be submitted to the Contracting Parties at their forty-second session.

Tunisia and Costa Rica: Accessions pending

The representative of Tunisia informed the Council that his Government was prepared to speed up the process leading to Tunisia’s full accession to the General Agreement. That decision was part of a broad economic redevelopment programme designed to liberalize Tunisia’s trade and revitalize its economy. He invited Contracting Parties wishing to exchange concessions with Tunisia to indicate their demands. Tunisia was already a member of the Agreement on Technical Barriers to Trade and of the Arrangement on Bovine Meat, and was studying the possibility of acceding to other GATT Arrangements.

Tunisia therefore requested the Council to extend once more, up to 31 December 1987, the arrangements governing its provisional participation in the General Agreement which went back to 1969.

The representative of Costa Rica recalled the work being done by the Working Party responsible for examining Costa Rica’s request for provisional accession, and said that his country wished to participate in the Uruguay Round.

Request for accession by Bulgaria: Consideration in accordance with the usual procedure

The Chairman informed the Council of the positive results of the bilateral and multilateral consultations held on Bulgaria’s request for accession to the General Agreement, submitted on 8 September last. The Council agreed that the usual procedure for examining an accession request would be followed and that a Working Party would be established once Bulgaria had submitted a memorandum on its trade system.

New Deputy Director-General

Ambassador Charles R. Carlisle was appointed to the post of Deputy Director-General of GATT, effective January 1987. Ambassador Carlisle, who is currently Chief Textile Negotiator in the Office of the United States Trade Representative in Washington, has occupied various significant positions during his career, including UNCTAD.

Mr. Carlisle succeeds Mr. William B. Kelly, who is retiring after six years of service, during which he discharged the high-level functions associated with his Secretariat post with magnanimity, competence and a keen sense of responsibility.

Mr. Kelly’s contribution was apparent in several key areas, such as tariffs, agriculture, subsidies and services.

Coming GATT activities

Tentative schedule of meetings for January:

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<td>19-21</td>
<td>Textiles Surveillance Body</td>
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<td>26-27</td>
<td>Working Party on the Accession of Tunisia</td>
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February:

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<td>4</td>
<td>Council</td>
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<tr>
<td>11-13</td>
<td>Textiles Surveillance Body</td>
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<tr>
<td>12</td>
<td>Committee on Government Procurement</td>
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<td>25-27</td>
<td>Textiles Surveillance Body</td>
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The schedule of meetings connected with the Uruguay multilateral trade negotiations had not yet been decided upon at the time of going to press.