HAWKE EMPHASIZES IMPORTANCE OF URUGUAY ROUND

The challenge confronting all of us as members of GATT is to use the period of reappraisal afforded by the Uruguay Round to provide a stable base for free and fair world trade for decades to come - just as the original Contracting Parties did 40 years ago. That reappraisal must also provide the foundation from which we can maximize equitable low-inflation world growth.

This was stated by the Prime Minister of Australia, Mr. R.J.L. Hawke, addressing members of GATT delegations and the press at GATT headquarters in Geneva on 22 October.

"The need is great. Time is short. The costs of failure high," added Mr. Hawke.

"Resolution of the difficulties facing the world trading system is not, and must not, be allowed to be, a matter exclusively for the major trading nations," said the Prime Minister who went on to announce new proposals which, he believed, demonstrated the commitment of Australia to further liberalize its own trade. He also described the proposals of a number of countries, brought together in the Cairns Group, to work towards change in agricultural trade at the international level.

Australia has major trade interests apart from agriculture, Mr. Hawke reminded his audience. "We are already an exporter not just of primary commodities but of services and manufactures. We aspire to still greater success in these areas and it is therefore very much in our interest that the negotiations succeed in opening up markets and freeing up trade in the services and manufactures fields ... Australia is seeking real progress in reducing the high levels of industry assistance that reduce the size of the international market and cut the gains from trade.

The Cairns Group* proposal has, as its fundamental aim, to provide the means to achieve fully liberalized trade in agriculture, to eliminate distortive agricultural policies and to bind the necessary undertakings under strengthened GATT rules and disciplines. The plan has three elements.

The first is a long-term framework under which, inter alia, market access restrictions would be largely removed (with bindings of tariffs at low levels or zero) and new GATT rules and disciplines would be agreed covering the use of all subsidies and other government support measures affecting agricultural trade.

The second element is a reform programme involving governmental commitments to phase down aggregate levels of agricultural support using schedules of reduction for each country (to be facilitated by a new measurement of aggregate support, perhaps along the lines of the 'producer subsidy equivalent' or PSE). The phasing out of direct export subsidies and the systematic enlargement of import access opportunities, with certain agreed exceptions would be regarded as priorities.

The third element, though the first to be implemented, would be a series of early relief measures including freezes on access levels and export and production subsidies together with commitments on the release of stocks. At the same time, it is envisaged that a concerted multilateral effort would be made to cut subsidies and increase market access in order to provide relief from existing distortions.

* Members of the Cairns Group are as follows: Argentina, Australia, Brazil, Canada, Chile, Columbia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay.
provides for work on other trade-related aspects of intellectual property, and of the main GATT provisions applicable to them; this file now closes with an account of past and recent work carried out in GATT in this field.

WORK UNDERTAKEN IN GATT

Following preparatory discussions in 1986, the Uruguay Round Declaration contains a commitment to aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods (see box below on past work within GATT). This preparatory work indicated that the concerns of some delegations had widened to cover trade problems felt to be arising in connection with other aspects of intellectual property rights. The Declaration thus provides for work on other trade-related aspects of intellectual property rights, aimed at clarifying relevant GATT provisions and elaborating, as appropriate, new rules and disciplines.

In the Uruguay Round, a specific Negotiating Group has been established on the Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods.

So far, the work of the Negotiating Group, still in its initial phase, has focused on: the identification and examination of trade problems relating to intellectual property rights, including trade in counterfeit goods; provisions of the General Agreement that could be applicable; collection of information from organizations having responsibilities in this field, and examination of the possible relationship between their work and the GATT negotiations. With regard to the relevant provisions of the General Agreement, it has been said that the existing provisions do not cover all the concerns expressed. It has been stressed, for example, that with the exception of Article IX:6 relating to geographical names, the General Agreement does not contain any provisions obliging contracting parties to protect intellectual property. Some countries see this as an additional reason for negotiating new rules and disciplines within the GATT framework, whereas for others it raises the question of whether some of these issues should really be negotiated within the Uruguay Round.

A number of specific suggestions have been submitted; for example, two participants have proposed comprehensive intellectual property rights codes, containing norms for their protection and enforcement. Another participant has suggested guidelines which focus on the enforcement of intellectual property rights. One country has suggested that all countries should sign the WIPO-Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, some delegations have suggested that work be pursued on the basis of the 1982 draft agreement on trade in counterfeit goods.

Enforcement of intellectual property rights and disputes settled by GATT

Canada–United States: imports of certain automotive spring assemblies

At the request of Canada, a panel was established in December 1981 to examine the exclusion of imports of

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1 For these two questions, see FOCUS Nos. 48 and 49.
Third cycle meetings completed

- **GATT Articles**
  14–15 September
  As called for in its negotiating mandate, the Group began the process of reviewing the various GATT Articles nominated for examination in previous meetings.

  Several delegations supported a submission calling for a review of Article XVII (State Trading Enterprises) due to, among others, shortcomings in notification arrangements. Another proposal with respect to Article XXV (Customs Unions and Free-trade Areas) noted the growing proliferation of these arrangements and stressed the need for wider market access to them. Some participants, on the other hand, cited their positive aspects including trade-creation and potential benefit to developing countries. Some countries proposed more stringent procedures in the granting of waivers under Article XXV:5. Several delegations supported while some others expressed disagreement with a submission calling for a review of GATT balance-of-payments provisions.

  A submission by 15 countries – from both developed and developing countries – requested an illustrative list based on a recent sample of Article XXVII (Modification of Schedules) negotiations. This was in relation to the continuing debate on the issue of whether to modify the definition of suppliers' rights in GATT trade negotiations.

- **MTN Agreements and Arrangements**
  17 September
  In proposing the review of the Agreement on Technical Barriers to Trade, a group of countries called for a code of good practice for non-governmental standardizing bodies and the extension of major obligations to local government bodies. Some participants suggested improving transparency in bilateral agreements and the strengthening of provisions dealing with testing, inspection and certification systems to avoid possible discrimination. A submission dealing with several Agreements, after noting that only a few developing countries have joined the Agreement on Government Procurement, proposed changes in its accession procedures. There was also a further exchange of views on issues related to the "Anti-Dumping Code", including determination of injury,

  definition of domestic industry and uncertainties arising from the initiation of anti-dumping measures. Participants also discussed the question of improved disciplines in the Agreement on Import Licensing Procedures.

- **Dispute Settlement**
  21 and 24 September
  A number of delegations noted that the GATT dispute-settlement system had been functioning well but that the procedures could stand further improvement.

  After the tabling of many new proposals, several participants noted a great deal of convergence in the following areas: the enhancement of the consultation and mediation processes, improvements in specific dispute-settlement procedures, and the removal of obstacles to the adoption and implementation of panel reports. For example, parties should have the choice of several techniques and mechanisms in resolving disputes. Some suggested the elaboration of a single text to encompass all the dispute-settlement procedures. Two elements were emphasized: the need for a conciliation phase and the importance of consensus in adopting panel reports.

  There was also an exchange of views on a large number of submissions, including on the question of whether arbitration should be binding or not. Some participants suggested the creation of a GATT body dedicated to dispute settlement, or as an alternative, regular dispute-settlement meetings of the GATT Council. Another participant stressed the need for according differential and more favourable treatment to developing countries in disputes with more powerful contracting parties.

- **Functioning of the GATT System**
  25 September
  Delegations examined the relationship between the GATT and international financial organizations. Several delegations advocated closer cooperation as a means of ensuring that trade would be given its proper place in the fashioning of international economic policy. At the same time, others drew distinctions between the role of GATT, as a contract, and those of the other organizations. One of the new submissions proposed that the role of the GATT should be expanded to include wider trade-policy functions. Others, however, stressed the need to keep a clear distinction between the surveillance functions of the financial organizations and the trade-monitoring role of the GATT.

- **Trade-Related Aspects of Investment Measures**
  1 and 2 October
  A detailed examination started on the operation of various GATT Articles earlier identified as related to the trade-restrictive and distorting effects of investment measures.

  On Article III (National Treatment), many participants were of the view that local-content requirements could result in purchases from local sources being given more favourable treatment than those of imported products. At the same time, several delegations felt that the Article covered only the sale and purchase of imported products and had no bearing on local production which might result from investment measures. There was a brief discussion on Articles VI (Anti-Dumping) and XVI (Subsidies and Countervailing Measures) as they relate to export-performance requirements. The potential trade effects of these requirements, according to some, include: dumped exports, third-country trade effects and subsidized exports. Several participants questioned whether these requirements could automatically be associated with dumping or subsidization and called for specific evidence on this issue.

(Continued on page 4)
difficulties of an industrial sector - another proposal stated that certain elements set out in the initial phase of the negotiations but also only to ensure timely completion of the implementation of the measure, and the creation of a body to settle safeguard-related disputes.

Another proposal stated that certain safeguard actions - "grey area" - measures taken to meet structural difficulties of an industrial sector - seemed to fall outside the scope of the safeguard action to imports from third countries. The proposal - the first by a country failing to abide by the terms of their bilateral agreement. The United States would remove the measure as soon as the data showed clear evidence of Japan complying with the agreement. A number of delegates noted, however, that the problem stemmed from bilateral agreement whose consistency with GATT was highly suspect. On the Australian complaint, the US explained the need for American farmers to sell in the world market in the face of subsidized competition. It pointed out that the US had submitted a proposal in the Uruguay Round to eliminate all subsidies on agricultural products.

Australia notified that the US Secretary of Agriculture announced in July 1987 increased funding for the US Export Enhancement Program (EEP). It described the EEP as an export subsidy programme under which agricultural exporters were paid bonuses to bridge the gap between high prices on the US domestic market and lower prices on world markets. Australia saw in the extra EEP funding a clear intent to escalate and extend the use of export subsidies on agricultural products.

The US representative noted that the US action against Japan had resulted from protectionist pressures arising from slow growth and macro-economic imbalances. Special mention was made of the link between trade and monetary matters in the correspondence of the US with the Australian complaint, notably in relation to the burden of debt on many developing countries.

The GNG approved the schedule of meetings of Negotiating Groups for the remainder of the year.

4th series of meetings: Major offer on tropical products tabled

- Group of Negotiations on Goods - 12 October

Participants expressed general satisfaction with the progress of the negotiations so far, but agreed that the momentum must be maintained, not only to ensure timely completion of the initial phase of the negotiations but also because progress in the Round could make an important contribution to the resolution of current economic difficulties. At the same time, it was recognized that the Round is an enterprise in its own right, which must not be disrupted by external events. Many speakers, placing the negotiations in the context of the world economic situation, therefore stressed the importance of respect for the standstill commitment accepted in Punta del Este as a means of withstanding the protectionist pressures arising from slow growth and macro-economic imbalances. Special mention was made of the link between trade and monetary matters in the Punta del Este Declaration, notably in relation to the burden of debt on many developing countries.

The GNG approved the schedule of meetings of Negotiating Groups for the remainder of the year.

- Surveillance Body

13 October

The Surveillance Body, set up to oversee the commitments to 'standstill' and 'rollback' in the Ministerial Declaration, examined two new notifications alleging breaches of the standstill.

Japan complained that the 100% tariff increase imposed by the United States in April 1987, on imports of certain Japanese electronic consumer products, was unilateral and discriminating. It pointed out that, although the US had lowered the duties on one product last June, the others were still in force. The US action was related to the Japan-US semi-conductor agreement of September 1986.

- Tropical Products

14 October

Many participants welcomed, as a significant advance in the Uruguay Round, the tabling of the European Communities' offer to progressively reduce or eliminate tariffs and quantitative restrictions on a broad range of tropical products, and consumption taxes on tropical beverages. The EC also expressed its intention to take special account of the interests of the least-developed countries. The proposal - the first by a major importer - was conditioned by the following: a fair degree of multilateral burden-sharing a satisfactory level of
Textiles and Clothing  
20 October

It was generally agreed that the work of the Group was proceeding on track, and that available and expected materials would provide a useful data base in moving to the next phase of negotiations. Regarding the concern that the work in the Group was not being given proper prominence, a number of delegations made it clear that textiles and clothing would be a key element in the Round. Some delegations reiterated that the group should be concerned solely with the dismantling of the Multifibre Arrangement (MFA) and the integration of the textiles trade into the GATT.

Natural Resource-Based Products - 21 October

Discussion continued on the proposals introduced at the previous meeting. Among the points considered were the scope and definition of issues to be addressed by the Negotiating Group.

Further position statements were presented. A major natural resource producer explained its goals for trade liberalization in this sector.

There was also an exchange of views on how best to proceed to the next phase of negotiations.

Agriculture and intellectual property rights Groups receive new proposals

GATT Articles  
22–23 October

Participants continued reviewing the various GATT Articles nominated for examination in previous meetings. Several delegations shared the concern about a lack of clarity in Article XI (Schedule of Concessions) regarding the precise nature of the duties and charges on imports subject to a binding. This had made it difficult in some cases to establish the absolute level of a binding, not only at the time of a country’s accession to GATT but also when a new tariff binding was adopted by a contracting party. A number of participants supported a thorough review of the Protocol of Provisional Application, which had been cited as a possible source of imbalance in the contracting parties’ rights and obligations under the General Agreement. Regarding Articles XII, XIV, XV and XVIII, some delegations remained unconvinced of the need for negotiations while others pointed out the lack of adherence and the need for greater clarity in certain provisions.

The group also discussed a number of proposals submitted in previous meetings on the redefinition of suppliers’ negotiating rights under Article XXVIII. One delegation requested the review of two more GATT Articles: XXXV (Non-application of the Agreement between particular contracting parties), and the accession terms of Article XXVI:5(c).

Tariffs - 16 ad 19 October

Two new submissions on how to approach the tariff negotiations were tabled. Both proposed the binding of tariffs on all industrial products. In addition, the first proposal called for a substantial narrowing of the gap between the tariff levels of various contracting parties through the application of a general harmonization formula in the case of high tariffs, a request-and-offer procedure for middle-level tariffs: low tariffs would be dealt with on a case-by-case basis. The second submission proposed using the Tokyo Round harmonization formula as the starting point for further discussion. There was an agreement that comprehensive tariff and trade data by as many participants as possible were essential for the conduct of tariff negotiations.

The European Communities’ proposal stresses the need for a better balance between supply and demand in the agriculture sector. It envisages both an exchange of concessions at a later stage in the negotiations and a phased reduction of the negative effects of agricultural support policies on the international markets. The reduction in support would be achieved in two stages. Firstly, a series of short-term actions based on existing policies would include emergency measures relating to cereals, sugar and dairy products. At the same time, the contracting parties would enter into undertakings concerning the reduction of internal or external support measures in order to prevent the exacerbation of existing imbalances. The second stage of the process would be a concerted reduction in support coupled with a readjustment of external protection in order to stabilize major world markets. The plan envisages consolidating the progress made in these negotiations through improved and supplemented GATT rules and disciplines.

While Canada is a member of the Cairns Group, it chose to elaborate its position in a further paper. Among other things, this proposal drew attention to the need for a comprehensive approach covering all

(Continued on page 6)
subsidies and access barriers as well as the phasing out of all exceptions and waivers to provide equitable rights and obligations among contracting parties. Canada also developed the idea, based on the PSE, of a quantitative measurement for negotiating purposes covering all access barriers and trade distorting subsidies but omitting those measures agreed to be trade-neutral. The new measurement might be termed the "trade distortion equivalent" (TDE). While stressing that its proposal was an integral whole, Canada suggested seeking agreement first on the elements and use of the TDE, the depth of cut and the phase-in period, followed by the tabling of countries' plans for implementing their TDE reductions. Drafting of improved GATT rates would take place during the first stage.

Many countries chose to offer initial reactions to these various proposals and approaches. One common theme was the need to ensure that any short-term action was consistent with, and conducive to, a long-term agreement on the liberalization of agricultural trade in conformity with the objectives agreed by ministers at Punta del Este. Some participants also drew attention to the need for those countries whose principal interest as importers of food to take a clear position in the negotiations.

**Trade-related aspects of intellectual property rights - 28 October**

The meeting had a preliminary discussion of a comprehensive negotiating proposal tabled by the United States, as well as some less far-reaching negotiating suggestions from other participants. The US plan proposes a GATT intellectual property agreement to reduce distortions of, and impediments to, trade caused by deficient levels of protection and enforcement of intellectual property rights. The objectives of the agreement would be implemented through internal and trade-based enforcement measures at a national level, based upon norms set out in the GATT agreement, and through a GATT consultation and dispute settlement procedure. The agreement would apply to patents, trade marks, copyright, trade secrets and semiconductor layout-design.

While some participants welcomed the US proposal as addressing the major trade problems arising in connection with intellectual property rights, others felt that the proposal, particularly where it dealt with norms for the protection of intellectual property rights, went beyond the mandate of the Punta del Este Declaration. It was felt that the US suggestion and those put forward by other participants raised many complicated issues which would require much further consideration, not least the possible relationship between the work being proposed in the GATT and that of other multilateral fora concerned with intellectual property rights.

**Subsidies - 29 October**

More submissions were received on how to improve the Agreement on Subsidies and Countervailing Measures. One pointed out that, while the Code seemed to cover effectively the use of clear-cut export subsidies, its provisions were inadequate with respect to domestic subsidies. One delegation elaborated a proposal, particularly with respect to certain terms and procedures in subsidy investigations contained in the Code. It stressed that governments should also take into account the interests of consumers and downstream industries which rely on subsidized imports before imposing countervailing duty measures.

**Hawke emphasizes importance of Uruguay Round (continued)**

approach. We are prepared to eliminate, over an appropriate implementation phase, all quantitative import measures designed to protect domestic industry ... We will be looking to our trading partners to reciprocate this offer by making a similar reduction in effective rates of industry assistance." Mr. Hawke indicated that these cuts would not only be on tariffs but would also cover various non-tariff measures and subsidies.

Turning then to agriculture, Mr. Hawke said it was "one area where we have seen signs of an historic willingness to make progress towards reform". He was convinced that such a reform would produce gains far beyond the agricultural sectors, especially in favour of the developing countries. Efficient agricultural exporters, he said, are "fed up with being denied access to legitimate markets", and with "being caught in a crossfire of competitive subsidisation by the US and the European Community".

"It was to express this frustration that Australia, along with other agricultural producers who are increasingly anxious about the growing tide of protectionism, joined together to form a third force in trade negotiations - the Cairns Group. These countries represent some 550 million people, account for one-quarter of the total amount of agricultural exports, and have suffered enormous damage because of agricultural protection." Mr. Hawke then presented the proposals of the Cairns Group, which are summarized in the report on the Negotiating Group on Agriculture.

**Trade-related investment measures**

Delegations completed their first review of the operation of the seventeen GATT Articles which have so far been identified as related to the trade-restrictive and distorting effects of investment measures.

Besides III, VI and XVI, discussed at the previous meeting, the group considered Articles I, II, VIII, X, XI, XII, XIII, XV, XVII, XVIII, XXII, XXIII, XXIV and XXIX. Widely diverging views were expressed about the adequacy of the disciplines established by these Articles for dealing with the trade effects identified in the submissions.

The secretariat will now prepare a compilation of the views expressed on the operation of each Article, as a basis for further discussion at the meeting of the group on 26–27 November.

**Coming GATT activities**

Provisional programme of meetings in December

- 1–3 3rd Session of Contracting Parties
- 4 Textiles Committee
- 7–8 NG Agriculture
- 7–8 NG MTN Arrangements and Agreements
- 7–8 Meat Market Analysis Group
- 8–9 Textiles Surveillance Body
- 9 Surveillance Body
- 9–10 NG Subsidies and Countervailing Measures
- 10–11 NG Textiles and Clothing
- 10–11 International Meat Council
- 14–15 NG Services
- 14–15 Committees on Milk Powders, Milk Fats and Cheeses
- 15/18 Committee Balance-of-Payments
- 16 NG Goods

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Council

MORE LATIN-AMERICAN COUNTRIES SET TO JOIN GATT;
EC-US ARAMID DISPUTE PANEL ESTABLISHED

The Council on 7 October set in motion procedures that may soon lead to a significant increase in the number of Latin-American members of the GATT. It established a working party to examine the accession application of Bolivia and a chairman was named for the separate working parties on the provisional accession of El Salvador, Guatemala and Honduras.

The Bolivian representative, speaking as an observer, explained that his country's application was in step with its current trade-liberalization programme. He hoped that his country would be treated like its relatively less-developed and locked-country status. Many countries welcomed Bolivia's application.

The Council established a panel to examine a complaint by the European Communities that, for the purpose of enforcing private intellectual property rights, imported goods were subjected in the United States to a separate and distinct procedure solely by virtue of their non-US origin. The EC considered that a denial of national treatment within the meaning of Article III of the General Agreement resulted from different rules applicable under Section 337 and that this denial does not fall within the exceptions of GATT Article XX(d) (General Exceptions). The complaint resulted from an examination of a specific case involving certain aramid fibres.

Indonesia proposed that the subject of preshipment inspection programmes, currently under discussion in the Committee on Customs Valuation, be examined in a wider forum where the views of all affected countries could be taken into account. The EC, the United States, Nigeria and Switzerland expressed interest in joining consultations on this subject.

The Council approved the text of a draft decision extending the waiver on Turkey's stamp duty until 31 December 1989, and recommended adoption by the Contracting Parties. The United States sought assurances that the tax would eventually be brought into conformity with the GATT. Turkey stated that it intended to do so as soon as economic conditions permit.

EC – JAPAN LIQUOR DISPUTE SETTLED

At its meeting on 10–11 November, the Council settled a major trade dispute by adopting a panel report on the European Communities' complaint against Japanese taxes and labelling practices on wines and alcoholic beverages.

The panel concluded that imported whiskies, brandies, other distilled spirits (such as gin and vodka), liqueurs, still whiskeys, brandies, other distilled spirits (such as gin and vodka), liqueurs, still wines and sparkling wines were subject to discriminatory or protective Japanese taxes contrary to GATT Article III:2. It recommended that Japan bring its taxes on these products into conformity with the country's GATT obligations.

On another part of the EC complaint, the panel found that Japan had not failed to meet its obligations with respect to labelling practices under GATT Article XI:2. It noted that Japan's tax classification of alcoholic beverages was based on the principle of “taxation according to tax-bearing ability”. It also noted that, since the 1970s, the share of imported liquors in the Japanese market had drastically increased. It felt that the interpretation of Article III:2 applied by the panel could have unfortunate restrictive implications for national tax policies.

On another trade dispute, the Council established a panel to examine the United States' complaint against India's licensing regime for almond imports. The US claimed that the Indian measure has sharply restricted imports of American almonds, and that extensive bilateral consultations had been unsuccessful. India indicated that it would not prevent the establishment of a panel. It had maintained that the measure was in accordance with GATT Article XVIII and that the GATT Committee on Balance-of-Payments Restrictions had not objected to the measure in its various examinations of Indian balance-of-payments measures. It noted that a dispute panel on this matter had already been created in the Committee on Import Licensing.

The Council also heard a further United States request for a panel to examine the Third-Country Meat Directive of the European Communities. The directive relates to meat-handling regulations, including slaughterhouse practices. The US reiterated that this measure violated GATT Article III:4 which requires contracting parties to accord national treatment to like products from other GATT members. The EC explained that its objective was to protect the health of its citizens and that the measure therefore was consistent with GATT

*Section 337 declares unlawful "unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, or to restrain or monopolize trade and commerce in the United States."
GATT celebrated its 40th anniversary on 30 November

Although the General Agreement on Tariffs and Trade was signed in Geneva on 20 October 1947, a celebration of GATT's 40th anniversary was taking place on 30 November before the opening of the 43rd Session of the GATT Contracting Parties from 1 to 3 December.

The programme of events was to include reminiscences by participants in the original negotiations which led to the signing of the GATT: a keynote address by Mr. Paul Volcker, until recently Chairman of the Federal Reserve Board of the United States; and a round-table discussion by ministers on the future of the GATT trading system.

A special issue of FOCUS will be devoted to an account of this event and of the Session.

COUNCIL (continued)

Article XX(b). The spokesman for the Communities, while not objecting to the establishment of a panel, in principle, considered that the timing was not right. The Council agreed to revert to the request.

A United States request for a working party to discuss the relationship of internationally-recognized labour standards to international trade was again discussed. The US said that trade involving a denial of such labour standards ran counter to the GATT objective of raising standards of living through trade expansion in the context of a liberal trading regime. While the request received support from some countries, many participants viewed the issue as inappropriate for the GATT. It was agreed that the Chairman conduct further consultations in the matter.

The Council adopted the report of the Committee on Balance-of-Payments Restrictions regarding full consultations held during the year with Israel and India, and regular consultations in accordance with simplified procedures with Ghana, Pakistan and Sri Lanka. The Committee has requested that full consultations with Pakistan be held during 1988.

A working party was established to conduct the seventh triennial review of certain Swiss import restrictions affecting agricultural products. This review is provided for in the country's Protocol of Accession to the GATT.

The Director-General reported on GATT training activities held during the year. Two regular courses on trade policy were held - the first in French, and the second in English. Since 1955, some 1,049 officials from 113 developing countries and ten regional organizations have attended the GATT trade policy courses. The Director-General thanked the governments of Italy, Canada and Switzerland for their assistance in facilitating study tours as well as the UN Development Programme for acting as contact point with governments and candidates. A number of representatives stressed the importance of the courses in the context of the GATT training programme in favour of developing countries.

The Chairman of the Committee on Budget, Finance and Administration presented his report on the audited 1987 budget and the proposed 1988 budget of the GATT. The Director-General, citing the organization's cash-flow problem, appealed for prompt payment of contribution in arrears. The 1988 budget of the GATT is 61,549,000 Swiss francs, subject to the approval of the Contracting Parties.

Among other business items, the Japanese representative noted that penal tariff remained in place against certain of his country's exports to the United States. Although these tariffs, which had been enacted in the context of a bilateral semiconductor trade agreement, had been amended recently, it was regrettable that some remained in place. He indicated that Japan would request the establishment of a dispute settlement panel if the problem was not resolved.

GATT PUBLICATIONS

GATT Activities 1986

The Punta del Este Declaration was "a signal to businessmen, traders and investors that the world's trade ministers were prepared to face squarely the many problems which have placed the multilateral trade system in jeopardy". The report "GATT Activities 1986" which has just been published focuses on the Uruguay Round; it gives a detailed account of the process leading to the launching of the Round and the activation of the many negotiations which it comprises. The report also provides an up-dating of the various Tokyo Round agreements and the work in textiles and clothing, and gives detailed information on more than a dozen major trade disputes referred to the GATT in 1986.

1 GATT Activities 1986 is available in English. French and Spanish editions from the GATT Secretariat and through bookellers at the price of SwF 12.

The Uruguay Round File (continued)

certain automotive spring assemblies by the United States under Section 337 of the United States Tariff Act of 1930, including the issue of the use of Section 337 by the United States in cases of alleged patent infringement. The assemblies supposedly infringed a United States patent. The Panel found that the use of an exclusion order was justified in the specific case in question but made a number of remarks about the general use of Section 337 in patent infringement cases.

A number of delegations expressed reservations about some of the Panel's conclusions, in particular on whether it was "necessary" to employ a special adjudicative process to deal with patent infringements involving imports. The Council adopted the Panel's report with the understanding that this would not foreclose future examination of the use of Section 337 in such cases. The issue has again been raised in the ongoing dispute between the United States and the EC concerning the United States exclusion order relating to imports of aramid fibres (AKZO case).

EC–United States: copyright "Manufacturing Clause"

This clause of the United States copyright legislation prohibited the importation into, or distribution, in the United States of certain copyrighted works, the author of which was a United States domiciliary, unless the materials in question had been manufactured in the United States or Canada. The Panel that examined the EC's complaint found in 1984 that the clause was inconsistent with Article XI of the General Agreement and was not justifiable under the "grandfather clause". The Clause was not extended after it lapsed in 1986.

EC–Japan

The Council has just adopted the report of a Panel which, at the request of the European Community, examined the Japanese customs duties, taxes and labelling practices on imported wines and alcoholic beverages. In regard to the latter matter the Panel concluded in particular that the labels on liquor bottles manufactured in Japan indicated their Japanese origin; and that Japan had not failed to meet its obligation of co-operation pursuant to GATT Article IX:6 aimed at ensuring that consumers are not misled as to the true origin of a product, to the detriment of legally-protected distinctive regional or geographical names.