43RD SESSION OF THE CONTRACTING PARTIES

GATT Members call for renewed efforts to strengthen trading system

Along with regular government representatives to the GATT, some 20 Ministers of trade, economics or foreign affairs participated in a general debate on where GATT stands after 40 years of activity, and the challenges facing the organization today. The discussion took place at the opening of the 43rd Session of the Contracting Parties (1-3 December). Although officially separate, the debate proved to be the natural culmination of the critical assessment made the day before during the celebration of the 40th anniversary of GATT.

In summing up the debate, the Chairman of Contracting Parties, Ambassador Ahmad (Pakistan) stressed that GATT has proved to be an indispensable instrument of multilateral co-operation which in turn has built and maintained a relatively open trading system. However, it was pointed out that the challenge of improving and strengthening the multilateral trading system required renewed efforts on the part of contracting parties, especially at present when the GATT was confronting a serious crisis in the international economic environment. It was widely felt that the recent performance of the world economy and of international trade as well as the medium-term prospects were disappointing, and that they gave rise to a great deal of concern, particularly for developing countries. Many delegations underscored the need for greater international co-operation in order to avoid a further deterioration of the trading system. Trade tensions should be resolved through recourse to the GATT dispute settlement mechanism. Protectionist measures must be resisted collectively through the implementation of the standstill and rollback commitments made at Punta del Este.

The Uruguay Round negotiations

While it was generally felt that negotiations in the first year of the Uruguay Round had made satisfactory progress, several speakers expressed concern over certain developments in individual negotiating groups. The need for adhering to the common understandings reached at Punta del Este was emphasized. It was noted that the progress of work was not equal in all negotiating countries. A number of representatives stressed that the principle of differential and more favourable treatment for developing countries should be fully applied in the negotiations. Participants addressed the question of achieving results by the end of next year in time for the mid-term review of the negotiations. Early results, according to certain delegations, would provide the right signals to businessmen, enhance confidence and firmly set the pace for a positive outcome from the Uruguay Round. Some cited issues or areas where efforts should be made with the view to achieving early results. Some other representatives, however, felt it would not be desirable at this stage to foresee the outcome of the mid-term review in terms of specific results and that it was important to achieve progress across the broad front of negotiations.

It was also suggested that Ministers meet not only for the mid-term review by the Trade Negotiations Committee, but also at other major turning points in the negotiations. More generally, it was felt that the growing linkages between international trade and monetary policies might call for increased Ministerial involvement in the GATT with a view to establishing a continuing process of negotiations.

Officers of the Contracting Parties for 1988

At the close of the forty-third session, the Contracting Parties elected the following officers:

**Chairman of the Contracting Parties**
H. E. Mr. Alan Oxley (Australia)

**Vice-Chairmen of the Contracting Parties**
- H. E. Mr. Fredo Dannenbring (Federal Republic of Germany)
- H. E. Mr. Sang Ock Lee (Republic of Korea)
- H. E. Mr. Manuel Tello (Mexico)
- H. E. Mr. Amir Habib Jamal (United Republic of Tanzania)
- H. E. Mr. Parameswaran Nataratnam (Sri Lanka)
Disputes settlement, tropical products and services proposals feature in latest negotiating group meetings

Recent negotiating group meetings have continued to be marked by the tabling of new proposals covering a wide range of issues. Among those submitted in the meetings reported below were a suggestion that the Council could meet in a specific dispute-settlement mode as a means of aiding the settlement of dispute cases and ensuring the implementation of adopted panel reports; a detailed proposal by five African countries on reducing barriers to trade in tropical products; and the US paper on a possible framework agreement on trade in services.

• Functioning of the GATT System – 3-4 November

Discussion continued on suggestions for closer Ministerial involvement in the GATT. Several participants called for the creation of a GATT Ministerial body built along the lines of the Consultative Group of 18. Some representatives, however, suggested a smaller Ministerial body while some others preferred reinforcing the practice of Ministerial participation through the annual sessions of the Contracting Parties. Assisted by a summary prepared by the secretariat, participants took stock of six proposals tabled so far on improved surveillance functions for the GATT. Delegations recognized that, in principle, all contracting parties should report regularly on their trade policies and should be subject to periodic GATT reviews. The frequency of such reviews could depend on certain indicators, such as the country’s importance in international trade.

• Dispute Settlements 9 and 20 November

At their final two meetings for the year, the participants took stock of the many proposals for improving the dispute-settlement mechanism in the GATT. Several new proposals were also tabled, including a joint submission by six countries calling for regular GATT Council meetings under a separate chairman in a special dispute-settlement mode. According to the countries concerned, this approach would improve the monitoring of the whole dispute-settlement process as well as enhancing compliance with adopted panel recommendations. Several participants suggested that, to facilitate the resolution of disputes, the contracting parties involved should be excluded from the decision-making process of the Contracting Parties or Council.

Another participant, citing its disappointment with the results of a recent complaint in which it was a party, submitted a proposal which took into account the limited retaliatory power of small and less-developed countries.

Several delegations put forward suggestions for conciliation, mediation, arbitration, the “right to a panel”, as well as to the use of “standard terms of reference”, and for improved surveillance of the implementation of panel reports.

• MTN Agreements and Arrangements 5-6 November

Participants focused on various suggestions for improving the GATT Anti-Dumping Code. A group of countries tabled a proposal that, in particular, questioned the relevance of the Code’s definition of “dumping” to today’s business world. They pointed out that, more and more, exporters when attempting to adapt to prevailing prices in foreign markets face threats of anti-dumping measures. One participant submitted a proposal that, among other things, stressed the need to clarify the scope of the Code’s application to “like products”, particularly to imported components or parts. Two further Codes were the subject of suggestions: the Customs Valuation and Government Procurement Codes. Concrete proposals were also tabled with respect to the Code on Import Licenses, bringing to six the number of MTN Codes examined by this group. Delegations also continued their examination of previous proposals and held detailed discussion on the possible procedures and organization of work for the next phase of negotiations.

• Tariffs – 16-17 November

Participants considered three new submissions on how the group might conduct tariff-cutting negotiations. One country put forward a harmonization formula with special and differential treatment for developing countries. At the same time, it called for an increase in the scope of tariff bindings by developing countries on a certain proportion of their total imports. Another participant suggested an integrated approach to the assessment of negotiated reductions on both tariff and non-tariff measures, including subsidies, and provided a measurement technique for assessing the reduction of government assistance to domestic industries (see Non-Tariff Measures). The third submission envisaged a tariff-cutting formula with a harmonizing

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General Agreement had been previously applied to any entering party, as well as any acceding country, has the right to become a Contracting Party upon the date of its accession, and if the two have not agreed at the time of accession, and if the two have not agreed at the time of accession, then the Committee on Negotiations on Goods, the Group of Negotiations on Goods, and the Trade Negotiations Committee, in the week of 14 December, succeeded in moving the Uruguay Round negotiating process smoothly into its second year with general agreement among participants that its first had been a success. In an initial discussion on the idea of a "mid-term review" meeting at ministerial level, an invitation from Canada to host it was warmly welcomed. Many delegations envisaged the review taking place at the end of 1988 — though a definitive decision will not be taken before mid-February 1988.

Negotiations move smoothly into second year

Mid-Term Ministerial Review discussed Canada widely supported as venue

Meetings of the Group of Negotiations on Goods, the Group of Negotiations on Services and the Trade Negotiations Committee, in the week of 14 December, succeeded in moving the Uruguay Round negotiating process smoothly into its second year with general agreement among participants that its first had been a success. In an initial discussion on the idea of a 'mid-term review' meeting at ministerial level, an invitation from Canada to host it was warmly welcomed. Many delegations envisaged the review taking place at the end of 1988 — though a definitive decision will not be taken before mid-February 1988.

Trade Negotiations Committee — 17 December

The Committee met at officials level under the chairmanship of Mr. Arthur Dunkel (Director-General of GATT). It heard reports from the chairmen of the Group of Negotiations on Goods, the Surveillance Body and the Group of Negotiations on Services. Mr. M. G. Mathur, in his report on the work of the Surveillance Body, pointed out that, although some bilateral consultations had taken place on the 'rollback' of trade restrictive measures, there had as yet been no reported undertakings. The need for progressive implementation "of what is a very carefully-framed commitment in the Punta del Este Declaration" was widely recognized. On the other hand, he was able to report that the "early warning" system under which potential standstill contraventions were raised and discussed in the Surveillance Body had, during 1987, helped capitals resist protectionist pressures. Mr. Mathur's chairmanship was reconfirmed by the TNC.

Arthur Dunkel, in his report as chairman of the Group of Negotiations on Goods, said that participants had recognized the need to create a climate of confidence and to send a positive signal to governments and the business world regarding the work done so far. However, there were no grounds for complacency since the most difficult

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part of the work – the reconciliation of divergent positions – lay ahead. There would be a heavy workload for authorities in capitals as well as negotiators in Geneva. However, the Group was able to note that satisfactory progress had been made during the initial phase of the negotiations and that the basis for moving forward the negotiating process as a whole had been laid. (See also following item).

The Chairman of the Group of Negotiations on Services, Ambassador Felipe Jaramillo, presented the Group’s report, noting that it had carried out a ‘stocktaking exercise’ earlier in the week (see item on Services). He said that the Group had made progress during 1987 and that its negotiating programme would have to be carried forward further on the basis of the examination of the five elements identified in early 1987 (see Information Note GATT/1405) as well as other issues arising therefrom. Submissions and statements would be addressed with a view to achieving concrete progress in accordance with the Group’s negotiating objectives.

An invitation from Canada that it should provide the venue for a Ministerial-level mid-term review of the Uruguay Round was widely welcomed and proposals that the review take place in the latter part of 1988 commanded widespread support. The Chairman undertook to consult with participants in order that a definitive decision on date and practical arrangements could be taken at a TNC meeting on 18 February 1988. A further meeting of the TNC will be in mid-1988.

**Group of Negotiations on Goods – 16 December**

In the final meeting of the year, participants were able to comment upon the progress made in the initial phase of the negotiations, in the light of the plans and objectives agreed in January 1987. On the basis of these comments, and of the reports received from negotiating groups, the Chairman of the Group was able to report to the Trade Negotiations Committee that satisfactory progress had been made (see separate item on TNC). It was noted that a great deal of ground had been covered and major proposals had been made in many Groups; in all some 168 submissions had been presented to the fourteen negotiating groups, representing negotiating proposals or statements of position.

The Group reconfirmed the appointments of the chairpersons of the negotiating groups, made in February this year (see Press Release GATT/1406), subject to further review at its first meeting in 1989. It took note of the following schedule for initial meetings in 1988 and agreed that its own next meeting will take place on 18 February 1988.

Prior to the meetings of the GNG and TNC the following groups had their final meetings of the year.

**Initial Meetings of Negotiating Groups in 1988**

<table>
<thead>
<tr>
<th>Week beginning</th>
<th>Topic</th>
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<tbody>
<tr>
<td>25 January</td>
<td>Tropical Products/Functioning of the GATT System</td>
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<tr>
<td>1 February</td>
<td>Subsidies/GATT Articles</td>
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<tr>
<td>8 February</td>
<td>Natural Resource-Based Products/Textiles</td>
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<tr>
<td>15 February</td>
<td>Agriculture/Trade-Related Investment Measures</td>
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<tr>
<td>22 February</td>
<td>Non-Tariff Measures/Tariffs</td>
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<td>29 February</td>
<td>Dispute Settlement/Trade-Related Aspects of Intellectual Property Rights</td>
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<tr>
<td>7 March</td>
<td>Safeguards/MTN Agreements and Arrangements</td>
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Some participants, however, doubted whether certain aspects of these and some previous proposals fell within the mandate of the Group. Some others welcomed the proposals as positive contributions to the work of the Group.

**Trade-Related Aspects of Intellectual Property Rights**

23–24 November

Two additional major proposals were tabled. Both covered a broad range of intellectual property rights (IPRs). They suggested detailed rules for ensuring the effective enforcement of IPRs and that procedures and remedies for this purpose do not themselves give rise to trade obstacles. They also suggested the application of such basic GATT principles as non-discrimination, national treatment and transparency and the establishment of international dispute-settlement mechanisms. One proposal included an annex suggesting norms for the basic IPRs themselves.

One participant maintained that the basic issue on safeguards is how to give countries adversely affected by fairly-traded imports the opportunity to adjust without undermining the principles of an open and equitable trading system. It claimed that the lack of progress in the framing of new safeguard rules had led to countries resorting to ad hoc approaches in dealing with their import problems. It then presented a paper which listed a set of optional approaches to a safeguard agreement – ranging from strict most-favoured-nation application of safeguard measures to unilateral selectivity. Participants continued discussion of the proposals tabled so far. It was agreed that the Group should begin to examine individual specific elements, beginning with “serious injury or threat thereof” at the next meeting.

**Safeguards – 24–25 November**

The examination resumed on the operation of the seventeen GATT Articles (see NUR 012) identified by various participants as related to the trade-restrictive and distorting effects of investment measures. One participant proposed the review of another GATT Article, XIX (Emergency Action on Imports of Particular Products). Assessing the Group’s work so far, some participants felt that the identification and examination of the various GATT Articles had been fairly comprehensive.

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while some others described them as only preliminary. The Group agreed to continue exploring how GATT Articles address the trade restrictive and distorting effects of investment measures and whether further provisions are needed to avoid adverse effects on trade.

**MTN Agreements and Arrangements – 7 December**

At the final meeting for the year, two more proposals were tabled: one on the Anti-Dumping Code and the other on the Government Procurement Code. Participants also discussed again issues relating to the Tokyo Round agreements. Taking into account the wide range and complexity of issues before the Group, delegations agreed on guidelines for the work of the Group in the coming year. The Group recognized the need for flexibility in identifying additional issues, and for further detailed examination that would help in clarifying the issues for negotiations as they evolve.

**Subsidies – 9 December**

Participants discussed the checklist of issues proposed for negotiations: principles and approaches, disciplines on subsidies, measurement of the amount of a countervailable subsidy, determination of the existence or threat of material injury, definition of sale and “introduction into commerce”, initiation and conduct of countervailing duty investigation, imposition and duration of countervailing measures, special and differential treatment for developing countries, and dispute settlement procedures.

In the discussion of new proposals, some participants maintained there was a need to develop effective disciplines for production and other domestic subsidies and that a subsidizing country has the obligation to remove the cause of nullification or impairment. There was also an exchange of views on whether subsidies which had trade-distorting effects should be avoided, irrespective of their objectives and intentions.

**Surveillance Body – 9 December**

Two participants brought forward alleged breaches of the standstill commitment.

Sweden complained that the United States, since early last year, had been applying additional tariffs to certain Swedish specialty steel but not to imports from other suppliers. It argued that the US competent authority – the International Trade Commission – had ruled that the original reason for the US measure, taken under GATT Article XIX (Emergency Action on Imports of Particular Products), was no longer valid. The United States explained that the ITC had found in 1983 that import relief was justified for the US specialty steel industry. It noted that many of the products covered by the US measure had been incorporated into voluntary export restraint (VER) arrangements set to expire in 1989. Sweden, however, decided not to conclude a VER agreement with the US and therefore continues to bear the additional tariffs.

In the second complaint the United States called attention to a recent decision by the European Community to subsidize the production of long-grain rice. The US claimed that the EC measure, in artificially stimulating local production of the long-grain rice, threatened to reduce access for US rice exports. It considered the EC measure to be inconsistent with the standstill commitment, including the pledge not to take any trade measure in such a manner as to improve its negotiating position. The Community asserted that the measure was fully compatible with its commitment. It explained that the programme was limited in scope, in time and in value and would result in the substantial reduction of EC rice exports overall. The Community, on the other hand, criticized a US measure that in effect subsidized the US production of medium- and short-grain rice.

In the assessment of the Body’s work during the year, the Chairman noted that it had examined standstill notifications by five participants concerning nine different measures. It had also established an early warning system which permits participants to call attention to measures under consideration in various legislatures or administrations. On the rollback commitment, the process of consultations was under way with respect to proposals made by five participants although no actual rollback commitment had yet been made. The Surveillance Body agreed to meet next on 8 March.

**Textiles and Clothing – 10–11 December**

Participants took stock of the situation at the end of the year. They examined, in particular, documentation made available to the Group, including an updating of the 1984 GATT Study. **Textiles and Clothing in the World Economy**: papers submitted by a number of developing countries on the state of the textiles and clothing industries in the principal importing countries, and reports prepared for the recent Textiles Committee meeting. In the view of some delegations, the material was incomplete. However, it was generally felt that it was sufficient to permit the Group to proceed to the next phase of its work.

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Delegations also exchanged views on the scope of negotiations in this area and possible approaches to future work, as well as the relationship of the work in this Group with that of other groups. It was agreed that, in subsequent meetings, the Group would focus its attention on the examination of techniques and modalities for achieving the objectives in this area, on the basis of proposals submitted by participants.

- **Trade in Services**

14-15 December

The European Communities and Switzerland tabled new ideas on a multilateral framework of rules covering services trade.

The European Communities' submission rested on a perception that many existing barriers to trade in services take the form of regulations, of which a large proportion have been introduced in the pursuit of political or economic objectives unrelated to trade policy. It envisaged a system based upon the identification of accepted and inappropriate types of regulations (eventual elimination or amendment) of the latter through negotiation. A standstill on the introduction of new regulations of an inappropriate nature would also be undertaken.

The Swiss proposal developed the idea of 'optional most-favoured-nation treatment' whereby a series of bilateral liberalization agreements might be extended to or made available to third parties.

The Group undertook a 'stocktaking' exercise in reviewing progress during 1987 in the light of the negotiating plan adopted in January. Many participants considered that the negotiating mandate, with its five elements, had served the process well and that considerable progress had been made, particularly with respect to the concepts which might underlie a framework agreement on

GATT PUBLICATIONS

The world dairy market recovers in 1987

The world dairy market showed signs of recovery in 1987 as efforts in many countries finally brought to a halt the upward milk production trend which had led to surplus stocks and depressed prices. This is one of the findings contained in GATT's annual report1 on the international dairy products market, published today.

Among the major trends identified in the report are the following:

- total milk production in 1987 is expected to stabilize at the 1986 level (520 million tons, a 1.4 per cent increase on 1985), due mainly to reduced production in the European Communities, New Zealand and the United States;
- the disposal of surplus stocks at extremely low prices in 1986 and early 1987 had maintained the fragility of the international market for butter and anhydrous milk fat, but at the same time the reduction in stocks gives some hope for market improvement in 1988;
- the import demand for cheese and milk powders recovered appreciably in 1987 while quantities available for exports were reduced and the prices firmed up.


A series of detailed statistics is provided for the products covered by the Arrangement, notably certain milk powders, butter and anhydrous milk fat and certain cheeses.