WORLD TRADE GROWTH STRENGTHENED IN 1987
1988 PROSPECTS ARE PROMISING

World merchandise trade volume grew by 4 per cent in 1987 and should maintain this rate in 1988 provided there is no fresh turmoil in financial markets or serious recession in the United States. These are some of the early estimates by the GATT secretariat on a recently published report on world trade in 1987. The value of exports rose by 15½ per cent to a new record of $2,450 billion.

It appears that developments in world stock markets since October have not had any immediate adverse effect on world trade.

Imports into the developed countries remained the strongest force in world trade expansion even though their growth slowed down. The developing areas remained the most dynamic exporters, in volume terms, in 1987.

The trade performance of fifteen heavily indebted countries also improved, with the value of exports advancing at a faster rate (10 per cent) than imports (7 per cent).

Trade volume: best performance in the 1980s, excluding the 8½ per cent recorded in 1984

- The expansion of world trade in 1987 was led by a 5 per cent increase in trade in manufactures, which represents more than two-thirds of total merchandise trade.

The developed countries, which account for 70 per cent of world imports of manufactures, were largely responsible for this performance, but the rapid economic expansion of some Asian developing countries was also a key factor.

- Exports of agricultural products also contributed to the growth of world trade.

In contrast, world output declined as a result of supply control measures for certain products and adverse weather conditions in some countries.

- On the other hand, the volume of trade in mining products declined slightly, largely because of petroleum.

Growth in the volume of world merchandise exports and production by major product group, 1960–1987
(Average annual percentage change)

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<td>4½</td>
<td>1½</td>
<td>−1</td>
<td>4</td>
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<tr>
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<td>1½</td>
<td>2</td>
<td>1½</td>
<td>−1</td>
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<tr>
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<td>10½</td>
<td>7</td>
<td>4½</td>
<td>3½</td>
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<tr>
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<td>Production</td>
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<tr>
<td>All merchandise</td>
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<td>4</td>
<td>2½</td>
<td>3</td>
<td>3</td>
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<sup>1</sup> See press release GATT/1432.
More Balanced Growth of Regional Trade

Growth in the volume of world merchandise trade by major area, 1986 and 1987 (Percentage change over preceding year)

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<tr>
<td>World</td>
<td>3 1/2</td>
<td>4</td>
<td>3 1/2</td>
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</tbody>
</table>

* The Eastern trading area is composed of the East European countries, the USSR, China and other centrally planned economies in Asia.

Value of world merchandise trade by areas, 1986 and 1987 (Billion dollars)

<table>
<thead>
<tr>
<th></th>
<th>Imports (f.o.b.) 1986</th>
<th>Imports (f.o.b.) 1987</th>
<th>Exports (f.o.b.) 1986</th>
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<td>2450</td>
<td>2119</td>
<td>2450</td>
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</tbody>
</table>

OUTLOOK

Current prospects for the world economy continue to be burdened by the third world debt problem, concern over exchange rate behaviour, seemingly chronic unemployment in many areas, protectionist pressures, and the large current-account imbalances among the major trading nations. GATT's economists consider that certain encouraging signs must be set against this background. Damage to the confidence both of consumers and of investors appears to have been less severe than was forecast immediately after the stock market crisis. In addition, some developments in the second half of the year point to an underlying strength in world trade.

GATT PUBLICATIONS


For the first time, the GATT secretariat is publishing its twice-yearly reviews of developments effecting the international trading system and major trade policy actions by governments during six-month periods. The report just published was the subject of examination and discussion in the GATT Council at its November session. These studies are based on information supplied by member countries of GATT and on data collected independently by the secretariat.

The report is available in English, French and Spanish from the GATT secretariat, price Sw F 25.

The International Markets for Meat 1987–88

After years of depressed international bovine meat prices, 1987 was a year of definite recovery. However, the outlook for this trend continuing in 1988 is overshadowed by a number of factors, in particular the expected decline in beef and veal consumption in developed countries. These are the main conclusions of the recently published GATT secretariat report.

The report is available in French, English and Spanish from the GATT secretariat, price Sw F 12.
Functioning of the GATT System
A Subject for the Round

It may appear surprising that the functioning of the GATT system should be included among the Uruguay Round negotiating subjects alongside such trade negotiations as tariffs, non-tariff measures, subsidies and improved market access for tropical products.

The inclusion of a negotiating group on the functioning of the GATT system reflects that participating countries are no longer concerned only with obtaining direct trade advantages or spelling out more clearly certain rules of the General Agreement. They wish to strengthen GATT's ability to adapt to present and future developments in the international financial and economic environment, and to strengthen GATT's institutional powers.

The importance of these issues was underlined in the report on "Trade Policies for a Better Future", prepared in the spring of 1985 at the request of the Director-General of GATT by a group of independent eminent persons—known as the Leutwiler Group. The Group put forward proposals for action to improve the functioning of the world trading system.

The negotiations are centred on three themes: 1) to enhance the surveillance in the GATT of trade policies and practices and their impact; 2) to improve the effectiveness and decision-making of the GATT as an institution; 3) to enable the GATT to play a more active part in global economic policy-making. Many countries have pointed out that these three objectives are interdependent.

Trade policy review

Almost all GATT bodies have a surveillance function, in the broad sense of the term, and regularly review particular aspects of the contracting parties' trade policies and measures in the light of their obligations under the General Agreement or specific agreements or arrangements negotiated under GATT auspices.

Since the 1982 Ministerial meeting, the Council has carried out a twice-yearly review of developments in the trading system. The GATT secretariat prepares a survey of trade measures having a beneficial or adverse impact on world trade, and a general debate is held.

The Committee on Trade and Development keeps under continuous review the application of the provisions of Part IV of the General Agreement and the 1979 Enabling Clause, which concern developing countries.

The Committee on Balance-of-Payments Restrictions is responsible for the multilateral monitoring of all restrictive measures taken for balance-of-payments reasons; countries that have taken such measures are obliged to hold consultations during which they must justify their actions.

The Codes and Arrangements agreed in the Tokyo Round all contain surveillance procedures designed to ensure the greatest possible transparency in governmental policies and measures applicable to the area covered by each Code and to determine to what extent signatories are complying with their commitments.

The GATT conciliation and dispute-settlement machinery, whether through the Council or the committees administering the Tokyo Round agreements, is a specific form of surveillance and of providing sanctions against illegal trade measures.

The Surveillance Body set up to oversee compliance with the standstill and rollback commitments agreed at Punta del Este, for the duration of the negotiations, is more a political than a legal form of surveillance.

There is broad support for a more systematic review of the trade policies of Contracting Parties. In the course of the five meetings of the Negotiating Group the Functioning of the GATT System held so far, several countries expressed views on the nature and functions of such a mechanism. Specific proposals have been submitted by Australia, Switzerland, Japan, the United States and New Zealand. The Chairman of the Negotiating Group has prepared a discussion paper designed to find a common ground among the various positions.

A consensus appears to be developing that the objective of this review mechanism should be to enhance transparency and understanding of the trade policies of all Contracting Parties, and to allow the collective evaluation of individual trade policies and any trends which emerge from them, but not to examine the compatibility of any particular measure with the General Agreement. The review would be more frequent for countries with the largest shares of world trade.

GATT effectiveness and Ministerial participation

One objective mentioned in the Punta del Este Declaration is to improve the overall effectiveness and decision-making of the GATT as an institution, including, inter alia, through the participation of trade representatives at Ministerial level.

The strengthening of the role of the Director-General and the secretariat, and a clearer definition of the role of consensus in the decision-making process, have been mentioned as ways to improve the organization's effectiveness. So far the discussions have primarily focussed on the advantages of greater Ministerial participation in the work of GATT.

(Continued on page 4)
Ten Ministerial-level meetings were held between 1957 and 1986. Even when Ministerial meetings were held at the annual sessions of the Contracting Parties, they have had separate agendas. The desirability of more active or more frequent participation by Ministers in GATT’s work has been the subject of more discussion in recent years, in particular during the preparations for the launching of the Uruguay Round.

It is widely accepted that greater Ministerial participation would be one way of improving the effectiveness and decision-making of GATT. It is felt that this would provide political guidance and initiative for the work of GATT, reinforce the commitments of governments to the GATT system, and give the GATT greater prominence and credibility in domestic political arenas. It would also make it possible to better monitor trends in international trade and set them in wider economic and political contexts (which would enhance the effect of the review of national policies covered by the first objective) and provide a forum for discussion on trade issues of common concern. It is also pointed out that almost all international economic or financial organizations hold regular Ministerial meetings.

Australia, Canada, the United States, New Zealand, the Nordic countries and Switzerland have submitted proposals on this issue. The discussions have covered suggestions that there might be two levels of Ministerial involvement: during the regular sessions of the Contracting Parties at Ministerial level; and the meeting of a smaller but representative group of Ministers who would meet more frequently, the former would provide regular endorsement and political direction for GATT’s work, while the latter might prove useful in forestalling disturbances and exploring trade policy problems facing member governments.

There is broad agreement that it would be useful to hold regular meetings of the Contracting Parties at Ministerial level, even if their frequency remains to be determined. Views are more divided about the advisory or consultative role a smaller group of Ministers would have and about the size, composition and possible mandate for such a group.

Coherence in global economic policy-making

The Punta del Este Declaration states that the negotiations should “increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters”.

The objectives of GATT, the International Monetary Fund and the World Bank are complementary, and in a sense form the three pillars - trade, finance and financial aid to developing countries - of an open economic system. Some degree of co-operation already exists among these institutions.

The fact that exchange controls and trade measures can be used as substitutes lent a special status from the outset to the links between GATT and the IMF, based on Article XV of the General Agreement. Article XV provides for co-operation and consultation procedures with the IMF, particularly when a country adopts restrictive trade measures to deal with balance-of-payments difficulties. There are areas of co-operation at the frontier between the two organizations’ spheres of responsibility, such as, for example, the study of the effect of erratic exchange fluctuations on world trade. Relations between GATT and the World Bank are less clearly institutionalized; cooperation is essentially based on Part IV of the General Agreement, which concerns developing countries.

The IMF and the World Bank have similar institutional arrangements as regards Ministerial participation in their work and GATT’s Director-General is invited to attend as an observer. In turn, those organizations are represented by an observer at the sessions of the GATT Contracting Parties and Council meetings.

The discussions about reinforcing co-operation among the three organizations have made little headway so far. The United States, Switzerland, Canada, the Nordic countries and Jamaica have submitted proposals or communications on this subject. The views expressed vary: some favour strengthening co-operation at the technical level between the secretariats of these institutions, while others take a more ambitious approach, seeking to broaden the area of present co-operation and deal with actual policy-making and co-ordination. Other participants fear that the result may lead to an overlapping and confusion of the roles of organizations.

Some countries consider that existing procedures for consultation between the IMF and GATT are basically the latter’s responsibility and that a better balance of obligations should be restored. Finally, some countries consider that the achievement of the first two objectives - a more effective review of trade policies and greater Ministerial participation - should precede discussion on the third objective, mainly stronger ties with other international economic and financial institutions.

Despite uneven progress on the three themes which have been identified as ways to improve the functioning of GATT, some countries nevertheless believe that an interim agreement on some points might be possible before the end of the negotiations, set for 1990.
The Trade Negotiations Committee agreed, on 18 February, that its end-of-year meeting would take place at Ministerial level in Montreal, Canada, in the week beginning 5 December 1988.

Functioning of the GATT System – 25–28 January

Proposals concerning closer Ministerial involvement in GATT through more regular Ministerial-level sessions of the Contracting Parties met with broad support. Participants were more divided, however, about the advisory or consultative role a smaller group of Ministers would have and about the size, composition and possible mandate for such a group.

The need for better transparency in trade policies was widely accepted. It was agreed that consultations should be held in connection with a common format for country trade policy reports and it was suggested that the GATT secretariat provide information on the share of world trade accounted for by a proposed “core group” of 20 to 30 contracting parties, and estimate possible additional GATT staff requirements needed to carry out the review mechanisms.

The Group held further discussions on the relationships between GATT and the international financial and monetary organizations and agreed to continue this at its next meeting in March.

Tropical Products
25 and 29 January

In the first decision of its kind in the Round, this Group agreed on procedures for negotiations with the objective of achieving concrete results before the end of 1988 and their implementation at the earliest possible date as provided for in Section B(ii) of the Ministerial Declaration¹. In the first stage of the approved timetable, participants are to submit indicative lists which should elaborate on general approaches, formulae and measures, and/or contain specific product or country requests, by the end of March. The Group will then review developments as well as consider new proposals in April.

Two rounds of multilateral consultations aimed at the fullest liberalization of trade in tropical products and covering all seven product groups² will be held in May and June. For the purpose of these consultations, delegations may also request or provide additional information on trade policy measures.

The following month, the Group will reassemble to review the results of these consultations. Another review of progress made in the negotiations will take place in the Autumn. Many delegations understood the importance of developing countries of trade liberalization in this sector. Several participants described the decision as a good compromise and welcomed its positive implications for the Round as a whole.

The Group also received two further proposals. A group of countries proposed reaching an agreement, before the end of the year, on a formula for reducing or eliminating tariffs in this area on the broadest possible basis. It suggested implementation of tariff cuts within a five-year period beginning on 1 January 1989. Another participant tabled an offer which would further improve its GSP and MFN treatment for tropical products. It expressed its readiness to hold immediate bilateral consultations and negotiations with developing countries on all tariff matters contained in its proposal.

Trade in Services
27–29 January

The major part of this meeting was spent in discussing the proposals tabled by the European Communities and Switzerland at the December meeting. The Swiss proposal argued that a services framework might rest upon the negotiation of bilateral services agreements extended to third parties through “optional most-favoured-nation treatment”. A discussion developed on the extent to which the underlying principles of any framework agreement for trade in services would be comparable with the General Agreement covering goods. Some delegations felt that a services agreement should support the trade rules on goods, while others believed that a quite different approach was necessary. The European Communities described its approach as dealing with the potential tension between the idea of progressive liberalization of market access and the need for respect for national policy objectives (in the context of national laws and regulations which affect trade in services). In a wide-ranging discussion on this proposal, attention was given to the implications of the objectives outlined in the Punta del Este declaration, namely the expansion of services trade as a means of promoting economic growth generally and the development of developing countries in particular.

Subsidies and Countervailing Measures
1 February

Participants embarked on a general discussion about the fundamental objectives and concepts of Articles VI (Anti-dumping and Countervailing Measures) and XVI (Subsidies) of the General Agreement and the relationship between these two Articles. They discussed whether the principal focus of negotiation should be the tightening of the disciplines on countervailing actions or efforts to control and reduce export and other subsidies. The Group agreed to resume this discussion as well as start considering specific drafting proposals on particular issues at its next meeting.

GATT Articles
3–5 February

Discussion on a possible reform of Article XXVIII (Modification of Schedules) raised a number of issues. These included the erosion of the rights of substantial suppliers under Article XXVIII:3 and the tendency for negotiating rights to become increasingly concentrated in the hands of large suppliers.

A number of delegations expressed the view that lack of negotiating rights made it impossible for small suppliers to

(Continued on page 6)
invited delegations which we wished to provide by 30 April additional information and proposals of interest to the Group.

**Agriculture — 15–17 February**

Participants examined the proposal for negotiations tabled by Japan at the end of last year concerning the proposal, which it described as realistic. Japan stressed the need to establish long-term stability for trade in agricultural products and to ensure food security for all countries. It said that it was in favour of a freeze (as an emergency measure) followed by gradual elimination of export subsidies and a strengthening of disciplines on other trade-distorting subsidies. Japan considered that improved market access should be sought by reducing customs tariffs through a request and offer procedure, and also by improved criteria for allowing waivers from the general principle of the elimination of quantitative restrictions. It emphasized that waivers which allow some countries to maintain import restrictions are a destabilizing element, and that the concerns of importing countries are not sufficiently taken into account by the rules on export restrictions. It pointed out that in the case of basic foodstuffs the new rules should ensure stability of supply and allow the maintenance of some degree of domestic production.

While appreciating the fact that Japan had thus displayed its willingness to contribute actively to the negotiations on agriculture, most participants considered that Japan’s proposal was over-cautious and in some respects fell short of the Punta del Este undertakings. It was also pointed out that the proposal laid too much emphasis on agricultural self-reliance, and that food security could be obtained by opening up and diversifying markets. Some participants also considered that the proposal did not strike a proper balance between importers and exporters, and placed all the weight of adjustment on the latter.

Jamaica also submitted a revised version of its communication tabled last year. This communication, supported by a number of developing countries, considered that Japan’s proposal was over-cautious and in some respects fell short of the Punta del Este undertakings. It was also pointed out that the proposal laid too much emphasis on agricultural self-reliance, and that food security could be obtained by opening up and diversifying markets. Some participants also considered that the proposal did not strike a proper balance between importers and exporters, and placed all the weight of adjustment on the latter.

Jamaica also submitted a revised version of its communication tabled last year. This communication, supported by a number of developing countries, highlighted the interests of countries that are net importers of agricultural products or heavily dependent on such imports. Jamaica also outlined its views on the special and differential treatment to be accorded to developing countries in this area.

The European Community developed its ideas concerning emergency measures designed to ease the strain in the markets for cereals and cereal substitutes, sugar and dairy products. They consist of price disciplines and measures to reduce quantities put on the market, which would last for one year and be renewable. Many participants considered that these measures were too sectoral, and were based on an interventionist philosophy. They regretted the lack of any link with long-term measures, and expressed the fear that they might distract attention from the search for long-term solutions.

The negotiating group went on to discuss at length the technical aspects of the agricultural negotiations, and several participants submitted often complex working papers on the use of an instrument for the aggregate measure of support for agriculture (PSE or EDE). The Group agreed to convene a technical meeting of experts on this question during the third week in March, to report to the Negotiating Group on Agriculture which meets during the week beginning 18 April. The difficulties of harmonizing sanitary and phytosanitary regulations were also discussed, as well as the special and differential treatment to be given to developing countries; the latter were invited to submit proposals on that subject.

**Group of Negotiations on Goods — 18 February**

The GNG met in the morning of 18 February to continue the review of progress in the goods negotiations in the Uruguay Round which it had started at its December meeting. At the end of the December meeting, the chairman, Mr. Arthur Dunkel, had been able to conclude that there was reasonable satisfaction with the work which had been completed during the first year of the Round. At the February meeting, while recognizing the substantial efforts that had been made, a number of delegations expressed specific concerns in areas of interest to them. A number of delegations re-emphasized the need for parallel progress on debt, finance and monetary issues in order that the Round can fully achieve its objectives. The more general points raised included the need for the negotiating groups to pay due attention to providing special and differential treatment for developing countries in the Round and the concern that there should be balanced progress in all of the negotiating groups. An issue of importance for many delegations was that the standstill and rollback commitments should be respected. In his concluding remarks, the chairman said that, with the progress made in the formulation of positions and the clarification of issues, it was now time to push forward the negotiating process proper.

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1. Section B(ii) of the Ministerial Declaration states: "The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreement reached at an earlier stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreement shall be taken into account in assessing the overall balance of the negotiations."

2. The seven product groups are: tropical beverages (coffee, cocoa and tea); spices, flowers and plants; certain oilseeds, vegetable oils and oilcakes; tobacco, rice and tropical roots; tropical fruits and nuts; tropical wood and rubber; and jute and hard fibres.
Mr. Amir Habib Jamal, Ambassador of the United Republic of Tanzania to Geneva, assumed his responsibilities as this year’s Chairman of the GATT Council.

US–Japan agricultural dispute settled

Japan has agreed to lift restrictions on certain categories of agricultural products and follow recommendations made in the panel report adopted by the Council at its 2 February meeting.

The report concluded that conditions set out in Article XI:2 (General Elimination of Quantitative Restrictions) had not all been met and that the Article did not, therefore, provide Japan with cover for quotas on 12 categories of products including preserved milk and cream; processed cheese; dried vegetables; starch; groundnuts; preserved bovine meat; sugars and syrups; fruit purées, pastes, pulps and juices; tomato juice, sauce and ketchup; and other food preparations.

In the Council discussion, Japan said it would not stand in the way of the report’s adoption and would abide by the report’s findings as soon as possible, despite the fact that implementation of its recommendations would entail serious domestic repercussions.

The decision to create a panel in the dispute between the United States and Japan was taken in October 1987 after bilateral negotiations between the United States and Japan failed to produce a settlement.

The US delegation welcomed Japan’s decision and said its acceptance of the report shows that “there is real presence of GATT in the agricultural sector and that GATT is a meaningful forum for settling agricultural disputes.”

Canada/EC–US customs user fee dispute settled

On another trade dispute, the Council adopted a panel report concerning the US customs merchandise processing fee following a complaint by Canada and the European Communities that the fee was being charged without regard to the real cost of processing imports.

The United States maintained that no customs merchandise processing fee system could accurately reflect processing charges on a shipment-by-shipments basis and that GATT provisions did not rule out an ad valorem approach.

The panel concluded that fees should relate approximately to the costs of processing the individual import entry in question. To the extent that the ad valorem structure of the United States caused fees to be levied in excess of these costs, the US measure was found to be inconsistent with the obligations of Articles II and VIII (Schedules of Concessions and Fees and Formalities connected with Importation and Exportation).

The panel also concluded that the US ad valorem fee was inconsistent with GATT obligations since the fee was intended to pay for certain activities of the Customs Service which could not be considered as “costs of services rendered” in terms of the two Articles in question.

The complaint relates to the fee as enacted in 1986 US Budget legislation. The fees were expected to generate as much as $540 million in revenue for the US Government in fiscal year 1988.

The United States said it would comply with the panel report’s recommendations and that legislation to change the customs merchandise processing fee would be put to the US Congress.

Canada/European Communities/Mexico Waiting for US to implement report on petroleum tax

The Council took note of the statement by the EC, supported by Canada and Mexico, concerning provisions of the US Superfund Amendments and Authorization Act of 1986, which tax imported petroleum at a higher rate than domestically produced petroleum.

Canada, the European Communities and Mexico requested the United States to pass legislation implementing the panel recommendations adopted by the Council in June 1987.

The delegations of Nigeria, Malaysia and Kuwait said they were equally concerned by the slow implementation by the United States to bring the tax into conformity with its obligations under the General Agreement.

The United States explained that proposals for a modification of the tax were now before the Senate and House of Representatives.

European Communities want Japanese update on alcohol taxation and labelling practices

The European Communities requested precise information on how the Japanese government plans to implement the panel’s recommendations that it bring its alcohol import taxation and labelling practices into conformity with the General Agreement. The panel report was adopted by the Council in November 1987 and concerns Japanese taxation of such items as foreign whiskies, brandies, distilled spirits and certain wines.

Japan explained that changes in the alcohol tax are part of a review of the country’s larger tax reform and that timetables for revisions are now being examined.

Council delays adoption of panel report concerning Canada–US unprocessed salmon and herring dispute

The adoption of a panel report concerning US complaints against Canada over salmon and herring fishing and processing off the coast of British Columbia was delayed. It is to be discussed at the March council meeting.

The dispute concerns the US complaint that export restrictions maintained by Canada on unprocessed herring and certain unprocessed salmon are inconsistent with Article XI (General Elimination of quantitative restrictions). Canada claims these restrictions are integral and long-standing components of Canada’s overall West Coast fisheries conservation and management regime. It accepts the restrictions are contrary to Article XI, but contends they are covered by the provisions of Article XX (g), which legitimates exceptions for measures relating to the conservation of exhaustible resources.
The Working Party set up by the GATT Council on 4 March 19871 to handle China's request for the resumption of its status as a contracting party began its substantive examination of China's economic structure, said Mr. Shen Jueren, Deputy Minister for International Economic Relations and Trade. Mr. Jueren introduced China's Memorandum and the supplementary information provided by the delegation in reply to written questions asked by the delegations of GATT contracting parties. He said that a “new system is taking shape in which the State regulates the market and the market orientates enterprises”. The total value of China's imports and exports increased from US$ 20.64 billion in 1978 to US$ 83.78 billion in 1987, accounting for US$ 39.92 billion for exports and US$ 43.86 billion for imports. However, the total value of China's trade still accounted for less than 1.6 per cent of the world total. In spite of its achievements, China remains a developing country whose per capita GNP ranks among the lowest in the world.

Members of the Working Party considered that greater integration of China in the world trading system could have beneficial effects for China and help the country modernize its economy and accelerate its development. It would also benefit GATT members and help to strengthen the trading system, provided the conditions of China's association with GATT were clearly defined on the basis of not only the planned reforms but the present state of their implementation as well.

Detailed discussions took place during the two-day meeting. The reform of China's economic structure, its policy of opening-up to the outside world, China's participation in economic, trade and financial international organizations and relevant international treaties were examined.

The Working Party will pursue its discussions on 26 and 27 April.

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Decision expected on Canada and European Communities alcohol import dispute

A panel report concerning the European Communities complaint about Canada's restrictions on import, distribution and sale of alcoholic beverages will be discussed by the Council in its March meeting.

Delegations said they had failed to resolve a mutually acceptable bilateral arrangement and wished to wait until the panel report was circulated.

The panel report found that Canada's liquor marketing agencies discriminate against imported beverages by using methods such as differential pricing practices.

Chile requests consultations over US decision to withdraw Chile from GSP Scheme

The delegation of Chile announced a request for consultation concerning the decision by the United States to withdraw Chile from the Generalized System of Preferences. In the Council discussion, Chile said the country's removal was technically and legally unjustified.

The United States said that, after a thorough two-and-a-half year review of all GSP beneficiaries, it was decided that Chile no longer met the requirements.

Korea, Singapore and Hong Kong address US decision to graduate them from the Generalized System of Preferences

Members of the delegation of Singapore expressed their disappointment over the recent US decision to graduate Singapore, from the Generalized System of Preferences scheme. The delegations of the Republic of Korea and Hong Kong also expressed dismay.

In response, the United States said the recent decision to graduate the three countries and Taiwan (not a GATT member) from the GSP programme was the result of reviews that examined the economic progress and competitiveness of GSP beneficiaries.

The US delegation explained that the review was based on the countries' growth rates, per capita GNP and export levels. The final outcome of the review was that GSP special benefits were no longer warranted by the four countries.

The US delegation added that the decision was not designed to penalize but to make better use of the GSP system overall.

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Examination of China's status as a Contracting Party

The Working Party set up by the GATT Council on 4 March 19871 to handle China's request for the resumption of its status as a contracting party began its substantive examination of China's foreign trade régime on 23 and 24 February.

Over the past nine years, China has begun to carry out economic reform which has brought profound changes in its original economic structure, said Mr. Shen Jueren, Deputy Minister for International Economic Relations and Trade. Mr. Jueren introduced China's Memorandum and the supplementary information provided by the delegation in reply to written questions asked by the delegations of GATT contracting parties. He said that a “new system is taking shape in which the State regulates the market and the market orientates enterprises”. The total value of China's imports and exports increased from US$ 20.64 billion in 1978 to US$ 83.78 billion in 1987, accounting for US$ 39.92 billion for exports and US$ 43.86 billion for imports. However, the total value of China's trade still accounted for less than 1.6 per cent of the world total. In spite of its achievements, China remains a developing country whose per capita GNP ranks among the lowest in the world.

Members of the Working Party considered that greater integration of China in the world trading system could have beneficial effects for China and help the country modernize its economy and accelerate its development. It would also benefit GATT members and help to strengthen the trading system, provided the conditions of China's association with GATT were clearly defined on the basis of not only the planned reforms but the present state of their implementation as well.

Detailed discussions took place during the two-day meeting. The reform of China's economic structure, its policy of opening-up to the outside world, China's participation in economic, trade and financial international organizations and relevant international treaties were examined.

The Working Party will pursue its discussions on 26 and 27 April.

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Lesotho becomes 96th Member of GATT

Lesotho has become, with effect from 8 January 1988, a contracting party to the General Agreement on Tariffs and Trade. Lesotho became independent from the United Kingdom in October 1966 and has since applied the GATT rules in its trade on a de facto basis. Having now decided to seek full GATT membership, it has been able, through a simple declaration to this effect, to become a contracting party under Article XXVI of the General Agreement.

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1 See Focus No. 44.