45th Session of the Contracting Parties

REFORM IN EASTERN EUROPE BEGINS TO MARK GATT’S WORK

Changes in the economic policies of Eastern European countries would be aided by the involvement of these countries in the multilateral trading system – the GATT – many delegations said at the 45th Session of the Contracting Parties held on 4-5 December. During the Session:

- The United States stated that it would support the granting of observer status to the Soviet Union in the GATT.
- Poland requested renegotiation of its terms of accession to the GATT to take account of its recent efforts to build a liberal and open economy.
- Czechoslovakia, noting it has embarked on fundamental economic reform, asked for the early termination of the suspension of GATT obligations between itself and the United States, and the speeding up of the elimination of quantitative restrictions applied by the European Community to its exports.

The Contracting Parties reviewed reports submitted by the GATT Council, the Committee on Trade and Development, and the committees and councils administering the various Tokyo Round agreements and arrangements. They noted a progress report from the Working Group on Export of Domestically-Prohibited Goods, and adopted the reports of the Committee on Balance-of-Payments Restrictions regarding its consultations with Brazil, Ghana, Peru, Sri Lanka and Israel. On several items referred by the Council, the Contracting Parties:

- Adopted a panel report which found Canadian quantitative restrictions on imports of ice cream and yoghurt inconsistent with GATT provisions (see Focus No. 66).
- Established a dispute-settlement panel on the Canadian complaint against a US countervailing duty on Canadian pork products.
- Noted the US report that legislative amendments to implement the Superfund report had been approved by the US Congress and would be signed into law by the US President soon. Further legislation would be presented quickly to implement the Customs User Fee report decisions.

At the Session, Austria expressed concern about a measure by the Federal Republic of Germany which would prevent many Austrian lorries from using German roads at night starting on 1 January 1990. It said the German measure was in retaliation against Austria’s recent ban on traffic of certain heavy trucks during night-hours. Austria maintained its measure was aimed at protecting human health and was therefore consistent with GATT Article XX(b), and that the German measure was discriminatory as it would apply only against Austria.

Ambassador Amir H. Jamal (Tanzania), chairman of the Contracting Parties, noted the following major points were made in the general debate of the 45th Session:

- World trade growth had been impressive but was unequally distributed. A large number of developing countries continued to suffer from poor trade performance, low commodity prices,

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Country reviews launched

The GATT Council successfully conducted the first series of country reviews under the new Trade Policy Review Mechanism on 12-14 December. It made a collective assessment of the trade policies of Australia, Morocco and the United States. This and the special Council meeting on 11 December devoted to an overview of developments in the international trading environment will be reported in more detail in the next issue.
Reform (continued from page 1)

sluggish economic growth and external-debt problems.

• The alarming tendency on the part of some major trading nations to take unilateral decisions on retaliation measures. This tendency had undermined the credibility of the GATT system.
• Tendencies to implement protective measures through misuse of GATT rules such as those on anti-dumping.

All speakers agreed that the results of the Mid-Term Review of the Uruguay Round had represented important progress, and reaffirmed their commitment to making the Uruguay Round a success. It was noted that the tasks in the year ahead would not be easy and that the lack of progress in various areas of the negotiations was a matter of continuing concern to governments.

In reviewing the work of the Council in 1989, the contracting parties generally felt that the GATT has usefully and effectively served its purpose. It was noted, in particular, that a common understanding on the importance of the GATT law in international trade was reflected in the increasingly frequent use of the GATT dispute settlement procedures and a growing number of countries that were seeking GATT membership.

November Council

The GATT Council on 7 November made decisions paving the way for Costa Rica’s accession to the General Agreement. It cleared some long-standing disputes by finally adopting four panel reports – one concerning Section 337 of the US Tariff Act of 1930 and three on restrictions maintained by the Republic of Korea on beef imports.

The Republic of Korea has also committed itself to dispense with the GATT’s balance-of-payments justification for its import restrictions by 1 January 1990, and, phase out such restrictions or bring them into conformity with other GATT provisions by 1 July 1997. This was the highlight of a report presented by the Committee on Balance-of-Payments Restrictions to the Council.

The Council considered a new dispute and several long-standing ones. Canada requested the establishment of a dispute settlement panel to examine the US countervailing duty on Canadian pork. Complainants again requested authority to retaliate against the non-implementation by the United States of the “Superfund” and “Customs User Fee” panel reports.

A warm welcome to Costa Rica

Observing the date coincided with Costa Rica’s centennial anniversary as a democracy, Foreign Trade Minister Mr. Luis Diego Escalante said his country’s efforts in recent years to modernize and liberalize its economy should be accorded appropriate recognition. He pointed out that Costa Rica’s small domestic market meant a vital role for the export sector in sustaining long-term economic growth. He noted that his country’s decision to apply for GATT membership had been preceded by fruitful internal negotiations which had included the private sector. Costa Rica’s trade rules and regulations, according to the Minister, had been aligned with the GATT. (Costa Rica has pledged to bind its entire tariff, place a ceiling of 60 per cent on all tariffs, and eliminate import surcharges and surtaxes, quantitative restrictions and import licensing restrictions within four years of its accession.) He said his country would participate actively in the Uruguay Round with the hope that this would lead to the opening of markets for its exports.

Many delegations warmly welcomed the impending accession of Costa Rica as providing additional strength to the GATT system. The Council adopted the report of the Working Party on the Accession of Costa Rica, approved the draft Decision and Protocol of Accession in this regard, and submitted the Decision to a vote by contracting parties. The necessary affirmative vote by two-thirds of the GATT membership was reached on 20 November. On 24 November, Costa Rica signed the Protocol of Accession. It would become a contracting party 30 days after its legislation ratified the said Protocol. Another Latin-American country, Bolivia, has also recently signed a Protocol of Accession; its accession is likewise awaiting ratification by its parliament. Ten Working Parties are examining membership requests from Tunisia, Bulgaria, Algeria, Nepal, China and from five Latin-American countries: El Salvador, Guatemala, Honduras, Paraguay and Venezuela.

S337 and beef panel reports adopted

The Council adopted the panel report on Section 337 of the US Trade Act of 1930 which found that US procedures relating to patent infringement actions against imported products were discriminatory (see Focus No. 60). In agreeing not to block adoption, the United States recalled its difficulties with the report. It expressed its belief that the country with the most comprehensive systems of intellectual property rights for both domestic and foreign firms was the only one whose intellectual property regime had been found inconsistent with GATT rules. This situation pointed to the need for better international rules governing standards and enforcement in this area. The US said its decision should be seen as a vote of confidence in the GATT.

The US said the adoption of the report would not automatically change Section 337 as this could only be done by an act of the US Congress. Until that time, the policies that had guided the US President’s review of Section 337 orders prior to the panel report would continue to apply. The US said it expected the
Uruguay Round negotiations would result in multilateral obligations to provide effective border enforcement of intellectual property rights.

The European Community, the original complainant, welcomed the US statement. However, the Community and others expressed concern that the US had implied that the report's implementation might be tied to results in the Uruguay Round on intellectual property.

The Council adopted the panel report.

The Council considered for the fourth time three panel reports which examined, respectively, complaints by Australia, the United States and New Zealand against restrictions maintained by the Republic of Korea on imports of beef (see Focus No. 63). The panel found the restrictions inconsistent with the GATT and suggested that Korea hold consultations with interested parties to work out a timetable for the removal of the restrictions, and to report back to the Council three months after the adoption of the reports.

Korea said it continued to have serious reservations about some of the panel's findings and conclusions, in particular what it considered to be the pre-judging of the result of its consultations with the Balance-of-Payments Committee's proceedings (see story below). Korea said it would no longer stand in the way of the adoption of the panel reports. With regard to their implementation, Korea said the interested parties should understand the difficulty of reaching a mutually satisfactory solution within the period recommended by the panels due to political and economic problems related to Korea's livestock farming. However, it expressed the hope that a practical solution would be found in its consultations with the concerned parties.

Canada, Australia, New Zealand, the United States, Japan, the European Community and Hungary commended Korea's decision.

The Council adopted the three panel reports.

- The GATT Director-General, Mr. Arthur Dunkel, presented his periodic report on the status of work relating to dispute-settlement and the implementation of panel reports. These reports in the past had been submitted to the twice-yearly special meetings of the Council which have been superseded by the Trade Policy Review Mechanism. The Director-General said he would continue providing such reports to the Council.

Mr. Dunkel observed that his current report marked the tenth anniversary of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance, the first major codification of the GATT dispute settlement procedures. He noted that 82 complaints had been initiated under GATT Article XXIII since January 1980, bringing the total number of complaints under that dispute-settlement provision to 140. Thus, 60 per cent of all disputes had been brought in the most recent decade of GATT's forty-year history. Of these 82 disputes, 37 had led to the submission of a panel report. The other disputes had been settled, or not pursued, or were still being examined by panels. The panels, on average, had submitted their report to the parties within about eight months of their constitution which is well within the nine-month time limit imposed by the 1979 Understanding. However, the Director-General stressed that there was considerable room for accelerating the process of the panel's composition and terms of reference, and of the adoption and implementation of reports.

The Council took note of the Director-General's report. It also extended by one more year the roster of non-governmental panelists from which the Director-General may pick members of dispute-settlement panels.

Korea disinvokes BOP cover

Jean-François Boittin (France), chairman of the Committee on Balance-of-Payments Restrictions, presented reports on the Committee's recent consultations with Colombia, India and the Republic of Korea.

The Committee considered that full consultations with Colombia were not necessary. It noted that the country's trade policies were due to be reviewed by the GATT Council in the Spring of 1990 under the new Trade Policy Review Mechanism.

India's balance-of-payments and reserves position, noted the Committee, had deteriorated markedly since the last consultation held in 1987, largely because of the effects of rapid economic growth and a strong increase in debt repayments. The Committee welcomed the steps being taken by India, despite growing difficulties, to liberalize and expand trade. It noted that the structure of import and export regulations remained broad and complex, and encouraged the Indian authorities to pursue the process of simplification and liberalization as rigorously as possible.

The Committee took note of the evolution of the balance of payments of Korea since the last consultations in 1987. The International Monetary Fund had reported to the Committee that Korea's current account surplus, which widened from US$10 billion in 1987 to $14 billion in 1988, remained strong, and that the authorities had shown their ability to deal with balance-of-payments problems through appropriate adjustment policies. On the other hand, Korea stated it was facing new economic difficulties, including a declining balance-of-payments surplus in 1989.

The Committee welcomed Korea's decision to disinvoke GATT Article XVIII:B (the provision grants developing countries flexibility on quotas and other measures to conserve foreign exchange) by 1 January 1990. Welcoming the substantial progress made by Korea in trade liberalization, it recognized that the country would need some flexibility in phasing out trade restrictions which were largely concentrated in the agricultural sector. In this regard, the Committee welcomed the current three-year liberalization programme of Korea and its undertaking to eliminate the remaining restrictions or otherwise bring them into conformity with the General Agreement by 1 July 1997, to report the progress of liberalization annually to the Council, to notify further three-year programmes before their introduction and to give all due consideration, in drawing up these programmes, to the interests of other contracting parties in a balanced manner. The Committee understood that GATT members, on the basis of the implementation of these undertakings, would exercise due restraint with respect to their GATT rights in relation to the products covered by the liberalization programmes.

The Council adopted the three reports.

Hong Kong criticizes anti-dumping action on textiles

Hong Kong drew the attention of the Council to recent anti-dumping measures imposed on its textiles and clothing products. It said these measures, which in its view looked like selective safeguard actions, were directed against products whose trade was already restrained by the Multifibre Arrangement. Hong Kong said that while a detailed examination of these anti-dumping measures might be more appropriately made in other GATT bodies and the Negotiating Group on MTN Agreements and Arrangements, it wanted to draw the attention of the Council to what it described as a new, dangerous trend in the trading environment. It stressed the need for assurances that anti-dumping measures would not become instruments for restricting trade. It saw no rationale for these measures as Hong Kong textile goods were not subsidized. Korea and Japan shared the concerns expressed by Hong Kong.
GATT Trade Policy Training Programme commended

The GATT Director-General presented his annual report on the GATT Trade Policy Courses. The twice-yearly courses, conducted in English, French or Spanish, aim to help developing-country officials achieve a deeper understanding of trade policy matters and acquire a more up-to-date knowledge of the GATT. Some 1,146 officials from 114 countries and ten regional organizations have benefited from the GATT programme since its launching in 1955. The Director-General reported that the recent courses have focused on the various issues of the Uruguay Round, and that the demand for these courses has continued to increase.

Many representatives, some of whom were previous participants in the GATT courses, underlined the importance of the GATT programme for developing countries.

UNITED STATES PRESENTS DRAFT SERVICES AGREEMENT

A draft legal text of a framework agreement on trade in services was tabled by the United States at the October meeting of the Group of Negotiations on Services (GNS). The plan, while widely welcomed, drew statements from many participants emphasizing the importance of any services agreement containing explicit provisions to promote the services sectors of developing countries. The GNS also received new proposals from Singapore, Austria, Korea and the European Communities. A large part of the October meeting of the negotiating group on agriculture was devoted to initial discussion of a comprehensive farm trade reform plan from the United States and other proposals from Switzerland and a group of net food-importing countries. The Group covering trade-related aspects of intellectual property rights concentrated on the key issue of standards and norms of intellectual property protection, focusing on proposals from New Zealand, Canada and Korea.

- GATT Articles
  16-18 October

Following consultations, which were based on a note prepared by the Secretariat examining the implications of a proposal made by New Zealand in July, the Groups requested the Secretariat to prepare a draft decision which could serve to put into effect the revised proposal. The objective of New Zealand’s proposal is to ensure transparency of the legal rights and obligations deriving from Article II:1(b) by requiring that the nature and level of any “other duties and charges” levied on bound items be recorded in schedules of tariff concessions against the tariff item to which they apply. It is intended that the meeting of the Group in December should further consider the proposal and the draft decision with the possibility that it could be adopted in time to be taken into account in the Uruguay Round tariff negotiations.

In the context of Article II, the United States put forward a proposal that uniform import fees or charges be permitted for the purpose of funding adjustment assistance programmes related to import competition. Such fees or charges would be limited to a maximum of 0.15 per cent and would be applied to all imports. The funds raised would, in general, be directed to workers, although some assistance could be provided to firms and industries.

Intensive work on Article XVII was also initiated by the Group with the tabling of proposals by the European Community and the United States. The European Community’s approach concentrated on tightening up notification requirements, including counter notifications, and establishing a mechanism with which Contracting Parties could jointly review such notifications. The United States’ proposal in addition to suggesting the creation of a working party to clarify definitions and conduct comprehensive reviews of notifications, calls for recognition that the activities of state trading enterprises, including all types of marketing boards, are subject to GATT disciplines.

- MTN Agreements and Arrangements
  16-18 October

The Group concentrated on the Agreement on Anti-Dumping Practices. Singapore suggested that before looking at possible drafting changes to the Agreement, the Group must first agree on the basic principles and objectives. It then presented an outline of principles and objectives aimed at ensuring that anti-dumping rules are not used for protectionist purposes nor disguised safeguard measures and that they do not operate contrary to the public interest. Some participants expressed general support for the new proposal; another view was that the submission was not balanced in that it dealt only with issues of interest to countries which are reportedly the subject of anti-dumping actions. The Group then discussed systematically a wide range of issues related to the Code.

India submitted a paper clarifying an
earlier proposal relating to the Agreement on Customs Valuation. It said that customs administrations, especially in developing countries with high tariff structures, face the problem of under-valuation of imports. This often results from collusion between the importing and exporting companies and this was one reason why a number of developing countries have not been able to accede to the Code. India proposed that the Code provide more flexibility to enable customs administrations to reject the declared values in certain defined situations.

**Tropical Products**

Yugoslavia’s contribution on tropical products as well as an additional contribution made by Malaysia were welcomed by the Group. Singapore announced it would contribute to negotiations in this area through bindings at a ceiling level of 20 per cent of its duties on coffee beans, pepper and cocoa. The United States announced that President George Bush had signed the Presidential Proclamation for implementing the US contribution made at the Montreal Mid-Term Review with effect from 18 October 1989. Canada reported that its Montreal contribution was approved on 19 October 1989, and would be made retroactive to 1 July 1989.

Canada introduced its proposal suggesting the use of a tariff-cutting formula complemented by the request-and-offer method. This proposal was also submitted to the other “market-access” groups.

**Agriculture**

The United States submitted a comprehensive proposal regarding long-term global reform of agriculture. It covers import access, export competition, internal support, and sanitary and phytosanitary measures – each to be viewed as integral parts of a whole. The reform is designed to guide agricultural production and trade towards a market-oriented system, on the basis of strengthened and more effective rules, and to integrate agriculture fully into the GATT. According to the United States, the cost to consumers and taxpayers of the distortions currently affecting agricultural trade exceeds US$275 billion annually.

As far as import access is concerned, all non-tariff obstacles such as quotas, variable levies, voluntary restraint agreements, minimum import prices etc., would be converted into tariffs and bound. All tariffs, including those resulting from such a conversion, would be progressively reduced to zero or low levels over a ten-year period. All forms of derogation from existing GATT rules would be eliminated. Article XI:2(c), authorizing certain quantitative restrictions in the agricultural sector, would be eliminated. During the transition period, a safeguard mechanism would operate to protect against import surges.

All export subsidies and export restrictions and prohibitions, including those authorized under Article XI:2(a) to relieve short supply, would be phased out over a five-year period. Only bona fide food aid would be authorized.

The United States identifies three categories of internal support measures:

1. Policies that distort trade, resulting in domestic prices higher than prices prevailing on the world market, and income support policies linked to growth in production, should be phased out by the end of a transition period of ten years.
2. Income support policies not tied to production and marketing, environment and conservation programmes, bonafide disaster assistance, etc., would be permitted.
3. All other policies that do not meet the criteria for the previous two categories would be disciplined; a reduction in support would have to be negotiated.

For sanitary and phytosanitary measures, a mechanism for notification, consultation and dispute settlement should be established to ensure that measures taken to protect human, animal and plant health are based on sound scientific evidence and are equivalent to the appropriate standards established by the competent organizations.

For the United States, meaningful agricultural trade reform requires the active participation of all countries; the new rules and disciplines proposed by the United States should be applicable to all. However, longer periods could be granted to developing countries for reform of their agriculture according to their level of economic and agricultural development. Developed countries should also accelerate the reduction of trade barriers and internal support policies for products of priority export interest to developing countries.

Peru, on behalf of Egypt, Jamaica, Mexico and Morocco, called for specific commitments to be undertaken in the negotiations to compensate for the negative short-term and medium-term effects of agricultural reform for net food-importing developing countries. According to OECD figures, the rise in food prices resulting from agricultural liberalization would be approximately 49 per cent for dairy products and eggs, 36 per cent for cereals and 16 per cent for meat. In order to alleviate the burden of the increased cost in prices, net food-importing countries proposed the granting of low-interest loans and credits, increased food aid, early improvement of market access for their agricultural exports, financial resources and technical assistance to enhance purchasing capacity and to allow them to finance development programmes and modernize their agriculture.

Switzerland submitted a more detailed version of the complementary approach it had presented to the September meeting, proposing that countries which found difficulty in accepting generalized reduction of support, for non-economic reasons, could obtain the same result using different means.

Austria, Australia, Finland, Iceland and, latterly, Sweden and the EEC, have informed the Group of the reductions in support and protection which they intend to implement for 1990, in compliance with paragraph 15 of the Mid-Term Review Decision.

**Trade Related Aspects of Intellectual Property Rights**

Much of the meeting was devoted to standards of intellectual property rights. Four new proposals on the subject were tabled. A communication from New Zealand stressed the need to keep to a set of minimum standards which should be no more detailed or complex than is necessary to address the major causes of trade distortion, in order for them to be incorporated into domestic legislation without having to be harmonized. Parties to an agreement should undertake to accord protection as least as adequate and effective as the standards contained in the principal international intellectual property conventions, in particular the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works.

The detailed submission from Canada underlined the importance of adequate standards for international trade and for the elaboration of a satisfactory international agreement. An adequate standard should be neither too detailed – which would involve GATT in harmonizing domestic intellectual property legislation – nor so general as to make practical application and dispute settlement impossible. Standards included in the Agreement should be based on the GATT principles of national and m.f.n. treatment, transparency and the prevention and settlement of disputes.

The communication from Korea emphasized the need for a balance between protection and use of intellectual prop-
The Group completed its first reading of the Chairman’s draft text. Based upon the many comments made by participants the Chairman will produce a revised draft in time for the next meeting of the Group in late January.

Much of the discussion was devoted to structural adjustment and response to safeguard measures. With regard to the former, there was a difference of emphasis between those countries which consider that safeguard measures at the border should be secondary to internal government assistance measures to secure adjustment, and those who believe that structural adjustment should be the responsibility of producers.

With respect to responses to safeguard measures, there was discussion about the role and value of retaliation. Many small and developing countries cannot effectively resort to retaliation. They also consider that if the existence of the possibility of retaliation is driving some countries to take measures outside the GATT system, then it would be better to abandon retaliation and rely on tougher disciplines on safeguards themselves. Others, however, feel that the possibility of retaliation has a useful effect on the decision-making process and is a GATT right they do not wish to relinquish without careful consideration.

**Textiles and Clothing**  
31 October-1 November

India tabled a proposal outlining the steps to be taken towards the phasing out of restrictions in the textiles and clothing sector under the MFA. It called first for a freeze from the beginning of 1990 on new trade restrictions in this sector. After the current Protocol of Extension of the Multifibre Arrangement expires on 31 July 1991, India suggested that the integration process begin immediately with the elimination of certain types of restrictions. The remaining quotas should be phased out over five years, that is, by 31 July 1996. India, stressing the importance of textiles and clothing exports for developing countries, warned that for many participants the very success of the Round would depend on results in this negotiating area.

Some exporting participants expressed general support for the new submission. The Nordic countries (Iceland, Finland, Norway and Sweden) welcomed the proposal as concrete and feasible. On the other hand, the European Communities and the United States said the Indian approach lacked proper balance in not taking into account the interests of importing countries, including the establishment of strengthened GATT rules and disciplines. The Group also received a Canadian proposal, tabled in the other “market access” groups (see “Tariffs”, *Focus* No. 66).

**Natural Resource-Based Products**  
6 November

Participants considered a new submission from the United States which suggested that the Group take on a complementary role with respect to other negotiating groups. In the US view, fish and forestry products should be negotiated in the Agriculture Group while tariffs, non-tariff measures and subsidies on natural resource-based products should be dealt with in the relevant groups. It suggested that participants conduct a full review, in early 1990, of progress made in the other groups to determine whether substantive negotiations would be required in the Group itself. In the initial discussion on this submission, Japan, the Nordic countries and Hungary expressed general support for the US approach, while on the other hand the European Communities, Chile and Australia pointed to trade problems specific to this sector and urged the Group to stick to its negotiating mandate.

**Functioning of the GATT system**  
6 and 9 November

The Group held a first exchange of views on the report by the Director-General of GATT on ways of achieving greater coherence in global economic policy-making through strengthened relationships with other relevant international organizations. As requested in April 1989, the Director-General, Mr. Arthur Dunkel, held talks on this subject with the Managing Director of the International Monetary Fund and the President of the World Bank, and submitted to the Group an exploratory report on the possibilities of co-operation with these organizations.

The report looks at three possible aspects of co-operation:

1. Strengthening of links between trade, financial and monetary policies. This is primarily a matter for decision by governments, at both international and national level. Nevertheless, the heads of the three institutions can play a role by keeping in touch with each other and by continuing to draw attention to the interrelationships among the problems.

2. With regard to links between trade policy and the trade liberalization process, GATT could be consulted on the content of trade reforms that countries are invited to implement by IMF and World Bank loan programmes, so as to ensure that the measures taken are fully consistent with GATT rules and that potential trade problems arising from them are taken into account.

3. The report also examines the possibility that developing countries might obtain credit in the GATT multilateral negotiations for trade policy reforms introduced in the context of Fund or Bank programmes. It was suggested that multilateral resources should be available to support the trade liberalization process. The Bank said it was ready to consider additional financing needs resulting from the Uruguay Round; it recognized, in particular, possible needs arising from significant tariff reductions or from the effects of higher world prices for previously subsidized agricultural products on food-importing countries.

The IMF stated that the Fund would continue to provide support for trade
liberalization adopted by a member in the context of its overall programme, as well as special facilities for members faced with such contingencies as temporary shortfalls in export earnings. The IMF and World Bank could also continue to support technical assistance activities aimed at trade liberalization.

The heads of the three institutions stated their readiness for further consultations on these various co-operation options.

- Services
23-25 October

Much of the meeting was occupied by discussion of the various comprehensive proposals so far tabled — those by New Zealand and Switzerland which were presented at the previous meeting, and new papers from the United States, Singapore, Peru, Korea and Austria. The European Community presented ideas on mfn/non-discriminatory and the definition of services.

The United States is the only participant, to date, to table a near-complete draft legal text of a framework agreement. The draft envisages the coverage of all service sectors except those specifically excluded in national schedules. It contains a number of market-access provisions including establishment, cross-border provision of services, temporary entry for service providers and licensing and certification. Further articles cover national treatment, non-discrimination, domestic regulation of services, transparency, payments and transfers, short-term measures for balance of payments reasons, and general exceptions. It establishes a Committee on Trade in Services as well as dispute settlement procedures. Not only would signatories be able to place reservations in the schedules relating to particular provisions and particular services, they would be able to list additional commitments as well as any further protocols or special arrangements to which they are party. The agreement would come into force on 1 January 1992 and, no more than three years later, would be subject to further negotiations aimed at the strengthening of its obligations, increasing the coverage of services and reducing the number of reservations.

The US draft was welcomed as a far-reaching contribution to the work of the Group. Many participants sought clarifications of the plan. Some expressed concern that there appeared to be too much room for exclusions and reservations, others that it omitted any reference to treatment of regional trading groups — customs unions for instance. But the most frequently voiced concern was the apparent lack of reference to matters of concern to developing countries and the protection of the service sectors of those countries.

India was among a number of participants to stress the necessity of a balance between the interests of developed and developing countries in a services framework. The Montreal Mid-Term Review declaration had to be recognised in spirit and letter. The objectives were essentially to promote and strengthen domestic services capacities in developing countries and to increase their export earnings in the services sector. Those objectives would have to be spelled out and not — as the United States had contended — be left to be inferred from general language. India considered that attention would have to be given to arrangements for infant industries which, in the services sector, would need more extensive protection than in the goods area.

Development considerations were pursued in the proposal from Singapore. It envisaged developing countries having longer time periods to implement their concessions and being able to give preferences for domestic service providers over external suppliers and incentives for domestic services development. It also suggested a safeguard provision against detrimental corporate practices of external service providers. The Singapore proposal also discussed the relative merits of a framework based upon liberalization in agreed sectors and one resting on individual national schedules of offers and exceptions.

A communication to the United States spelled out that country's ideas on some of the elements which would form a services agreement. It envisaged a cautious approach to progressive liberalization with some sectors excluded and others subject to national annotations covering deviations from general provisions. Progressively, through further negotiating rounds, markets would be opened, new sectors and transactions covered, discriminatory regulations reduced and so on.

Korea presented a proposal on the structure of a General Agreement on Trade in Services. It outlined a two-stage approach in which the Agreement would be constructed and initial commitments made over the coming year followed by the negotiation of further concessions periodically after the end of the Uruguay Round. As well as the principles and rules outlined in the Montreal text, Korea considered that the framework should also include provisions on subsidies and countervailing measures, government procurement, anti-dumping, dispute settlement and obligations of local governments.

Participants discussed the role of non-discrimination/most-favoured nation treatment in a services framework. The European Community had tabled a paper on this question envisaging a balance of rights and obligations in which the right to substantial benefits would hinge upon the assumption by each signatory of an appropriate minimum — though not necessarily similar — level of mutual obligations leading to overall reciprocity. The Community proposed liberalization commitments based upon unconditional mfn among signatories. A specific provision would be necessary to allow for rapid liberalization under agreements between a limited number of signatories on a regional basis. Another provision would relate to non-application of commitments where one signatory considers that the level of commitments of another is inadequate. It stated that there would also be a need for provisions to determine the origin of services provided.
**Costa Rica signs Protocol of Accession**

Costa Rica’s Protocol of Accession to GATT was signed on 24 November at GATT Headquarters in Geneva by Ambassador Raul Trejos Flores, Permanent Representative of Costa Rica to the United Nations Office at Geneva and other international organizations. Accession will take effect 30 days after ratification by the Costa Rican parliament.

The terms of the Protocol were negotiated at a working party whose report was approved by the GATT Council on 7 November 1989. The decision on Accession was subsequently taken by GATT member states in a postal ballot. The necessary two-thirds majority of Contracting Parties – 64 affirmative votes – was attained in less than two weeks.

In the working party, which drew up the Protocol, Costa Rica declared its intention to bind its entire tariff schedule, and to establish a generalized 60 per cent ad valorem ceiling level for the tariff concessions contained in its GATT schedule within one year after the date of its accession to the General Agreement. Costa Rica also pledged to eliminate import surcharges and surtaxes, import licensing restrictions and quantitative restrictions within four years of its accession to the GATT.

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**The world dairy market remains strong as cheese and powders reach record prices**

Stability returned to the world dairy market as supply finally matched demand in 1989. This has buttressed the strong prices gained in 1988 with some cheese and milk powders enjoying record prices, and has kept down intervention stocks of butter and powders to near-zero levels. These are among the findings contained in *The World Market for Dairy Products 1989* (available in English, French and Spanish from the GATT Secretariat, Swiss Francs 25.-) published on 7 December.

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

- International prices rose strongly throughout 1988, and stabilised overall in 1989. This year, most dairy products were traded at near US$2,000 per ton, roughly double the pre-1988 levels. For some cheese and milk powders, prices have reached historical records.
- World milk production increased by one per cent in 1989. Production continued to expand in North America, the USSR and India, outweighing further declines in Europe.
- World production of butter in 1989 was 7.5 million tons – the same as in the previous year. Production of skimmed milk powder was 3.8 million tons. In the near future, trade in these products is expected to remain at or slightly below the averages in early 1980s.
- Production and international trade in cheese and whole milk powder continued to expand in 1989. Trade in whole milk powder exceeded the one-million ton mark, confirming its position as the leading dairy export product in terms of volume.
- Reduction of available supplies led to the decline in 1988 and 1989 of food aid in the form of dairy products.
- The GATT report observes that the favourable market conditions have not tempted governments to relax policies aimed at containing milk production. "Obviously, the costs and difficulties entailed by the accumulation of surpluses early in the 1980s have been a lesson," according to the report.