TEXTILES

New proposals for renewing the Multifibre Arrangement

While it seems certain that all 51 countries participating in the Multifibre Arrangement (MFA) want to see it extended after it expires on 31 December 1981, the means of doing this are subject to strong differences of opinion among the participants and remain to be negotiated. Some progress was made at the Textiles Committee meeting from 21-25 September, which gave participants in the Arrangement a chance to discuss proposals made last July, and also to present further proposals. As a result of the latest meeting, participants were also able to understand better the position of their textile trading partners through bilateral and plurilateral consultations outside the Committee.

At the Committee's preceding session, in July, concrete proposals were put forward by developing countries and certain state-trading countries, aimed at interpreting the MFA in the direction of liberalizing world trade in textiles. At the September session, the United States, the European Community, Canada, Japan, the Nordic countries and Switzerland also made proposals for interpreting the MFA in its future application. These proposals concern, among other things, the period of validity of the Arrangement; determination of exceptional circumstances justifying lower import growth rates; more limited use for principal suppliers of the flexibility proposals offered by the MFA; the clause regarding “minimum viable production”; more favourable treatment for countries that are small suppliers or new entrants to markets; and strengthening of co-operation between participants in order to combat circumvention and fraud.

The United States presented its proposals in the form of a draft protocol of extension interpreting the provisions of the MFA. In general, the Committee seems to consider it preferable to insert any amendments in the Protocol extending the MFA, rather than to re-negotiate the actual text of the Arrangement itself.

Developing exporting countries welcomed the presentation of specific proposals by developed countries as an important contribution to the negotiating process, but said they were concerned that the negotiations were behind schedule. They gave their initial reactions to the developed countries' proposals and recalled the essential points of their position as expressed in July, underlining that negotiations on future bilateral textile agreements would have to be governed by the multilateral framework of the new MFA which would constitute the legal basis for those agreements.

The Chairman of the Committee urged participating countries to continue and intensify their bilateral and plurilateral consultations, so as to reach agreement on renewing the MFA at the Committee's next session which will begin on 18 November and last as long as necessary.

In brief...

The Committee on Budget, Finance and Administration has recommended that the CONTRACTING PARTIES approve the GATT budget estimates for 1982, which total Swiss Francs 45,501 million. The CONTRACTING PARTIES will decide on this matter at their session in November.

SUBSIDIES AND COUNTERVAILING DUTIES

Settlement of dispute between India and the United States

On 30 September, India and the United States informed the GATT that as a result of bilateral consultations they had reached a mutually satisfactory solution to their dispute over U.S. imposition of a countervailing duty on industrial fasteners from India. Consequently, India asked for termination of the dispute settlement procedure in this case, and for dissolution of the panel which had been established on 10 November 1980 to examine the dispute. The United States, for its part, has informed the GATT that it will apply the Code on Subsidies and Countervailing Duties to India as from 25 September 1981.

On the basis of the “non-application clause”, which allows a signatory to the Code on Subsidies and Countervailing Duties not to apply the provisions of the Code in respect of another signatory, the United States had imposed a countervailing duty, in the absence of the criterion of injury required by the Code, on imports of industrial fasteners from India. This matter is now settled.

1 See GATT Activities in 1980 for more detail.
International Dairy Products Council sees satisfactory situation in world market

The International Dairy Products Council which administers the International Dairy Arrangement found, at its session on 1 October, that the world market for these products had remained relatively stable in 1980 and early 1981, and that short-term prospects were good.

According to first estimates, world milk production is likely to be relatively stable in 1981. While this stability is partly the result of new or intensified measures in certain producing countries to hold down their production increase, it is mainly attributable to poor weather and supply conditions in certain regions; one should not rule out the possibility of an increase in production if these conditions improve.

International trade in milk powders, butter, anhydrous milk fat and cheese remained active in 1980 and in the first quarter of 1981. According to certain reports, world exports of these products in 1980 reached 30 million tons of milk equivalent, with a considerable increase in value, and this trend has continued overall in 1981. Several delivery contracts for dairy products, whether already concluded for 1981 and 1982 or planned, have been reported.

World consumption of dairy products seems to have developed more rapidly than production in 1980, for the second consecutive year.

Aggregate stocks of dairy products held by the major producers were probably slightly higher in mid-1981 than one year earlier. Some concern is being felt over the increase in United States stocks.

International prices of milk powders, butter, anhydrous milk fat and cheese were up in 1980 and the first half of 1981. The general trend in prices remains uncertain in the short term. They could continue firm if shortages persist in certain major importing countries, but are unlikely to rise to record levels.

Taking into account the world market trend, the Committees administering the Protocols regarding certain milk powders, milk fat and certain cheeses decided to raise the minimum prices1 for these products concerned, as from 1 October 1981.

The Council also discussed dairy policies of participants and food aid, which will be examined in depth at future meetings.

DEFICITS AND SURPLUSES

The shifting pattern of current account balances by regions, 1973–1981
(billion dollars)

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1 Data for 1981 are GATT Secretariat estimates.

Sources: OECD, Economic Outlook; IMF, International Financial Statistics.

(This table is drawn from the GATT Secretariat’s annual report “International Trade in 1980–81”, to be published shortly.)
THE INTERNATIONAL DAIRY ARRANGEMENT

Participating countries in the GATT International Dairy Arrangement consider that it is functioning satisfactorily; at the most recent meeting of the International Dairy Products Council, it was noted that this agreement, concluded during the Tokyo Round, had contributed to market stability.

The Arrangement, which is the main stabilizing instrument of international trade in dairy products, is supplemented by other Tokyo Round agreements, in particular, the agreements on subsidies and countervailing duties and on technical barriers to trade - which apply likewise to the agricultural sector and afford greater discipline in trade in these products - as well as by the tariff and non-tariff concessions which have improved market access for farm goods.

FROM PROBLEMS TO SOLUTIONS

Instability and surpluses

The world market for dairy products is characterized by instability. Tightness of the international market in relation to world production and domestic markets, the great diversity of dairy products, their interdependence and considerable substitution possibilities, together with production structurally in surplus - all these are contributory factors.

In addition, because of the importance of dairy products for many countries, world trade in this market has seen a proliferation of export and import measures.

The Arrangement enlarges the coverage of earlier instruments

The Arrangement resulting from the Tokyo Round is not really an innovation. Earlier arrangements operated within GATT on skimmed milk powder and milk fat, and a "Gentleman's Agreement" operated within the OECD on whole milk powder.

The International Dairy Arrangement follows on from and develops those agreements; it covers milk and cream (fresh, preserved, concentrated and sweetened); milk fat including butter; cheese; curd and casein. At present the Arrangement has 16 signatories representing 25 countries which play a decisive role in trade in these products.

A specific philosophy

The Arrangement aims to encourage international co-operation in the dairy products sector, and to promote trade in these products in market conditions as stable as possible. Three Protocols annexed to it set specific provisions, including minimum prices, for international trade in certain milk powders; milk facts including butter; and certain cheeses.

Unlike other international stabilization agreements on commodities which set minimum and maximum prices to trigger replenishment and disposal of stocks in the member countries, this Arrangement establishes a minimum price for certain dairy products, which exporters undertake to observe with the support of importers, and which do not have to be considered as market prices.

INFORMATION AND CONSULTATION

The Arrangement has established an information and consultation mechanism for the world market in dairy products as a whole, and the markets for each of those products: the participants exchange not only statistical data (past trends, current situation and outlook for production, consumption, prices, stocks and trade), but also information on their dairy policies and trade measures, and on bilateral and plurilateral agreements. The Arrangement is administered by the International Dairy Products Council, which meets at least twice a year to review the functioning of the Arrangement, and to evaluate the situation in and outlook for the world market for dairy products.

If the Council finds that serious trade instability, or threat of such instability, is developing in one or more dairy products, it proposes remedies to the governments of member countries. Participants can also raise before the Council at any time any matter affecting the Arrangement; they must be ready to consult on any problems that might arise, while having the possibility of recourse to existing GATT rules and procedures.

MINIMUM PRICES

From the economic aspect, the essential element of the three Protocols annexed to the Arrangement is the undertaking by exporting countries not to sell below specified minimum prices. (The Arrangement Regarding Bovine Meat, also negotiated during the Tokyo Round, does not provide for any such undertaking.)

This obligation to observe minimum prices applies only to normal trade transactions and not to deliveries as food aid. Derogations, subject to detailed conditions, can be granted from the minimum prices (for example in the case of denaturing of skimmed milk powder for purposes of animal feed), subject also to advance notification.

The levels of the minimum prices are reviewed periodically by each of the three Committees responsible for implementing the Protocols. The minimum prices set at the end of the Tokyo Round were adjusted, first in October 1980 and again in October 1981. All decisions by the Council and the Committees are by consensus.

DEVELOPING COUNTRIES AND FOOD AID

One of the aims of the Arrangement is to encourage the economic and social development of developing countries.

These countries, which are mostly importers of dairy products, benefit from the market stability that the Arrangement is designed to secure. In addition, the Protocols contain a provision that gives these countries a supply guarantee. Nevertheless, the provisions of most direct interest to developing countries are those concerning food aid. By participating in the Arrangement, they have better possibilities for making their needs known.

1 The ten EEC member states, Finland, Japan, Norway, Sweden, Switzerland, Austria, Romania, Hungary, Bulgaria, South Africa, United States, Argentina, Uruguay, Australia, New Zealand.
Nevertheless, Mr. Dunkel said. New Zealand was concerned at the fact that (in particular the intervention price for sugar for the marketing year 1981-82), as decided at earlier meetings. 

The Community confirmed that, as already announced in the working party which had examined this matter at the beginning of 1981, a basic change had been made in the EEC system by transferring the financial burden of sugar export refunds to the producers themselves. Accordingly, the EEC considered its new rules constituted an equalization system rather than a subsidy. The EEC representative replied at length to written requests by Australia and the United States for clarification of the new system; informed the Council that sugar producers and traders in the Community had decided on their own initiative to stock 1.3 million tons of category “C” sugar; and added that the EC Commission was studying with member states the possibility of increasing stocks of “A” and “B” sugar by 600,000 tons. He urged other main producer countries to make similar efforts to restore order in the sugar market.

Brazil. Australia and other countries expressed their concern over the worsening situation in the world sugar market since spring 1981, which they attributed to maintenance of the Community system of sugar export refunds. In their view, the Community’s new system does not place any effective limitation on its exportable quantities of sugar and still constitutes a serious threat of injury to their exporting interests.

The Council noted that Australia and Brazil were maintaining their complaints, while the EEC contended that it had fulfilled its obligations under Article XVI:1 of the GATT (concerning subsidies). The Council decided to set up a working party, open to all GATT members, to review the situation and report to the Council by 1 March 1982. The Chairman of the Council suggested that, in the context of this review, members of the working party could raise any issue they wanted relevant to world trade in sugar.

### In New Zealand

**Director-General of GATT stresses need for progress in liberalizing world trade in farm products**

“‘It cannot be denied that one large and vital sector of international trade has not benefited to the same extent as trade in manufactures from the general movement towards opening of markets, and that is trade in agriculture. This creates unending tensions between trading partners and has important implications for world food security’, said Mr. Arthur Dunkel, Director-General of GATT, when addressing members of the New Zealand Chamber of Commerce at Wellington on 16 September.

Nevertheless, Mr. Dunkel said. New Zealand has received tangible benefits for its agricultural trade as a result of the Tokyo Round negotiations, mentioning in particular concessions on tariffs and improved access in the dairy and meat sectors; also of direct interest to New Zealand were two other Tokyo Round agreements: the International Dairy Arrangement (with economic provisions subscribed to by the major exporting and importing countries), and the multilateral framework of consultation provided by the Arrangement Regarding Bovine Meat.

Like other countries, he said, New Zealand was concerned at the fact that, for various reasons, agricultural trade remained subject to special provisions. “A number of developing countries will shortly enter world markets as new exporters of ‘temperate’ agricultural products and processed foods, and this will add to the pressure for greater transparency and easier access”.

Mr. Dunkel said that at its meeting on 14–16 October, the Consultative Group of Eighteen would discuss a study prepared by the Secretariat on the extent to which GATT rules apply, or fail to apply, in the agricultural sector. “Not for many years has this fundamental question been addressed at high level”, he remarked.

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1 See in particular Focus Nos. 5 and 6.

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### Review of situation following EEC’s new sugar regulations

**L’enjeu du dialogue Nord-Sud: partage des richesses ou guerre économique**


This study analyses changes that are taking place in economic relations between developed and developing countries. The author, a member of the GATT Secretariat, devotes one chapter to the differential and more favourable treatment accorded by GATT to developing countries. The opinions expressed are his own and do not necessarily coincide with those of the organization.

### Coming GATT activities

Provisional programme of meetings for November:

2 Committee of Participating Countries
2-3 Sub-committee on Protective Measures
3 Council
4-6 Committee on Customs Valuation
9-11 Textiles Surveillance Body
9-11 Committee on Import Licensing
12-13 Committee on Trade and Development
16 Committee on Balance of Payments
16-17 Working Party EEC-Greece
18 Textiles Committee
20 Committee on Balance of Payments
23-25 Contracting Parties annual session

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4