Council examines trade regimes of Sweden and Colombia

The Council, on 5-7 June, completed the second round of reviews under the new GATT Trade Policy Mechanism (TPRM) with the comprehensive examination of the trade regimes of Sweden and Colombia.

Members of the Council commended Sweden for recent efforts towards trade policy reforms in agriculture, textiles, clothing and footwear, and encouraged the country to stay on course. An area of concern was Sweden's farm support policies and the consequent burden of high domestic prices for consumers. They expressed the hope that Sweden's emphasis on expanding trade with its European neighbours would not detract from efforts to promote global trade expansion in the framework of the GATT system.

(Continued on page 6)

Prompt implementation of panel reports urged

Trade disputes in the GATT are being settled with greater dispatch since the introduction the streamlined dispute-settlement system a year ago. However, implementation of adopted panel reports remains a weak area because some offending GATT members have chosen to tie it to the results achieved in the Uruguay Round.

The Director-General, Mr. Arthur Dunkel, offered this conclusion in presenting his regular report on status of work in panels and implementation of panel reports at the 14 June meeting of the GATT Council.

"Contracting parties will agree that the panel process is designed to protect rights acquired in previous negotiations and that therefore prompt, good faith implementation of adopted panel reports is essential in fostering confid-

Negotiators agree decision to enhance transparency of import charges

Uruguay Round negotiators, on 19 June, reached provisional agreement on a measure which will assist traders in knowing the extent of duties and charges, over and above bound tariffs, they will face in importing goods.

The text, adopted by the group negotiating on GATT Articles and based on a proposal made last year by the Government of New Zealand, is the first to be finalised since the Mid-term Review in April 1989.

The decision relates to Article II of the General Agreement on Tariffs and (Continued on page 10)

Groups rush to meet deadline for “profiles”

Work has accelerated in the Uruguay Round as negotiating groups seek to complete “profiles” of the final package of results for submission to the Trade Negotiations Committee (TNC) meeting scheduled for the week of 23 July. Helping focus the (Continued on page 12)
First market-access offers assessed

Market access offers in the tariffs and tropical products negotiations as well as request lists covering non-tariff measures and natural resource-based products were scrutinised in assessment meetings of the relevant negotiating groups in the past month. The United States, Switzerland, Japan and a group of developing countries tabled detailed legal drafts of an agreement on intellectual property while services negotiators agreed to set up special working groups to study sectoral specificities to be taken account of in the services framework.

- Safeguards 24 and 26 April

The chairman circulated an informal revision of his draft text of a comprehensive safeguards agreement which reflected the results of previous rounds of consultation. After further informal consultations, the chairman announced that he would be putting forward another revision in the coming weeks.

- Tropical Products 27 April

This meeting enabled the Group to have a first discussion on progress since the adoption of negotiating procedures in February 1990.

In his review of the progress, the Chairman stated that 28 participants had submitted proposals so far, and that this was a clear indication of the wish of the participants to start effective negotiations. He pointed out, however, that the achievement of the objective of the fullest liberalization of trade in tropical products required more active participation in the forthcoming period, and urged those participants who had not done so to submit proposals without further delay.

The Chairman also underlined the need to move on to the next stage of improving the proposals and, in this connection, invited delegations to submit request lists as soon as possible for improvements to adjust the proposals.

The Chairman also reminded participants of the target date of July 1990, set by the TNC in April, to reach an outline of preliminary results which would form the basis of final negotiations for an agreement to be tabled at the Ministerial meeting in Brussels in December 1990.

- Subsidies and Countervailing Measures 30 April-1 May

Proposals related to countervailing measures - by Canada, Hong Kong, Egypt, India, Singapore and Korea - were the main subject of this meeting. In general, these countries called for tighter rules on countervailing action. References were made to previous proposals on factoring in public interest in the determination of injury to a domestic industry, limiting the duration of countervailing measures through a built-in sunset clause, greater transparency in the conduct of investigations, making mandatory the "lesser-duty" rule (the duty should not necessarily be the subsidization margin but rather only the rate necessary for removing injury to an affected domestic industry), and the net-subsidy concept. Many participants stressed that the new rules should prevent countervailing duties from being used as protectionist measures. The United States elaborated a previous proposal for new rules to prevent circumvention of countervailing measures.

The discussion on countervailing measures completed the Group's examination of the elements contained in the negotiating framework. Participants agreed to consider, at the next meeting, a draft text to be drawn up by the Chairman, which would be the basis for further negotiations.

- Non-Tariff Measures 1 May

Drafting work has started on new GATT agreements on preshipment inspection and on rules of origin. At this meeting, the Group established a drafting group - open to all participants - to work on a common text for rules of origin. It noted that the drafting group on preshipment inspection, established at the previous meeting, has started its work.

The Chairman reported that 25 participants (the European Community counting as one) had so far submitted request lists under the negotiating procedures agreed in February. Canada urged participants to deploy high-level representatives in Geneva this June to conduct intensive negotiations on market-access.

Uruguay and Australia called for provisions to safeguard concessions in this area using as a model the schedules of tariff concessions. The objective would be to ensure that a negotiated reduction or elimination of non-tariff measures should not in the future be nullified by the introduction of another restriction.

Chile presented a list of trade measures found by dispute-settlement panels to be inconsistent with the GATT. It stressed that no concession should be given in exchange for the removal of a GATT-inconsistent non-tariff measure. The Group agreed that the Secretariat should prepare a paper indicating measures which have been found by the contracting parties to be inconsistent with the GATT in the last five years and are still in effect.
URUGUAY ROUND

• MTN Agreements and Arrangements  1 May

In the area of anti-dumping, the Group heard a report on informal discussions held to clarify positions. It had been possible to complete the discussions on how the existence of dumping should be determined. Material injury caused by dumped imports had also been addressed as had questions on the circumvention of anti-dumping measures. Discussion on these and all other outstanding questions would continue in informal meetings. The aim is to elaborate a comprehensive draft on the revision of the Anti-Dumping Code by the end of June.

On technical barriers to trade, the Group was informed that possible modifications to Articles 5 to 9 of the Code were discussed in order to clarify previous proposals made on these items. The participants also discussed extension of the coverage of the Agreement for processes and production methods, the settlement of disputes, and second level obligations. The aim is to produce a single text, by mid-July, which accommodates the interests of all participants.

Canada presented orally a new proposal, in which it was stressed that governments and non-governmental bodies are being asked more and more frequently to develop technical measures for environmental protection, health and safety. Canada considers that there is an absence of criteria for determining whether such measures constitute unnecessary obstacles to trade.

On customs valuation, Kenya (on behalf of the member countries of the Preferential Trade Area, comprising Eastern and Southern African countries), and India presented draft amendments to the Protocol of the Code. These amendments are intended to combat the problems encountered as a result of the undervaluation of goods by shifting the burden of proof in certain specified circumstances from the customs administrations to importers. Preliminary comments were presented, and in general developed countries feared that some of the changes alter the spirit of the Code itself.

Work is also continuing on an informal basis on the Import Licensing and Government Procurement Codes.

• GATT Articles 2-4 May

The Negotiating Group made further progress in informal session on the drafting of decisions on Articles XVII and XXVIII. It also considered new draft decisions on Article XXV:5 and the Protocol of Provisional Application. In addition, the Chairman informed the Group that he had held intensive informal consultations on the proposals for negotiation on the balance-of-payments provisions, but that as yet there was little sign of a meeting of minds on the necessity for reform in this area.

An intensive discussion took place on Article XXIV, largely on the basis of a proposal presented by Japan at the previous meeting which sought, _inter alia_, the establishment of a new mechanism for the surveillance of regional arrangements on third countries. Some participants expressed doubt as to the need for a new mechanism in addition to those existing already. However, a number of participants agreed that it was necessary to clarify certain provisions in the Article whose interpretation had been the subject of dispute in the past and which had therefore given rise to tensions between contracting parties. Examples of such provisions include the requirement that duties and other regulations of commerce shall not on the whole be higher or more restrictive, following the formation of a customs union or free-trade area than those previously applicable in its constituent territories, and the requirement that duties and other restrictive regulations should be eliminated on "substantially all the trade" between members of customs unions or free-trade areas. Proposals on some of these issues were made by Australia and Canada, in addition to Japan.

In discussion of a draft decision concerning Article XXV:5 (waivers from GATT obligations) there was general agreement on the need for firmer disciplines on the grant of new waivers but no consensus on the proposal that existing open-ended waivers should be terminated. There was also wide support for the proposal that "grandfather clauses" in the Protocol of Provision Application and the accession protocols should be terminated. However, it was suggested that other derogations contained in accession protocols should also be eliminated, in line with the generally agreed objective of removing all derogations and exceptions so far as possible.

In response to this suggestion the point was made that specific derogations in accession protocols, having been negotiated as part of the conditions for entry into the GATT, could not be assimilated with waivers, which were granted and could be revoked by the Contracting Parties, and could not be subject to negotiation without the consent of the contracting party concerned.

• Tariffs  4 May

The Group took stock of tariff proposals (indicative offer lists) submitted so far under the negotiating procedures agreed in January. The Chairman reported that 34 such submissions had been made. He noted that proponents have met twice in a series of periodic meetings to assess proposals in the light of the Montreal decision. This decision set as a minimum target of the negotiations that achieved in the previous Round, or about a one-third cut in average tariff levels.

Several delegations welcomed the proposals and the recent initiation of the process of exchanging request lists. However, they expressed deep concern about the lack of participation, so far, by many countries. These countries, according to one delegation, face the danger of not having their trade interests considered in the market-access negotiations. Some participants also urged raising the level of ambition in certain proposals on the table. A number of delegations reported that their proposals were at an advanced stage of preparation and would be submitted soon. The Chairman indicated that he would be reminding the countries concerned about the need to submit their respective proposals as soon as possible. Many delegations expressed support for the suggestion made at a recent informal meeting of GATT Ministers in Mexico to hold intensive negotiations on market access on 5-15 June in Geneva.

• Agriculture  7 and 8 May

The Group was informed of the outcome of the clarification exercise with regard to the negotiating proposals of participants.

Aspects of the proposals of the United States, European Community, Cairns Group and Japan dealing with internal support, border protection and export competition, of the net food-importing developing countries and the countries calling for due recognition of the importance of non-trade concerns (food security, environmental protection, etc.) were clarified with the aid of a number of questions from the Secretariat. The authors of these proposals explained the concepts they used, differentiating them from apparently similar concepts with a different content, and provided information on the possible implications of using them. For example, while many participants were in favour of tariffication (converting market-access measures into tariffs), the methodology used to carry out this conversion and the scope of the process vary and can therefore lead to different results. These discussions gave a clearer idea of the possibilities of bringing positions closer together, for example on the disciplines to which certain internal support measures should be subjected, or on recourse to tariffication; they also showed large areas of divergence persisting, in particular in the field of export subsidies. The way in which specific concerns expressed by some participants would be taken into account within a global agreement was also discussed.
The Working Group on Sanitary and Phytosanitary Regulations and Barriers met on 10-11 May and examined a synoptic table of proposals relating to the fourteen possible elements of an agreement on sanitary and phytosanitary barriers, with a view to finding common ground. These elements cover the basic objectives of such an agreement, the sanitary and phytosanitary measures to be covered, the disciplines to be applied, harmonization of these measures and linkages with the competent international organizations; concepts such as the acceptable level of risk, principles of equivalency, national treatment and non-discrimination, transparency and the concept of disease-free or infected areas are also addressed. The document deals also with procedural and institutional matters (such as inspection procedures and mutual recognition of results of tests and inspections, processing and production methods), with technical assistance, special and differential treatment, consultations and dispute settlement, and the form an agreement could take. An acceptable common formulation has already been found for some issues.

**Natural Resource-Based Products 7 May**

In a comprehensive proposal, the European Community called for substantive negotiations on double-pricing practices and on access to “surplus” fishing grounds. Double-pricing, according the EC, referred the situation when local producers could obtain raw materials at prices lower than those prevailing in the world market. It said that resource-rich countries, in order to promote domestic processing, have imposed taxes, restrictions or prohibitions on exports of raw materials. The Community proposed that negotiations on this issue start with a standstill on restrictions, followed by the removal of GATT-inconsistent measures.

The EC also proposed negotiations on discriminatory aspects of measures concerning access to fishery resources. Several participants stressed that the Group’s mandate was limited to liberalizing trade in fishery products. Access to those products, they said, was the sole responsibility of the coastal state concerned.

The Chairman reported that eleven participants have so far submitted proposals or notifications under the negotiating procedures adopted in March. Australia said its proposal mainly addressed its concerns about trade distortions caused by coal subsidies.

**Trade-Related Aspects of Intellectual Property Rights 14-16 May**

Four new draft agreements were presented during the meeting, of which three were comprehensive - issued by the United States, Switzerland, and a joint paper supported by 14 developing countries. Japan’s text covered certain items only and was expected to be supplemented later. With the EC draft agreement submitted at the previous meeting, the Group has now before it a wide range of positions on the form and the content of a legal text to address trade related aspects of intellectual property. In addition, a joint paper by Australia, Hong Kong, the Nordics and New Zealand on transitional arrangements and a paper by Chile on international institutional arrangements were presented.

The US, the Swiss and the Japanese draft agreements are similar to the EC paper in their overall approaches, although with some differences of structure and numerous differences on specifics. In presenting its proposal, the United States stressed that, if adopted, it would increase the level of protection for intellectual property rights and improve the effectiveness of enforcement of such rights, thereby leading to reduction of distortions and impediments to legitimate trade. It would require all participants, including the US, to make changes in their existing intellectual property regimes; however, their harmonization was not being sought, and only an agreed level of obligation would have to be provided. The draft agreement incorporated the economic rights provided under the two most widely accepted Conventions administered by WIPO, those of Berne and Paris, and extended their provisions in certain areas. The US, like the EC and Switzerland, have adopted an approach that would integrate the proposed provisions into the GATT. Commenting on various intellectual property rights, the US added that they had tried to reach a balance between their own concerns and those of their partners. While minimum standards of protection differed from those proposed by the EC in its draft agreement for some intellectual property rights (for instance geographic indications including appellations of origin), the US proposal on enforcement was largely based on the EC text as was that on institutional arrangements, including the settlement of disputes. For transitional arrangements, the US would favour individual country schedules.

In presenting its draft agreement, Switzerland indicated that an important difference from other proposals was that the legal framework for the protection of the intellectual property rights would be provided by amending the General Agreement on Tariffs and Trade in the form of adding a Part V to it. The Swiss draft contained a detailed mfn obligation, with provision for the phasing-out of action inconsistent with it and an exception for more favourable treatment granted to fellow-members of a regional trading area. The paper also contained detailed provisions on standards in eight areas of intellectual property. The proposal on means of enforcing intellectual property rights was based on the EC proposal.

The Japanese text covers the main elements of a legal agreement, providing for the principles of national treatment, most-favoured-nation/non discrimination, special arrangements and transparency. In an annex, it proposes standards for the protection of the intellectual property rights covered by the US, the EC and Switzerland, with the exception of trade secrets, which Japan indicated would be studied further in Tokyo. It
leaves enforcement and other supplemental provisions to be elaborated later.

In presenting its paper, Japan drew attention to its proposal on most-favoured-nation treatment in particular in regard to the procedures for the extension of more favourable treatment accorded under bilateral agreements to other countries. With regard to neighbouring rights (the rights of producers of sound recordings and broadcasting organizations), Japan favoured an approach based on the Rome Convention.

The draft legal text presented by fourteen developing countries (Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Pakistan, Peru, Tanzania and Uruguay and Zimbabwe) is in two parts. Part I, dealing with international trade and intellectual property, calls for the institution of adequate border measures to discourage international trade in counterfeit and pirated goods. Part II should be implemented in an organization other than the GATT, for example WIPO, because Chile considered that Part II contained matters that were not trade-related.

Australia, Hong Kong, New Zealand and the Nordic countries presented a joint discussion paper on transitional arrangements leading to the acceptance and the implementation of the full rights and obligations of an agreement on intellectual property rights. Such transitional arrangements are provided for in the Mid-Term Review Decision, and are aimed to ensure the fullest participation in the results of the negotiations. The paper is based on the assumption that any TRIPS Agreement is likely to require most, if not all, countries to make certain changes in their legislation, enforcement regimes and administrative practices and that time will be needed to adjust to new requirements. It reviews the possible options, without expressing a preference. Different ways of providing flexibility are listed, for instance an agreed deferred application for all countries, different time-frames for countries in different stages of economic development, individual country schedules, provision of different time-frames for subsets of the Agreement and lower-level obligations, with the possibility of combining these options.

Textiles and Clothing
14-15 May

Pursuing a work programme aimed at establishing a draft framework by July, participants resumed discussion on six topics, particularly those related to strengthened GATT rules and disciplines, and timespan. The discussion was based partly on new submissions from the European Community, United States and Japan.

On strengthened GATT rules and disciplines, the Community underlined the need to ensure not only that trade takes place under fair competitive conditions but that there is a possibility of recourse to an effective safeguard mechanism. It proposed that "graduality and progressivity" govern the integration process which should consist of distinct stages. The EC suggested the establishment of bodies, patterned along the lines of the current Textiles Committee and the Textiles Surveillance Body, to administer the integration process.

The United States provided further details on its proposal for converting restrictions under the Multifibre Arrangement to global quotas during a transition period. Canada elaborated a proposal for establishing a special transitional safeguard mechanism based, in general terms, on the GATT safeguard provision with certain derogations.

On timespan (time frame of integration), it was noted that periods of five, eight and ten years have been proposed. The United States confirmed that it envisaged a ten-year timespan for winding down global-quota restrictions. Canada said it could also accept a ten-year transition period.

Members of the International Textiles and Clothing Bureau, a group of developing country exporters, reiterated their opposition to the global quota system. They called on the Group to focus on the MFA and the dismantling of its restrictions during the phaseout period.

(Continued on page 9)
Trade regimes of Colombia and Sweden examined

(Continued from page 1)

The Council encouraged Colombia to proceed steadily with eliminating non-tariff barriers, reducing tariffs and simplifying administrative procedures related to trade. Recognizing the internal and external pressures on the country's economy, the Council emphasized the need for its major trading partners to facilitate market access for Colombian exports.

The TPRM was among the early results agreed at the Mid-Term Review of the Uruguay Round. The GATT Council adopted the TPRM decision in April 1989 and launched the first round of reviews in December 1989 with the examination of the trade regimes of Australia, Morocco and the United States. The next round of TPRM reviews, scheduled for 31 July to 3 August will concern Canada, Hong Kong, Japan and New Zealand.

Under the mechanism, the Council examined, at periodic special meetings, the impact of each member's trade policies and practices on the multilateral trading system. The four largest trading entities (the European Community counting as one), in terms of market share, are subject to review every two years, the next sixteen every four years, and other GATT members every six years, with some flexibility in the case of least-developed countries.

The following are the Chairman's summaries of the Council discussions:

**SWEDEN**

The Council discussed Sweden's trade policies in the context of its overall economic situation, characterized by overheating of the economy, with high inflation and a growing current account deficit. Members commended the Swedish Government for dealing with these problems through macro-economic policy instruments and trade liberalization, rather than the use of trade-restrictive measures.

Council members noted that the trend of Sweden's trade and industrial policies was generally in the direction of greater liberalization. Members recognized the substantial winding-back, during the past decade, in financial assistance to major industries suffering from structural adjustment pressures.

High degree of openness

The high degree of openness to international trade of the Swedish market for most industrial products was acknowledged. Tariffs were generally low and almost completely bound. Sweden had never imposed countervailing duties and had made very little use of anti-dumping action. Quantitative restrictions on industrial goods were largely limited to textiles and clothing, as well as to footwear from some sources. Council members were encouraged by the Government's decision to abolish all quantitative restrictions on textiles and clothing by August next year (at the expiration of Multifibre Arrangement IV), and quotas on imports of leather footwear by 1993.

Members also viewed favourably Sweden's recent announcement to phase in, over five years, domestic regulatory reforms in agriculture. Additional information was sought concerning the scope and timing of the reforms, the linkage between domestic regulatory reform and improved market access and, in this context, the role of the Uruguay Round in promoting the process of agricultural reform in Sweden.

**Concerns: agriculture, textiles and footwear**

While acknowledging these features and the prospective improvements in Sweden's trade policies and practices, several areas of concern were identified by Council members. These included:

- The distorting effects on agricultural trade of Sweden's current farm support policies, such as variable levies for many products, quantitative restrictions on fish and the high seasonal tariffs on fruits and vegetables. Reference was also made to the burden on consumers of maintaining domestic prices well above international levels by such means. It is not clear how far the domestic regulatory reform would affect this situation. It was, however, noted in this connection that export subsidies would be progressively phased out.

- The relatively low level of bindings in agriculture due mainly to the system of variable levies. The desirability of binding the trade measures implemented as part of the agricultural reform process was emphasized.

- The adverse impact of specific and alternate tariff rates in certain areas, such as tyres and certain chemicals, on the stability and predictability of access to the Swedish market.

- The fact that, after the removal of quantitative restrictions, tariffs on textiles, clothing and footwear would remain well above rates for most other imports and bilateral quotas on footwear would remain.

- The trade restrictive effects of the distribution and sales systems for pharmaceuticals and alcoholic beverages. The question of justification for different levels of protection across highly-substitutable alcoholic beverages was raised.

- The impact on trade of health, safety and technical regulations or standards which remain in some areas more stringent than international norms. Specific questions addressed the prospects of closer harmonization of plant health regulations with those in the EC, in particular with regard to coniferous timber.

Council members sought further clarification from Sweden in a variety of other areas. The use of the national security provisions as a justification for trade measures was noted. Information was sought on the definition of national security used by Sweden as a factor affecting international trade. Questions were raised concerning the circumstances in which a "special duty" could be levied to safeguard domestic producers. Further details were requested con-
Concerning the restraint arrangements which affect Swedish exports or imports, including details on the products and trading partners concerned. Members encouraged the Swedish Government to consider the possibility of introducing its own regular public reviews of trade policies.

Regional arrangements

Many members drew attention to the high proportion of Sweden's trade conducted under regional preferential arrangements, and asked how the relatively small and declining share of Sweden's merchandise trade receiving m.f.n. treatment could be reconciled with Sweden's concern to promote non-discrimination and multilateralism in international trade. Concerns were raised about the actual and potential trade diversion resulting from these arrangements. In this context, further information was sought concerning Sweden's interests in efforts to create a European Economic Space. Sweden was asked whether it saw this initiative as a step towards full EC membership.

Members noted the small and declining share of developing countries in Sweden's trade, and observed that many sectors of interest to developing countries had been subject to high protective barriers. Specific mention was made of the fact that Sweden's regional arrangements provided better access to the Swedish market for European countries than was provided by Sweden's GSP scheme for the majority of developing countries. This, combined with the high protection provided to textiles, clothing, footwear and agricultural products was, it was suggested, contributing to the low share of developing countries in Sweden's total merchandise imports.

Liberalization in textiles and agricultural reform

In reply to these comments, the Swedish representative said that trade policy changes were part of a broader attempt to increase the flexibility and efficiency of the Swedish economy. Tax reform, designed to make the supply of labour more rewarding, and rationalization of the public sector were other elements in this process. Structural adjustment policies had moved away from sector-specific assistance to more general support through improvements in infrastructure and support for education, research and development. Programmes remained only for the woodworking and textile industries, and existing payments to other sectors reflected outstanding commitments under previous arrangements. Currently, there were no new programmes of structural assistance to any major industry and none was planned.

The trade liberalization measures scheduled for the textiles and clothing sectors were taken unilaterally by the Swedish Government and were not linked to the Uruguay Round negotiations. The level of tariffs for textiles and clothing would be established under the Uruguay Round procedures. The reductions were covered by Sweden's formula offer. With regard to agriculture, while it was Sweden's intention to reduce border protection in agriculture, the extent to which this would be possible would also depend on progress in the Uruguay Round.

Agricultural reforms were motivated by the realization that earlier approaches had not achieved their defined objectives, such as food security, supply of high quality products at reasonable prices, income parity for farmers and regional and environmental goals. A decision on the reform of domestic regulations by Parliament was imminent.

All central government entities were covered by the Government Procurement Ordinance, under which foreign suppliers were free to participate on the same basis as Swedish firms. Guidelines based on the same principles applied to regional entities. Sweden's broader objectives in the Uruguay Round regarding market access included reductions in tariffs and non-tariff measures, the phasing out of the MFA, radical reform of world trade in agriculture, an extension of the coverage of the Agreement on Government Procurement, and strengthened rules in the fields of subsidies, countervail and anti-dumping. Sweden also expected the Round to result in higher levels of commitment and stronger participation by developing countries in the trading system, including increased binding of tariffs. Beyond the Uruguay Round, the linkages between environmental concerns and trade policies would need intense international discussion.

Trade share of developing countries

Sweden saw no conflict between regional and multilateral trade liberalization, which it considered as mutually supportive. In his view, empirical evidence on the trade diverting and creating effects of regional arrangements was inconclusive. While supporting the concept of a European Economic Space, Sweden did not regard a possible EC membership as an issue at present. He also mentioned current efforts by Sweden to cooperate more closely with countries of central and eastern Europe, including the 1986 border trade agreement with the Soviet Union and more recent cooperation efforts with Hungary, Poland and the Czech and Slovak Federal Republic.

The representative of Sweden referred to positive features of Sweden's trade policies towards developing countries, including the fact that all imports from least-developed countries entered Sweden duty free. Sweden would continue to explore ways by which the share of developing countries in Sweden's trade could be increased, and referred to a number of factors unrelated to trade policies, which might explain Sweden's relatively low level of trade with these countries.

In general, many members of the Council noted that the discussion had made an important contribution to the understanding of Sweden's trade policies and practices. The Council welcomed Sweden's increasing emphasis on measures designed to improve the overall flexibility and competitiveness of the economy, as against policies of sectoral support and protection at the border. Members commended Sweden for its recent efforts towards trade policy reform in agriculture, textiles, clothing and footwear, encouraged Sweden to implement the announced changes and to continue on this course. Members expressed the hope that Sweden's preoccupation with expanding trade with its European neighbours would not detract from its efforts to promote global trade expansion in the framework of the GATT system.
COLOMBIA

The Council welcomed Colombia's readiness to be the second developing country to bring forward its trade policies and practices for review under the TPRM. The Council recognized that Colombia had been undergoing a process of major macro-economic adjustment at a time when the economy was confronted with serious external and internal difficulties. A particular burden was the heavy economic and social cost to Colombia of its ongoing combat against drug trafficking.

Several members noted that Colombia's high level of external debt and debt servicing made a co-ordinated approach by both Colombia and its trading partners to its trade and financial problems particularly important. The rôle of adequate market access for Colombia's exports was emphasized. Availability of external finance would also affect the scope for changes in trade policies.

Members observed that Colombia had, since the mid-1980s, been engaged in a process of trade liberalization. New measures of trade reform introduced early this year were seen as reinforcing the Government's commitment to Colombia's further integration into the world economy.

Diversifying exports

Many members noted that, over recent years, the process of trade liberalization in Colombia had been accompanied by successful efforts to diversify its export mix, away from heavy dependence on coffee. However, many non-traditional exports were in areas such as agriculture, other natural resource-based products, textiles, clothing and leather goods, in which considerable external obstacles to trade persist. Colombia's economic development remained vulnerable to conditions in its external trading environment.

Several members pointed out that the direction of Colombia's exports remained highly concentrated. Colombia was thus particularly affected by the trade policies of its major trading partners. Questions were raised regarding Colombia's possibilities to diversify the geographical spread of its trade both within the Latin American region and worldwide. The rôle that the Uruguay Round could play in facilitating the global and product diversification of Colombia's exports was emphasized.

It was noted that import prohibitions had been reduced considerably since 1985, and that discretionary licensing restrictions were progressively being replaced by tariffs. At the same time, tariffs themselves were being reduced. Such measures were important moves towards greater transparency in Colombia's import régime. On the export side, subsidies had been cut back. Colombia's recent accession to the Subsidies Code was also seen as a positive step towards fuller participation in the multilateral trading system.

Areas of concern

While expressing appreciation for these achievements, Council members noted several areas of concern. They included:

- The continuing high levels and uneven structure of tariffs and non-tariff protection.
- The escalation of protection created by relatively high tariffs for processed products and tariff concessions for inputs.
- The lack of stability and predictability of Colombia's tariffs resulting from the small number of bound items. Members also asked how, in the case of some bound items, the import surcharge could be reconciled with Colombia's GATT obligations.
- The discretionary nature of Colombia's trade régime, in particular the import licensing system and the special import-export systems.
- The complexity of the trade régime, stemming from the presence of multiple measures such as tariffs, import licensing, the import surcharge and a variety of promotional mechanisms affecting individual products, as well as the complex administration of trade measures.
- Differential exchange rates applied to earnings from exports of certain goods and services, which could constitute implicit export subsidies.
- Restrictive shipping provisions required by Colombia for exports and imports.

It was suggested that these elements could have a bearing on the efficient allocation of resources in Colombia and on its export performance. Members sought information concerning the expected date for Colombia to adopt the Harmonized System; the criteria under which Colombia could apply the "maximum" tariff; and Colombia's experience with its new foreign investment legislation introduced in 1987.

Members of the Council noted Colombia's active participation in regional preferential arrangements, and recent initiatives aimed at deepening the integration process. Questions were raised concerning the extent to which such arrangements might promote or constrain the rationalization of Colombia's foreign trade régime. Information was sought on a reported new agreement among Colombia, Mexico and Venezuela.

Members generally welcomed the new trade policy initiatives announced by Colombia in March 1990. These involved a further reduction in import licensing, and the introduction of a "tariff survey" mechanism with the aim of establishing appropriate tariffs to replace import licensing by 1992. Some concerns were expressed on various aspects of this mechanism, including the
possibility of "bidding up" tariff levels, uncertainty concerning the levels of tariffs to be applied to particular goods, and delays in trade transactions which might result from the process. Questions were asked concerning the likely duration of the tariff survey system and, more generally, whether any definite time-frame for phasing out import licensing and reducing tariffs was envisaged. Reference was made, in this context, to Colombia's favourable balance-of-payments and reserves position.

**Prudent approach to liberalization**

In replying to the points made, the representative of Colombia referred to the difficulties encountered by a developing country in liberalizing trade while obstacles to its exports persisted. Despite such obstacles, Colombia had faithfully serviced its heavy external debt. For Colombia, these problems were compounded by the financial and social impact on the economy of the war against drug trafficking. He stressed that, in spite of these adverse conditions, his Government remained convinced that the course of trade liberalization would be sustained.

The fundamental objective of Colombia's trade policy reforms was to increase productivity in the economy by reducing price distortions and increasing its flexibility. In this context moves had been made in the mid-1980s towards achieving a realistic real exchange rate. This was also the reason why the first tariff reductions focused on capital goods.

The speed of further trade liberalization was linked to Colombia's macro-economic performance, and to conditions of access in external markets. The pace of economic recovery in the neighbouring countries was also a factor. Colombia preferred to proceed prudently in order to avoid reversals in the trend of trade policies, as had happened earlier. Therefore, it was not appropriate to announce a fixed time schedule for further measures. However, barring major economic setbacks, the intention was to phase out quantitative restrictions over a period of two to three years. Efforts were also underway to reduce the dependence of Government revenue on trade-related taxes.

**A more transparent import regime**

The recent reforms had led to a considerably simpler and more transparent import régime. For a large number of items, import licensing was now virtually automatic. The aim of the tariff survey mechanism was to enable the authorities to set appropriate tariff levels for final consumer goods, imports of which were previously highly restricted, on the basis of an assessment of the price effects of the existing licensing régime. Colombia had offered in the Uruguay Round to bind 1,692 tariff items at a ceiling rate of 40 per cent. The final outcome in the area of bindings would depend on the overall results of market access negotiations within the Round, particularly on agricultural products.

Colombia was opening its economy to the world whole, at the same time, promoting integration within the Latin American region. In the recent Galápagos Declaration, the Andean Group Presidents had decided to reduce the common minimum external tariff, and to establish a common market by 1995. Within the Andean Group, Colombia was also committed to adopting the Harmonized System by 1 January 1991.

In the framework of LAIA, a reduction in the number of products exempted from the regional tariff preference agreement was being studied. The Group of Three (Colombia, Mexico and Venezuela) aimed at greater cooperation in areas such as transport and energy policies.

In relation to Colombia's participation in the Subsidies Code, the representative of Colombia called the Council's attention to the decision taken on 6 June 1990 by the United States Administration not to apply the Subsidies Code - and hence the injury test - to Colombia. This decision was a negative response to Colombia's genuine efforts to integrate its economy more fully with the multilateral trading system. In response, the United States explained the reasons for the United States action and indicated that the issue was open for further consultations.

**Words of encouragement**

In conclusion, the Council welcomed the positive developments in Colombia's trade policy. It encouraged Colombia to proceed steadily with eliminating non-tariff barriers, reducing tariffs, and simplifying administrative procedures related to trade in order to promote structural adjustment and the efficient functioning of the economy. Colombia was encouraged to negotiate the binding of a substantial proportion of its tariff in the context of the outcome of the Uruguay Round, and to accede to a wider range of Tokyo Round Codes.

The Council recognized the internal and external pressures on the Colombian economy. It emphasized the need for Colombia's major trading partners to facilitate market access for Colombian exports, and stressed that supportive measures at the international level in the area of trade and finance would considerably reduce the external constraints on Colombia's development.

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**Trade-Related Investment Measures 17 and 18 May 1990**

In his opening remarks, the Chairman reminded the Group of the TNC decision in April that all negotiating groups should endeavour to arrive at a profile agreement by the end of July. In the absence of any new submissions since the last meeting the Group moved into informal session to discuss: new disciplines needed to avoid the adverse trade effects of investment measures and the scope and coverage of further provisions.

At the end of the informal session, the Chairman distributed a draft paper as a possible framework for further negotiations.

**Trade in Services 7-11 May**

After intensive consultations, the Chairman was able to announce the establishment of a series of sectoral working groups to consider the specificities of sectors, and elements which may need to be taken account of in the application of the general services framework. The sectors to be covered will be financial services, telecommunications services, transport services, construction and engineering services, professional services and tourism. It was also agreed that consultations would take place on issues relating to labour mobility. However, it was noted that the selection of these sectors had no bearing on the question of coverage for the framework. The Group of Negotiators on Services (GNS) will be kept informed of the sectoral discussions by the chairmen of the working groups.

A detailed, comprehensive legal draft framework was tabled by Cameroon, China, Egypt, India, Kenya, Nigeria and Tanzania. The agreement would be applied to all tradable services although trade in services would not be defined to include permanent establishment.

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Japan explained in great detail its proposal for stringent disciplines to govern the imposition of restrictions during the phaseout period. It emphasized that any post-MFA restrictions must be justified by a set of clear and objective criteria.
June Council

Prompt adoption of panel reports

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ence in commitments being negotiated in the Uruguay Round”, he said.

Mr. Dunkel reported that all the three new panels established since the adoption of the new system - an early result of the Uruguay Round - have kept within the required work deadlines. The Council has adopted six of the seven panel reports presented in the past twelve months, indicating that the spirit of the new procedures has benefited even old cases. “The adoption stage now takes place in less time than before; on average, adoption has occurred at the third Council meeting after the circulation of the report”, the Director-General said.

He urged the adoption of the three panel reports remaining on the Council.

“The adoption stage now takes place in less time than before; on average, adoption has occurred at the third Council meeting after the circulation of the report.”

panel report on the US quota system on sugar imports while Japan called on the Community to implement the report on “anti-dumping-circumvention duties” imposed on products assembled in the EC (the “screwdriver” case).

Follow-up on ice-cream report

The United States questioned Canada’s implementation of a panel report which had concluded that Canadian restrictions on imports and ice-cream and yoghurt were inconsistent with GATT provisions. This report was adopted at the Forty-Fifth Session of the Contracting Parties in December 1989. The United States indicated that the only response from Canada had been the tabling of a proposal on GATT Article XI (General Elimination of Quantitative Restrictions) in the Uruguay Round negotiating group on agriculture seeking to legalize the very kind of measures found illegal by the panel.

Canada maintained that it was reasonable to wait for the outcome of the Uruguay Round negotiations before deciding on implementation of the report. It observed that due to differing interpretations of existing GATT disciplines and waivers, protocols and other special provisions shielding some members, there was not a single set of rules applicable to agriculture trade. This problem had to be dealt with in the Round.

Expressing disappointment at the Canadian response, the United States noted its exporters were being adversely affected by the measures in question. It appealed for interim relief should the final settlement of the issue be delayed until the end of the Round. While it was hoping for an amicable settlement, the United States it reserved all its GATT rights on this case.

US urges adoption of sugar report

The United States called on the Council to adopt a panel report which ruled that US restrictions on sugar imports complied with the conditions set in the 1955 US Waiver. Noting that the report was before the Council for the third time, the United States considered that the EC was unfairly delaying its adoption in re-arguing the case before the Council.

The Community called for a solution of the matter which would not prejudice the agriculture negotiations in the Uruguay Round. Arguing that adoption would have no practical effect on economic policy, the EC proposed that Council action on the panel report be held in abeyance until the end of the Round.

The United States rejected the EC proposal and requested the inclusion of this item in the agenda of the next Council meeting.

Mexico-US agreement

Mexico and the United States announced that their Presidents had decided at a meeting held in Washington D.C. on 10 June to start preparatory work on a comprehensive free-trade agreement between the two countries. At the meeting, Presidents Salinas and Bush reaffirmed their commitment to the multilateral trading system and the GATT, and the successful completion of the Uruguay Round. The two countries promised to notify the Council of further developments.
Negotiators agree decision to enhance transparency of import charges

(Continued from page 1)

Trade which, under its paragraph 1(b), prevents custom duties being levied on imports in excess of those bound or frozen in national tariff schedules. The same paragraph also prohibits all other duties and charges in excess of those imposed at the time the tariff binding was first agreed - which, in some cases, might be as far back as 1948. The Article currently does not require these other duties and charges to be recorded alongside the bound tariff itself. Thus, there can be considerable uncertainty about the precise level of overall import charges.

Although no comprehensive list has been drawn up of these other duties and charges many examples have been cited, including: fiscal taxes, stamp taxes, port improvement taxes, import surcharges and landing taxes.

The decision, which is provisional pending the final outcome of the Uruguay round, will:

- require all "other duties and charges" to be published in schedules of bound tariff items and
- require all "other duties and charges" to be bound at the rates prevailing on the date of agreement of the Uruguay Round tariff protocol, thus eliminating the possibility of returning to previous higher rates.

The effect will be to introduce a high level of transparency in the charges faced by traders and to secure a degree of liberalization which cannot subsequently be reversed.

**ARTICLE II-1(b): RECORDING OF "OTHER DUTIES OR CHARGES" IN THE SCHEDULES OF TARIFF CONCESSIONS**

**Decision**

1. It is agreed that in order to ensure transparency of the legal rights and obligations deriving from Article II-1(b), the nature and level of any "other duties or charges" levied on bound tariff items, as referred to in that provision, shall be recorded in the Schedules of tariff concessions against the tariff item to which they apply. It is understood that such recording does not change the legal character of "other duties or charges".

2. The date as of which "other duties or charges" are bound, for the purposes of Article II, shall be the date of the Uruguay Round Tariff Protocol. "Other duties or charges" shall therefore be recorded in the Schedules of concessions at the levels applying on this date. At each subsequent renegotiation of a concession or negotiation of a new concession the applicable date for the tariff item in question shall become the date of the incorporation of the new concession in the Schedules of concessions. However, the date of the instrument by which a concession on any particular item was first incorporated into the General Agreement shall also continue to be recorded in column 6 of the Loose-Leaf Schedules.

3. "Other duties or charges" shall be recorded in respect of all tariff bindings.

4. Where a tariff item has previously been the subject of a concession, the level of "other duties or charges" recorded in the Schedules of concessions shall not be higher than the level obtaining at the time of the first incorporation of the concession in the Schedules. It will be open to any contracting party to challenge the existence of an "other duty or charge", on the ground that no such "other duty or charge" existed at the time of the original binding of the item in question, as well as the consistency of the recorded level of any "other duty or charge" with previously bound level, for a period of three years after the deposit with the Secretariat of the Schedule in question.

5. It is agreed that the recording of "other duties or charges" in the Schedules of concessions is without the prejudice to their consistency with rights and obligations under the General Agreement other than those affected by paragraph 4 above. All contracting parties retain the right to challenge, at any time, the consistency of an "other duty or charge" with such obligations.

6. For the purposes of this decision, the normal GATT procedures of consultation and dispute settlement will apply.

7. It is agreed that "other duties or charges" omitted from a Schedule at the time of its deposit with the Secretariat shall not subsequently be added to it and that any "other duty or charge" recorded at a level lower than prevailing on the applicable date shall not be restored to that level unless such additions or charges are made within six months of the deposit of the Schedule.

8. The decision in paragraph 2 above regarding the date applicable to each concession for the purposes of Article II-1(b) supersedes the decision regarding the applicable date taken by the GATT Council on 26 March 1980 (BISD 27S/22).

*The legal form of this decision will be decided at a later stage.*
intensive negotiations in a number of groups are chairman's texts which either offer solutions or delineate possible alternatives. Mr. Arthur Dunkel, in his capacity as chairman of the TNC at official level, has started the process of consolidating issues across the board.

At this crucial stage of the Uruguay Round, the multilateral negotiations were a major element for consideration at the Group of Seven Summit in Houston. The United States, Japan, the Federal Republic of Germany, the United Kingdom, France, Italy, Canada and the European Commission, in a communiqué issued on 11 July at the end of the three-day summit said that:

“The successful outcome of the Urugu­ay Round has the highest priority on the international economic agenda. Consequently, we stress our determina­tion to take the difficult political decisions necessary to achieve far-reaching, substantial results in all areas of the Uruguay Round by the end of this year. We instruct our negotiators to make progress and in particular to agree on the construction profile of the final package by the July meeting of the Trade Negotiations Committee.”

Following difficult discussions on the sensitive area of agriculture negoti­ations, the Group of Seven leaders recognized the need “to make substantial, progressive reductions in support and protection of agriculture.” They commended to their negotiators the text submitted by the chairman of the agriculture group “as a means to intensify the negotiations”.

Commenting on the outcome of the Houston Summit Mr. Dunkel said:

“The fact that the heads of state and government of the world’s largest economies have dealt in such a comprehen­sive way with the negotiating agenda of the Uruguay Round trade negotiations underlines how essential a strengthened multilateral trading system is to ensure global prosperity. Nevertheless, the intensity of their discussions in Houston demonstrates very clearly that the point at which hard decisions need to be taken has been reached. The commitment by the participants to maintain close personal contact and provide the necessary leadership is particularly important at a time when the negotiations are entering their crucial and final phase”.

The chairman’s paper in the agriculture group contained proposals aimed at finding a common approach to the four principal areas of negotiations: internal support, border protection, export competition and sanitary and phytosanitary regulations. Commitments to reduce internal support would be made on the basis of an AMS (aggregate measure of support), with equivalent commitments for commodities where such a measure was not practicable. Certain policies would be excluded from coverage of this commitment if they met specified criteria. Reductions in border protection would be handled through a tariffication process under which relevant non-trade concerns would be accommodated to the maximum extent possible. On export subsidies, the chairman suggested that this be effectively reduced more than other forms of support and protection. The chairman’s paper makes provision for special and differential treatment of developing countries, as appropriate, in each of these areas.

If this approach were to be accepted as the basis of further negotiation, the chairman proposed that, before 1 October, all participants should table country lists on internal support, border protection and export competition to make it possible to reach agreement on the reform programme before December 1990.

Chairmen’s texts are also the subject of intensive meetings in the following groups:

Textiles and Clothing. The Chairman has submitted a draft text for the progress­ive elimination of existing restrictions leading to the integration of the textiles and clothing sector into the GATT. Under the framework, restrictions on a list of products would be eliminated following the expiry of the Multifibre Arrangement (MFA). The remaining restrictions would be progressively eliminated in stages with the agreed process in the context of a Textiles Monitoring Body. The paper also presents alternative approaches including a global quota system and an immediate termination of all MFA restrictions coupled with special safeguard provisions.

Subsidies and Countervailing Measures. In form of a legal agreement, the Chairman’s paper contained detailed guidelines on which types of subsidies should be prohibited, which should be actionable and which should be permitted (non-actionable), based mainly on a measure’s propensity to distort trade. The prohibited category would include subsidies indicated in the amended illustrative list of export subsidies appended to the 1979 Subsidies Code; those contingent upon export performance; and those contingent upon the use of domestic, in preference to imported, goods.

Trade-Related Investment Measures. In an attempt to accommodate the various concerns and priorities of participants, the chairman’s text proposed, among other things, that certain TRIMs should be applied in a tempered manner so as to avoid damaging the interests of trading partner, whilst certain other TRIMs should be eliminated because it is impossible to avoid their adverse trade effects. This text together with others presented by the United States and by a group of developing countries would go to the TNC.

Uruguay Round

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foreign direct investment or interna­tional immigration. Mfn/non-discrimi­nation and national treatment (once market access is available) would be applied generally. However, progressive liberalisation would initially concentrate on concessions by developed countries, with future liberalisation by developing countries dependent on the extent to which their services exports have bene­fited from the liberalisation of developed countries and would be in conformity with their developmental and technological objectives. The draft outlined a number of measures to achieve the greater participation of developing countries in services trade and the expansion of their services sectors. It also proposed the establishment of an International Trade in Services Organization to facilitate the operation of the framework.

The formal GNS meeting also covered statistics, definition and scope of the framework, principles to be covered, and institutional matters.

MTN Agreements and Arrangements. Following several weeks of detailed con­sultations, the Chairman released a text of an amended anti-dumping code seeking, on the one hand, to tighten up procedures and reduce the possibility of abuse and trade circumvention in anti-dumping measures and, on the other, to set out clear rules on measures to avoid circumvention of anti-dumping duties.

Intensive drafting work is underway in the other groups, including: Non-Tariff Measures on rules of origin and preshipment inspection; and GATT Articles on MTNs XVII (Tariffs – Export Competition), XXV (Services), XXVII (Trade-Related Investment Measures), XXVIII (Modifications of Schedules), XXV:5 (waivers) and the Protocol of Provisional Application. A chairman’s draft on the trade in services framework was presented in the week of 16 July.

The next issue of Focus will contain a detailed progress report on all the negoti­ating groups.