Major political decisions urged

Senior negotiators in early and mid-November continued to grapple with a wide range of unresolved negotiating issues a few weeks before the scheduled final meeting of the Uruguay Round in Brussels on 3-7 December.

GATT Director-General Arthur Dunkel, chairman of the Trade Negotiations Committee at officials level, presented a detailed report on the state of negotiations, including a list of the major sticking points, to heads of delegations on 2 November. He stressed the urgency of whittling down the number of issues to be considered in Brussels. In particular, the TNC Chairman noted the delay in the submission by the European Community of its offer in the agriculture negotiations.

On 5 November, the Cairns Group Ministers assembled in Geneva to assess progress in the negotiations. They called on the Community to engage in serious negotiations on farm reform and warned that the Round "would not conclude without a satisfactory package of reforms on agriculture".

The same day, United States Trade Representative Carla Hills visited the GATT headquarters. In assessing the current situation, Mrs. Hills and Mr. Dunkel agreed that time for coping with the number of subjects outstanding was running short. They noted that agricultural reform was not just an EC-US issue - many countries had a fundamental interest in securing a successful outcome in the negotiations. Mrs. Hills expressed concern that the package that could be achieved in Brussels would be insufficient.

The TNC reconvened on 6 November. Many heads of delegations spoke about the need to break the negotiating deadlocks, and noted the continued absence of an EC agriculture offer. The Community stressed its commitment to negotiate in good faith and observed that serious problems also blocked other

(Continued on page 2)
negotiating areas. That evening in Brussels, the EC ministers agreed on the Community's offer which would cut farm support by 30 per cent between 1986 and 1996.

On 8 November, the TNC Chairman began a series of intensive negotiations on the major negotiating subjects, starting with agriculture. A number of participants, including the United States and the Cairns Group, expressed difficulty in continuing with agriculture negotiations based on what they described as inadequate offers on the table, in particular from the EC.

The TNC was again convened on 12 November. "It is obvious that we are now in a very grave situation", the Chairman said. He emphasised that major political decisions were "urgent and essential". "Unless there are some basic changes in present positions in the next few days, I do not see how we will be able to bring to Brussels a workable basis for final and truly multilateral decisions by Ministers", he said. Mr. Dunkel said he intended to resume consultations "to determine if this movement is still possible".

In Washington, the following day, President Bush, Italy's Prime Minister Giulio Andreotti (president of the EC Council) and Mr. Jacques Delors, president of the EC Commission, jointly pledged "to make every effort to ensure that the Uruguay Round concludes successfully in the coming weeks". At the end of that week and during the weekend, intensive US-EC consultations, at the highest level, were taking place to break the impasse.

The following is the Chairman's report presented during the informal TNC meeting held on 12 November:

"Fundamental changes in positions are necessary"

Ten days ago I presented to you a detailed assessment of the state of play in each area of the negotiations. Four days later when subscribing to this assessment, participants recognised that fundamental changes in position were necessary in almost all areas of the negotiations if the Brussels Ministerial meeting was to lead to substantial results.

Since then intensive negotiations have continued on all areas. In the consultations which I have conducted personally, the main purpose has been to test if the changes in position that appear necessary could be made.

I have to report to you that the major political breakthroughs necessary to bring the Round to a positive conclusion have not been made. Let me substantiate this stark assessment by drawing your attention to the present state of affairs in some core issues.

Before doing so, let me quote one sentence from the detailed statement by Ambassador Rubens Ricupero (Brazil) on behalf of developing countries: "In the current state of affairs it is clearly impossible to carry out a detailed assessment of progress in relation to special and differential treatment for developing countries in the negotiations".

Agriculture
At the TNC meeting on 2 November, I referred to the deadlock in agriculture. I am sorry to have to tell you that the situation today is no better.

A major factor in preventing detailed negotiations from getting under way had been the absence of a key offer. That offer was finally submitted last week. However, in the view of a number of participants that offer, and possibly others, does not constitute an adequate basis on which to conduct substantive negotiations. They have questioned whether the offer concerned is consistent with the commitments taken at Punta del Este and at the Mid-Term Review, and expressed concern that in some of its features it would in fact mean a deterioration in their present trading position and their rights under the General Agreement. These participants have also called for greater precision in commitments concerning in particular market access and export subsidies. I feel that the essential political problem in this area is to bring together these specific trade policy commitments with a realistic, yet meaningful programme of agricultural reform.

I urge all participants to take the steps necessary to resolve this deadlock. Aside from the hard work that has been put into the agriculture negotiations over the last four years, a number of governments have already taken some difficult and courageous decisions, in the expectation that these would be matched by a multilateral commitment to reform in these negotiations.

Now let me turn to some of the other core issues.

Services
The key to the negotiations on the multilateral framework is an agreement on the application of an undiluted m.f.n. provision. Other key framework provisions relate to scope and definition and sectoral coverage. For the process to be unblocked, decisions on these issues must be taken now. We need to finalise agreement on a framework text. I also urge key participants to take the decisions for the effective application of the framework to different sectors. Without these decisions the framework agreement is an empty shell.

Textiles and Clothing
On Textiles and Clothing, the principal issues requiring decisions are (i) what will be the rate of progression for the integration of textiles and clothing products into the GATT? (ii) What will be the criteria and procedures for the application of transitional safeguard measures to products still liable to the imposition of restraints? (iii) How will the concept of strengthened GATT rules and disciplines to be applied in the textiles and clothing sector? And (iv) what will be the duration of the transitional or integration arrangement?

Subsidies and Countervailing Measures
In the negotiations on subsidies and countervailing measures we have a text which constitutes the basis for the negotiations at the higher level. However no further progress can be made unless there are political decisions on the remaining difficulties; such as to what extent should some domestic subsidies be subjected to increased disciplines and to what extent should some others be exempted from countervailing duties and other countermesures either because of their nature or because of their general availability at different levels of governmental authority.

Anti-Dumping
The fundamental problem at this stage is the absence of a single text to serve as a basis for the final phase of the negotiations.

The political decision that needs to be taken concerns the balance to be struck between the need for strengthening existing provisions on determination of dumping and injury and the procedures for application of anti-dumping measures, on the one hand, and the inclusion of new disciplines addressing problems such as circumvention of anti-dumping duties, on the other.

Trade-Related Investment Measures (TRIMs)
In the case of TRIMs, a core political decision is whether certain TRIMs should be explicitly prohibited as inher-
Trade-Related Aspects of Intellectual Property Rights (TRIPs)

In TRIPs, though the negotiating process is moving, there are still far more issues outstanding than Ministers can reasonably be expected to deal with in Brussels. Keeping the highly political question of the relationship of a TRIPs agreement to the GATT aside for the time being, there are others on which the negotiators need Ministerial political guidance now. I will mention only a few:

- the issue of moral rights under copyright;
- the protection of computer programmes, performers and broadcasters under copyright;
- the term of protection for sound recordings;
- the term of protection for patents;
- whether plant varieties should be protected, whether under patents or otherwise.

These are merely examples, and I could cite many more.

Market Access

We are still very far from completing negotiations in the area of market access and a timeframe for doing so is necessary. It is necessary to identify the conditions necessary to keep initial offers on the table and how these conditions can be realised. It is obvious that the quality of negotiations in the areas of Tariffs and Non-Tariff Measures as well as in Tropical Products and Natural Resource-Based Products will have to be substantially improved for results to be meaningful for all participants.

I have deliberately chosen not to talk about the importance and vision of this Round. It is too easy to wax eloquent about it whilst the really hard decisions are repeatedly postponed or side-stepped. It is obvious that we are now in a very grave situation. Until and unless some major political decisions are taken, the negotiations will not move forward. These decisions are therefore urgent and essential and it is not an exaggeration to say that the Brussels meeting is now in jeopardy. Unless there are some basic changes in present positions in the next hours or, at most, the next days, I do not see how we will be able to bring to Brussels a workable basis for final and truly multilateral decisions by Ministers.

The aim of my consultations from now on will be to determine if this movement is still possible.”

FOCUS

New rules on tariff renegotiations, other GATT Articles decisions drafted

Uruguay Round negotiators have agreed on the widening of renegotiating rights, in favour of smaller countries, when bound tariffs are raised or withdrawn under Article XXVIII of the General Agreement.

Article XXVIII governs the conditions under which a country can modify its tariff concessions - by raising or unbinding them - as well as the rights of affected parties. Its provisions are also followed in negotiations relating to the formation or enlargement of customs unions. It currently provides that the determination of a “principal supplying right” - a right to negotiate compensation for tariff changes - is to be made on the basis of trade shares in the market of the importing country.

Rights will now also be granted on the basis of how important affected trade is for the exporting country. Accordingly, the draft agreement suggests that a principal supplying right be granted, if it does not already have one, to the country for which the product is most important, in terms of the ratio of exports affected by the concession to its total exports.

The draft agreement also provides that in future renegotiations MFN trade shall be used for the determination of contracting parties holding principal and substantial negotiating rights and that only in certain circumstances non-contractual preferential trade should be used.

Regarding cases dealing with new products, where past trade statistics provide inadequate guidance for the determination of negotiating rights, the draft agreement suggests that such determination and the calculation of compensation shall be based on a measure of future trade.

Some guidelines are also suggested for the calculation of compensation when tariff rate quotas replace unlimited tariff concessions.

Draft Decisions on Articles XXV:5.

The Protocol of Provisional Application (PPA) have also been transmitted to the Group of Negotiations on Goods and the Trade Negotiations Committee. Some participants have made it clear that their ability to accept a decision on Article XXV:5 or the PPA would depend on the results achieved in other Negotiating Groups.

On Article XXXV, several participants were still considering the legal implications of the text and two expressed a reservation pending the completion of this examination.

The Draft Decision on Article XXV:5 tightens conditions under which waivers can be granted to GATT rules, so called “waivers”, can be granted. According to the proposed provisions a collective decision by the Contracting Parties to grant a waiver shall state the exceptional circumstances justifying it, the terms and conditions governing its application, and the date on which it shall terminate. For waivers granted for a period of more than one year, a review shall take place not later than one year after it was granted, and thereafter annually until the waiver terminates. Contracting Parties may, on this basis, extend, modify or terminate the waiver.

The Draft Decision further provides that waivers now in existence which do not bear an expiry date should terminate on a date which will be specified in the Draft Decision - at a later stage - unless extended in accordance with the new procedures.

The Protocol of Provisional Application, agreed at the time of the establishment of GATT, requires contracting parties to apply the provisions in Part Two of the General Agreement (Articles III to XXIII), “to the fullest extent not inconsistent with” legislation existing at the time when the acceding country becomes a contracting party. The Draft Decision states that this general derogation (the “grandfather clause”) shall expire, at a date yet to be decided.

Article XXXV currently provides that a contracting party or an acceding country may decline to apply the General Agreement to the other at the time of the latter’s accession and provided that they have not entered into tariff negotiations. The proposed Draft Decision on Article XXXV would allow invocation of non-application to be made after engaging in tariff negotiations. The proposed text aims at ensuring that tariff negotiations between contracting parties and a government acceding to GATT are not inhibited by unwillingness to accept an obligation to apply the General Agreement as a consequence of entry into such negotiations.
Council had been considering since February 1990 - ruled that contrary to an EC complaint, US restrictions on sugar imports complied with the conditions set in the 1955 US Waiver.

The Council noted that an arbitrator had given an award on the dispute between Canada and the European Community regarding the status of Canada's negotiating rights with respect to ordinary and quality wheat. The dispute stemmed from the differences in the interpretation of bilateral agreements concluded in 1962 at the end of the Dillon Round. The arbitrator, Mr. Gardner Patterson, former GATT Deputy Director-General, found the Canadian negotiating rights still valid for quality wheat but had lapsed for ordinary wheat.

The United States sought consultations with the European Community on the recent EC decision for health reasons, to halt importation of US pork as from 1 November and of other types of US meat by the end of the year. The United States also reiterated its intention to seek authority from the Council to retaliate against non-implementation by Canada of the panel reports concerning restrictions on ice cream and yogurt, and on the import, distribution and sale of alcoholic drinks by provincial marketing agencies.

The Director-General presented his twice-yearly report on the status of dispute-settlement work in the GATT. He observed that with the Council's adoption of two panel reports, only one report remained outstanding before the Forty-Sixth Session of the Contracting Parties. While GATT dispute-settlement procedures had been working satisfactorily up to the point of adoption of panel reports, he noted that problems remained with respect to the implementation phase.

He also pointed out that several dispute-settlement cases have remained on the Council table despite the apparent lack of interest by the concerned parties to pursue their complaints. The Director-General suggested that dispute-settlement cases should be withdrawn if the parties concerned failed to follow-up within a certain period, say one year.

**Panel report on Thai cigarette restrictions adopted on first reading**

In April 1990, the Council established a dispute-settlement panel to examine the US complaint against Thailand's restrictions on the importation of and internal taxes on cigarettes (see Focus No. 70). The Panel's composition and terms of reference were announced at the Council meeting in May 1990.

Mr. Rudolf Ramsauer (Switzerland), Chairman of the Panel, presented the Panel report to the Council. He said that the Panel found the Thai import restrictions inconsistent, and internal taxes consistent, with GATT provisions (see Box). The Panel concluded that Thailand should bring its import restrictions into conformity with its GATT obligations.

The United States said the Panel report was well-reasoned and urged its adoption.
Thailand said that on 9 October, just four days after the Panel's conclusions had been made known, the Thai Cabinet had decided to lift the ban on imported cigarettes without awaiting action by the GATT Council. "We want to show the world that multilateral dispute settlement under the GATT works" said Thailand's Ambassador Tej Bunnag.

Trade disputes should only be settled under multilateral rules and not through unilateral pressures, said Thailand. It noted that the dispute had started when the United States had threatened to take unilateral trade action against Thailand, under Section 301 of the US Trade Act, if Thailand had failed to open up its market for foreign cigarettes. While it would gladly accept the judgment of its GATT peers, it could not countenance any unilateral interference in its domestic affairs.

Thailand noted that its dispute with the United States was the first one to go through the streamlined GATT dispute-settlement procedures which were among the early results of the Uruguay Round. The settlement of the dispute, according to Thailand, was probably among the most expeditious ever done in the GATT.

However, Thailand expressed concern that the United States still sought additional concessions on cigarettes under its Section 301 procedures. Thailand emphasised that it would continue to take action to reduce tobacco consumption.

The Council adopted and derestricted the Panel report.

**US criticises EC ban on meat**

The United States expressed serious concern that the European Community had banned imports of US pork as from 1 November 1990 and other types of US meat by the end of the year. It said the EC action was without scientific basis and ran counter to the ongoing negotiations on sanitary and phytosanitary measures in the Uruguay Round. The US maintained that its hygiene standards for meat products were among the most stringent in the world.

The United States said that, occurring at the final phase of the Round, it could not help but detect an underlying political intent behind the EC action. It asked for bilateral consultations with the Community.

The EC said the timing of its trade measures was totally unrelated to the Uruguay Round calendar. It said the decision to ban imports of US meat came after an EC inspection found insufficient general hygiene and veterinary control in certain US slaughter houses and processing plants. It expressed its readiness to enter into consultations with the United States on this issue.

The United States exported some US$12.5 million worth of pork products and some $18 million of beef and beef products to the EC in 1989.

**US-Canada disputes referred to 46th CP Session**


The first related to a panel report which had concluded that US countervailing duties on Canadian pork were being levied inconsistently with GATT Article VI:3. Canada, in urging the adoption of the report, underlined the importance of ensuring that countervailing-duty investigations prove that subsidies were being given to the product in question; mere allegation of a subsidy was inadequate.

The United States said that due to the complexity of the Panel's conclusions, it would need more time to study the report.

The European Community supported the adoption of the report and expressed
concern that the United States was delaying the GATT dispute-settlement process.

Canada expressed disappointment with the US stand, noting that Canadian pork exports continued to be subject to the duties found GATT inconsistent by the Panel.

The second dispute concerned a US complaint against what it said was continuing refusal of Canada to state clearly its intentions regarding the elimination of import restrictions on ice cream and yoghurt which had been found to be GATT inconsistent by a dispute-settlement panel (see Focus No. 67). The US said it was reviewing Canadian products which could be subjected to retaliatory action but would hope Canada would make final action unnecessary.

Canada reiterated its intention to implement the Panel report in the light of the outcome of the Uruguay Round negotiations. It noted that GATT members were given a reasonable period of time to implement panel reports. It would be premature, it said, for the US to suspend concessions.

In the third instance, the United States again sought authorisation to suspend concessions in retaliation against what it said was continuing Canadian discrimination against US beers in violation of a panel report adopted by the Council in 1988. It expressed concern that EC-Canada negotiations on the implementation of the report had not made any progress while some Canadian provinces had introduced new restrictive practices on US beers.

Canada reiterated that its listing practices on beers were in compliance with the Panel report. It was still awaiting the United States to provide full details of its concerns, and stressed that any agreement concluded with the EC would be implemented on a most-favoured-nation basis.

The European Community confirmed that it was continuing consultations with Canada but that it was far from satisfied with the progress made.

The United States said it would be requesting at the Forty-Sixth Session of the Contracting Parties a new panel body to undertake an expeditious examination of whether Canada had complied with the report and whether US GATT rights were being nullified and impaired.

Harmonized System now covers 95% of GATT trade

Mr. Alejandro de la Peña (Mexico), chairman of the Committee on Tariff Concessions, reported that since entering into force at the beginning of 1988, 64 out of the 99 GATT members have adopted the Harmonized System of customs nomenclature. This represented more than 95 per cent of GATT contracting parties' trade.

Because of the very heavy work programme related to the Uruguay Round negotiations, the Committee had met only once in 1990 - in October. It had pursued its work related to the implementation of the Harmonized System, the submission of the required documentation for GATT Article XXVIII negotiations, and the establishment of new HS schedules for annexation to a protocol.

Several countries had requested waivers from their obligations under GATT Article II in order to be able to put into force the new system immediately and conduct the necessary Article XXVIII negotiations subsequently. The Committee had noted, however, that a few countries had implemented the new system without following established GATT procedures. It urged these countries to submit the required documentation as soon as possible.

Several countries requested the Council an extension of the time-limit for the completion of HS negotiations. These were: Brazil, Hungary, Israel, Mexico, Pakistan, Sri Lanka and Turkey. The Council approved draft decisions concerning these requests and submitted them to a postal-ballot vote of the contracting parties.

GATT trade course for Eastern and Central European trade officials to be held in 1991

In presenting his annual report on the GATT training programme, the Director-General announced that the GATT training course for Eastern and Central European officials, supported by contributions from the Swiss Government, would be held next year.

The GATT organises the twice-yearly regular courses, conducted in English, French or Spanish, aimed to help developing-country officials achieve a deeper understanding of trade policy matters and acquire an up-to-date knowledge of the GATT. In recent years, particular attention in the courses had been given to the Uruguay Round negotiations.

Since the start of the programme in 1955, some 1,195 officials from 114 countries and ten regional organisations have attended the regular courses. The Director-General said there was an ever-increasing demand for the courses but the number of available fellowships, however, had remained limited.

In 1990, two regular courses were organised: the sixty-ninth in Spanish and the seventieth in English. The Director-General thanked the Governments of Spain and Canada for hosting study tours during the year, the Swiss Government for its continuing sponsorship of workshops on negotiating techniques, and the United Nations Development Programme for its cooperation in the implementation of the fellowships.

GATT fellows for the seventieth trade policy course.
**DISPUTE SETTLEMENT**

**US/Thailand : Thai restrictions on importation of and internal taxes on cigarettes**

**Background:**

Thailand prohibits the importation of cigarettes except by license under the Tobacco Act of 1966. It has not granted import licenses for cigarettes during the past ten years. The Thai cigarette market is estimated to be worth about US$1.5 billion annually; illegal imports account for 4 to 5 per cent of the market.

Thailand had a ceiling rate for excise tax of 60% on domestic cigarettes and 80% on imported cigarettes. In July 1990, Thailand modified this regulation to provide for an excise tax of 55% on all cigarettes.

In December 1989, the United States requested consultations, under GATT Article XXIII : 1, with Thailand. Bilateral consultations in February 1990 failed. In April 1990, the GATT Council, upon the request of the United States, established a dispute-settlement panel to examine the case. Mr. Rudolf Ram­sauer (Switzerland) was appointed chairman of the Panel. In November 1990, the Council adopted the panel report.

**Main arguments:**

The United States maintained that the Thai cigarette import restrictions were inconsistent with GATT since Article XI :4 forbade prohibitions on imports and were not covered by any of the GATT exceptions or by Thailand's Protocol of Accession. Furthermore, Thailand's higher excise tax ceilings on imported cigarettes and the exemption of domestic cigarettes from business and municipal taxes contravened Article III (national treatment).

Thailand argued cigarettes were an agricultural product, and import restrictions on them were justified by GATT provisions on agricultural products [Article XI :2(c)(i)]. Article XX(b), exempts measures “necessary to protect human ... life or health”, and by the provisions of its Protocol of Accession. Its taxes on cigarettes were consistent with Article III. Competition between imports and domestic products resulted in an increase in smoking. It noted that the price elasticity of smoking was higher in developing countries than in developed ones, thus making measures which raise the price of cigarettes, such as excise taxes, effective public health policy tools in such countries.

The WHO said experience in Latin America and Asia showed that the opening of closed cigarette markets dominated by state tobacco monopolies resulted in an increase in smoking. The Panel found that the price elasticity of smoking was higher in developing countries than in developed ones, thus making measures which raise the price of cigarettes, such as excise taxes, effective public health policy tools in such countries.

**The Panel's conclusions:**

- Noting that Thailand had not granted licenses for the importation of cigarettes during the past ten years, the Panel found that Thailand had acted inconsistently with Article XI :1.
- Cigarettes had already undergone extensive processing and thus were not among the products eligible under Article XI :2(c)(i).
- Article XX(b) clearly allowed GATT members to give priority to human health over trade liberalization. Thailand could impose measures such as ingredient-disclosure requirements, labelling regulations, a ban on cigarette advertisement and higher taxes provided they were applied in a manner which did not discriminate between imports and domestic production. However, permitting the sale of domestic cigarettes while not permitting the importation of foreign cigarettes could not be considered as “necessary to protect human ... life” within the meaning of Article XX(b) since there were GATT-consistent measures available to Thailand to pursue its health objectives.
- While the Tobacco Act predated the Protocol of Accession of Thailand, it explicitly (Section 27) gave the executive authorities the power to grant import licenses. The Protocol, therefore, did not exempt cigarette import restrictions from Thailand's GATT obligations.
- Thailand had introduced a single excise tax of 55% and had eliminated business and municipal taxes for all cigarettes. These regulations were consistent with Article III.
- The Panel recommended that that Contracting Parties request Thailand to bring its application of Section 27 of the Tobacco Act into conformity with its obligations under the General Agreement.
GATT economists estimate continued high trade growth for 1990 despite Gulf crisis

While the general situation remains highly uncertain, GATT's economists believe that the growth in the volume of world trade in 1990 is unlikely to be seriously affected by the Gulf crisis and that merchandise exports should be of the order of 6 per cent higher than in 1989.

Such an outcome for this year would represent only a marginal decline in the performance of world trade from 1989 when export growth amounted to 7 per cent.

These estimates are included in the first volume of the 1989/90 edition of International Trade, published in November by the GATT. A 7 1/2 per cent increase in the value of world merchandise trade in 1989 - nearly identical to the 7 per cent volume increase - brought merchandise trade to a new record of $3.1 trillion (thousand billion).

Trade in services up by 9%

World trade in commercial services - including transportation, tourism, telecommunications, banking, insurance and other professional services - is estimated to have grown by 9 per cent last year to $680 billion, accounting for nearly one-fifth of the total value of world exports.

While the 7 per cent growth in the volume of merchandise exports in 1989 represented a slow-down from 1988's very rapid expansion, it was more than 50 per cent faster than that in world merchandise production for the fourth consecutive year. On a volume basis, exports of manufactures out-performed exports of agricultural and mining products last year by a wide margin.

Increased petroleum prices produced a sharp rise in the value of exports of mining products (12 per cent) alongside a moderate increase in volume. The volume of agricultural exports also grew moderately in 1989 (by 4 per cent), but modest increases in prices kept the rise in the value of exports to 5 per cent compared to 14 per cent in the previous year.

Merchandise exports from fifteen highly indebted countries increased 10 per cent in volume terms last year, a sharp deceleration from the 17 per cent increase recorded in 1989 but well above the increase for total world merchandise exports. The combined foreign exchange earnings of these countries from merchandise exports were almost $20 billion above the pre-debt crisis peak in 1981. Although last year's 8 1/2 per cent increase in imports marked the third consecutive year of import growth, debt service needs kept imports more than $20 billion below the 1981 peak.

At the individual country level, last year saw the United States regain its position as the world's leading merchandise exporter after three years in second place behind the Federal Republic of Germany. There was also a change in the top place among importers of services, as Japan moved up from third spot to replace the United States as the leading importer of commercial services. Trade highlights

In their report, GATT's economists also take a detailed look at trade trends for the decade of the 1980s. Highlights of specific trade developments include:

- During those 10 years, the volume of world trade increased by about 50 per cent and its value, in dollar terms, rose by three-quarters.
- Generally depressed prices and trade volumes of primary commodities - particularly fuels - had important effects on the product composition and geographic pattern of trade in the 1980s: in particular, the shares of mining and agricultural products in world trade declined, as did the shares of the Middle East, Africa and Latin America.
- Exports of manufactured goods expanded faster than total trade, as did exports of travel (tourism) services, and of the group of services which includes telecommunications, banking, nonmerchandise insurance, and other professional services.
- Although Asia clearly was the most dynamic region in terms of the growth of output and trade, North America recorded the largest increase in the ratio of trade to output.
- Trade flows between or within Western Europe, North America and Asia were not only the largest but generally the most rapidly expanding regional trade flows. Moreover, trade between these three regions grew, on average, faster than trade within the regions. This suggests a situation not of evolving trading blocs, with the inward orientation which the term "bloc" suggests, but of evolving trade centres with worldwide commercial interests.
- The leading gainers in the ranking of the 25 leading merchandise traders were China, Mexico, Hong Kong, the Republic of Korea, Singapore and Taiwan. Leading gainers in the export ranking were among the gainers on the import side.
- For commercial services, the largest gains in export ranking among the 25 leading traders were recorded by Turkey, Thailand, Taiwan, Hong Kong and the Republic of Korea.
- By the end of 1989, the world stock of foreign direct investment (FDI) is estimated to have been of the order of 11/2 trillion dollars, more than doubling in size since 1980. Limited evidence suggests that in the past decade, the share of services in FDI has shown the most significant growth, with mining and manufacturing losing relative importance.

The Report also documents a considerable amount of change in the 1980s in both the product and geographic composition of individual countries' trade. These and other findings have important implications for national trade policies, for the Uruguay Round negotiations and for future trade relations. Ongoing integration of the world economy is not only providing an important stimulus to economic growth, but also adding to adjustment pressures and blurring the distinction between "domestic issues" and issues stemming from participation in world markets for goods, services and capital. Economic policies that ten years ago were of little or no interest to trading partners are now potential sources of serious trade conflicts. The authors note that in such a constantly changing setting, the rules and disciplines of the trading system are important both as a framework for the conduct of international economic relations and as an aid to governments in dealing with the protectionist demands of special interest groups at home.

The GATT Secretariat's annual report International Trade appears in two volumes. Volume II, which will be published later in the year, is devoted primarily to statistical tables and charts. The two volumes are available in English, French and Spanish language editions, and may be ordered from the GATT Secretariat or through booksellers at a price of 30 Swiss francs per volume.