February Council

Agricultural disputes dominate GATT agenda

Trade disputes on agricultural products crowded the Council agenda on 6 February. This prompted several delegations to comment that the situation underlined the need for an early and successful completion of the Uruguay Round.

The Council established two dispute-settlement panels to examine, respectively, Canada's treatment of imported beer and the United States' import ban on Mexican tuna. The United States expressed concern over the implementation, or lack of it, of panel reports on Japan's measures on certain agricultural products and on Canadian restrictions on ice cream and yoghurt. Canada again urged the United States to agree to the adoption of a panel report on US countervailing duties on Canadian pork. A Working Party was established to conduct the triennial review of restrictions on agricultural products justified under the Swiss Protocol of Accession.

For the first time in recent years, the Council conducted a debate on the link between trade policies and environmental protection. Sparking the discussion was a proposal by the EFTA countries to revive the 1971 Working Party on Environmental Measures and International Trade. For some delegations, the environment-trade link was obvious and GATT therefore could not distance itself from accelerating international efforts to protect the environment. Others believed GATT should leave environmental matters to the growing number of international agencies directly involved. At the same time, they stressed that environmental measures should not be used to disguise trade protectionism. The Council (Continued on page 2)

Macau becomes GATT's 101st member

With effect from 11 January 1991, Macau has become a contracting party to the General Agreement on Tariffs and Trade. Macau is deemed to be a contracting party to GATT by virtue of a declaration made by the Government of Portugal under Article XXVI:5(c) of the General Agreement which was delivered to the GATT Secretariat on 11 January 1991. The declaration stated that Macau possesses full autonomy in the conduct of its external commercial relations.

The GATT Secretariat has also received a parallel declaration from the public of China confirming that, as from 20 December 1999, the Macau Special Administrative Region will continue to meet the requirements (Continued on page 8)

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requested the Chairman of the Contracting Parties, Ambassador Rubens Ricupero (Brazil), to hold informal consultations on the issue (see Box).

Guatemala set to accede

The report of the Working Party on the Accession of Guatemala was presented by its Chairman, Ambassador Emilio Artacho (Spain). He said that the Working Party had concluded that Guatemala should be invited to accede to the General Agreement.

Guatemala said that despite serious economic problems, it had reoriented social and economic policies in a democratic fashion and in harmony with other Central American states. In paying tribute to the role of the GATT in international trade, Guatemala noted that it already maintained low tariffs. It expressed firm commitment to the strengthening of the multilateral trading system.

The two Central American GATT members, Nicaragua and Costa Rica, and many other delegations warmly welcomed the impending accession of Guatemala. Two other Central American countries are expected to join the GATT soon: El Salvador which would become a contracting party 30 days after the ratification of its Protocol of Accession, and Honduras, which is in the final stages of the accession negotiations.

The Council adopted the report of the Working Party and submitted Guatemala's draft Protocol of Accession to a vote by the contracting parties.

Tuna panel established

Mexico asked the Council to establish a dispute-settlement panel to examine a United States import prohibition on Mexican yellowfin tuna and yellowfin tuna products. It charged that the US measure contravened several GATT provisions and had seriously affected its fish producers.

According to Mexico, the US ban came into force in October 1990 and was the result of a California Northern District Court order implementing the provisions of the US Marine Mammal Protection Act. In December 1990, the US adopted the Dolphin Protection Consumer Information Act. Under the Act, the label "Dolphin Safe" may be used only for tuna and tuna products not fished in the eastern tropical Pacific Ocean, or that meet a number of additional requirements if they do contain tuna fished in that region.

Mexico contended that the Marine Mammal Protection Act was contrary to Articles XI (General Elimination of Quantitative Restrictions), XIII (Non-Discriminatory Administration of Quantitative Restrictions) and III (National Treatment on Internal Taxation and Regulation) of the General Agreement. The Dolphin Act, according to Mexico, was incompatible with Article IX (Marks of Origin).

At the same time, Mexico underlined its strong commitment to the protection of the environment. It cited an estimate from the Inter-American Tropical Tuna Commission that deaths of dolphins caused by Mexican tuna fishing had declined by more than 70 per cent between 1986 and the first nine months of 1990.

The United States replied that the Marine Mammal Protection Act was designed to conserve exhaustible natural resources in a manner fully consistent with the General Agreement. The Act prohibited importation of tuna caught by purse seine fishing (using a fishing-net for encircling fish, with floats at the top and weights at the bottom edge) unless the fishing practices meet certain standards. The Dolphin Act did not require the use of labelling but merely prohibited the false labelling of tuna as "Dolphin Safe", the US said. It believed that efforts to deal with the threat to marine mammals were better left to an intergovernmental process begun in Costa Rica in September 1990. However, it would not object to the establishment of a GATT panel.

Many Council members, including Japan, Korea, Thailand, the Philippines, Thailand, Singapore, Indonesia and the European Community, supported Mexico's request. They also expressed interest in making submissions to the panel.

The Council established a panel to examine Mexico's complaint.

Beer Panel created

The United States reiterated a request for a panel to examine Canadian measures regarding the importation, distribution and sale of brewed beer (see previous Focus). It contended that Canada had not only failed to remove practices found GATT-inconsistent by the 1988 "Liquor Board" panel (see Focus No. 54) but that several Canadian provinces had since instituted new discriminatory practices.

Canada said the measures questioned by the United States were in full compliance with the General Agreement. It noted that it was consulting with the European Community (the earlier complainant) on outstanding matters arising out of the 1988 panel report. However, it would not object to the establishment of a new panel. The United States and Canada agreed that to the extent possible, the panelists in the 1988 case be requested to serve on the new panel.

The Council established a panel to examine the US complaint. The EC, New Zealand, Switzerland and Japan reserved their rights to make a submission to the panel. The Community said its current discussions with Canada regarding the 1988 panel report seemed far from completion.

Canada said there was equally a need to ensure that US practices on alcoholic beverages were consistent with the GATT. It reported that it had requested consultations with the United States on a range of US federal and state measures affecting taxation, availability for sale, labelling and distribution practices which discriminated against Canadian products. Canada cited as one specific measure Part I, Section 11201 of the US Omnibus Budget Reconciliation Act which it said provided exclusive excise tax advantages to small producers of beer, wine and cider.

US questions Japan's measures on dairy products and starch

The United States recalled that in 1988, the Council adopted a panel report concerning Japan's import restrictions on a number of agricultural products (see Focus No. 53). It requested Japan to report on actions taken to fully implement the report, particularly as they concern dairy products and starch. It noted that Japan, instead of aligning measures on these two products with the GATT, had established minimum annual access through the end of March 1991. Stressing that compensation was not a substitute for withdrawal of GATT-inconsistent measures, the United States asked Japan if it would be bringing its policies into GATT compliance after March 1991.

Japan said that it did not oppose adoption of the report in 1988, despite serious reservations and possible domestic problems, because it had wanted to ensure the effective operation of the GATT dispute-settlement mechanism. It noted that it had been
Environment initiative sparks debate on GATT role

Austria, on behalf of the European Free Trade Association (EFTA) members, proposed that the Council convene as soon as possible the 1971 Working Party on Environmental Measures and International Trade (see below). It noted that environmental policies varied considerably from country to country and the resulting differences "could set the stage for trade disputes". Austria called for clear rules to ensure that the GATT dispute-settlement system was properly equipped to deal with these disputes.

The discussion of rules should be based on a solid understanding of the impact of environmental policies on trade and vice-versa, Austria said. Noting a "rising tide of environmental measures and international environmental agreements", it suggested that GATT should consider making a contribution to the 1992 UN Conference on Environment and Development, also known as the "Earth Summit". It added: "Today, no one can say with any certainty exactly what the interlinks between environmental policies and trade are. A great deal of technical work needs to be done before we can say with certainty that we have a reasonable appreciation of the problems that may arise from a trade policy point of view. Only then can we start discussing what conclusions to draw, to strike a balance between different interests in this area. Understandably, therefore, we feel that it is important to start studying the complex issues in the field of trade and environment as soon as possible".

Brazil, host of the 1992 UN Conference, agreed that members should start thinking about GATT possibly undertaking research and studies to gain a better understanding of the interlinks between environmental policies and trade but full consultations must precede any actual work. It said GATT should take a positive approach based on "the identity now being solidified between the dimensions of development and the environment".

The proposal by the EFTA countries was supported by several delegations, including Canada, New Zealand, the European Community and Australia, Poland, Hungary and Yugoslavia. The United States believed more time was needed to study the proposal; it doubted that the mandate of the 1971 Group was sufficiently broad to address the full range of environment-trade issues.

A number of delegations stressed their commitment to environmental protection but questioned whether GATT was the right forum considering that several international organizations were already dealing with the issue. They also emphasized that environmental measures should not be used as disguised forms of trade protectionism.

Thailand, speaking on behalf of the ASEAN contracting parties, agreed that environment policies could impinge on trade practices and lead to trade disputes. GATT could use rules and disciplines as preventive measures if there was clear evidence of trade practices that could endanger health, safety or the environment. However, it was inappropriate for GATT to address environmental problems as a general policy issue. It pointed to the current work on domestically-prohibited goods as a clear example of the appropriate role of the GATT with respect to environment policies. India drew attention to the danger that GATT might become over-extended if it tried to deal with non-trade issues like the environment, health, education and others. Chile stressed that Article XX of the General Agreement, which provided a cover to certain environmental measures, should not become a general rule because it was itself an exception to GATT rules.

The Council agreed to request the Chairman of the Contracting Parties, Ambassador Rubens Ricupero (Brazil), to conduct informal consultations on the proposal by the EFTA members.

GATT and the environment: a chronology

The drafters of the GATT exempted certain government measures from trade rules, including those that could relate to the environment. Article XX (General Exceptions) provides that "nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures: ... (b) necessary to protect human, animal or plant life or health ... (g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption ...".

A government measure seeking the shelter of Article XX, however, must meet at least two conditions. First, it should "not be applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail". Second, it should not be "a disguised restriction on international trade".

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notifying to the Council measures implementing the recommendations of the panel. However, it continued to have reservations about the panel’s interpretation of GATT Article XI:2 on dairy products and starch. Since this provision was being discussed in the Uruguay Round agriculture negotiations, it would prefer to wait for the results before deciding on what measures to take regarding dairy products and starch.

The United States maintained that Japan had not made any formal reservation when the report was adopted. It intended to consult with Japan on this issue.

US-Canadian disputes

The Council resumed consideration of two US-Canadian disputes that were referred to it by the Contracting Parties at their Forty-Sixth Session held in December 1990:

- US countervailing duty on fresh, chilled and frozen pork from Canada.

Canada urged the United States to agree to the adoption of the panel report. It argued that five months since the presentation of this report to the Council should have given the United States sufficient time to act. According to Canada, the US should not wait for the outcome of the two binational dispute settlement panels established under the Canada-US Free Trade Agreement because those panels were not examining US GATT obligations.

The United States replied that an imminent decision that might lead to the removal of the measure in question was expected in the binational US-Canadian panels. This would render the case moot. It promised to return all cash deposits, with interest, to Canadian exporters should the binational panels rule against the US measure. The European Community said that procedures under bilateral arrangements should not hinder the GATT dispute-settlement process.

- Canada’s quantitative restrictions on imports of ice cream and yoghurt.

The United States said it was increasingly concerned about Canada’s refusal to comply with the panel report adopted at the Forty-Fifth Session of the Contracting Parties in December 1989 (see Focus No. 67). It reported that it had completed a preliminary list of products that would be the basis of withdrawing concessions from Canada. The United States said it could not wait indefinitely while its producers were suffering daily economic harm.

Canada said the large number of agriculture disputes on the Council’s agenda underlined the importance of reaching a successful conclusion to the Uruguay Round negotiations. It reiterated that it would implement the report in the light of the outcome of the Uruguay Round. Argentina said that establishing linkages between implementation of panel reports and the Uruguay Round could only lead to the weakening of the multilateral trading system. It stressed that adopted panel reports should be implemented since they were concerned only with existing GATT obligations.

Argentina and Peru disinvoke BOP provision

Peru and Argentina have dispensed with their GATT Article XVIII:B cover on trade restrictions maintained for balance-of-payments purposes. Mr. Jean-François Boittin, chairman of the Committee on Balance-of-Payments Restrictions, said the two countries notified that they had eliminated trade measures which had been reviewed regularly by the Committee. These restrictions consisted mainly of prior import licensing requirements and import prohibitions. The disinvocation of the GATT exemption by these two countries represented autonomous trade liberalization measures taken as part of comprehensive economic reform programmes. Before Peru and Argentina, the most recent disinvocation was made by Korea in October 1990.

On the other hand, Czechoslovakia had informed the Committee that due to a deteriorating balance-of-payments situation it had imposed, in December 1990, a 20-per cent import surcharge on certain consumer goods and foodstuff. The country said the action was temporary, and taken under GATT balance-of-payments provisions and should be seen in the context of its economic-reform programme.

The Committee had adopted the following schedule for this year: March - full consultations with Yugoslavia and simplified consultations with Nigeria, Philippines, Tunisia and Turkey; July - full consultations with Brazil and Czechoslovakia; and November - consultations with Colombia, India, Israel, Pakistan and Sri Lanka.

Under the terms of Articles XII (Restrictions to Safeguard the Balance of Payments) and Section B of Article XVIII (Governmental Assistance to Economic Development), countries whose balance-of-payments difficulties have led them to restrict imports are required to consult with the Contracting Parties regularly during the period that the restrictions are in place. The BOP Committee conducts the consultations. Developing countries normally consult every two years under Article XVIII:B and other countries every year under Article XII.

Review of Swiss restrictions on agricultural products

When Switzerland’s Protocol of Accession to the GATT was negotiated, the Swiss Government reserved its position with regard to the application of Article XI (General Elimination of Quantitative Restrictions) of the General Agreement to permit the application of certain import restrictions affecting agricultural products in conformity with national legislation. The Protocol calls for annual reports by Switzerland on measures maintained under the reservation (paragraph 4) and for a thorough triennial review by the Contracting Parties. At the Council meeting, Switzerland submitted a report covering 1989. Australia noted that with the latest report and previous reports covering 1987 and 1988, there was now a basis for conducting the triennial review of the Swiss Protocol. It continued to have concerns about the trade impact of the Swiss restrictions and proposed to have them examined by a Working Party. New Zealand and Argentina supported Australia’s proposal. The Council established a Working Party, open to all GATT members, to conduct the eighth triennial review of paragraph 4 of the Protocol for the Accession of Switzerland.

Trade in textiles and clothing

GATT Director-General Arthur Dunkel, in his capacity as chairman, presented the annual report of the Textiles Committee. He noted that the Committee met in July 1990 pursuant to the requirement of the Multifibre Arrangement (MFA) that a year before expiry, consideration should be given to whether the MFA should be extended, modified or discontinued. At that meeting, no attempt was made to reach a conclusion because of textile negotiations in the Uruguay Round.
Mr. Dunkel said traders in textiles and clothing faced a difficult situation: the MFA that governed a substantial part of their commerce was set to lapse on 31 July this year, yet an agreement on its replacement had been left hanging due to the situation in the Uruguay Round negotiations. This situation, he said, should be a reminder that the basis of activities in the GATT was the "real world" of traders, businessmen, investors, producers and consumers.

In his report, Mr. Dunkel said that the Committee had decided that the members for 1991 of its subsidiary body, the Textiles Surveillance Body, would be appointed by Canada, EC, Finland, Hungary (for the first six months, thereafter a member country of the International Textiles and Clothing Bureau), Japan, Korea, Peru, Thailand, Turkey and the United States.

"Other Business"

The Council also considered the following matters after the completion of its regular agenda:

- Macau, which became a contracting party in January 1991, announced that within one year, it would submit a schedule under which its tariffs would be bound at an acceptable percentage. India reserved its position with respect to Macau's status as a contracting party after Macau becomes part of China in 1999.
- The Working Party on "German unification: Transitional measures adopted by the European Community" could now begin its work with the appointment of Ambassador Narcisa Escaler of the Philippines as its chairperson. The Working Party was established at the Forty-Sixth Session of the Contracting Parties in December 1990 (see Focus No. 77).
- Another agriculture issue was raised. Argentina reported that it was continuing consultations with the Community regarding compensation arising out of the accession of Spain and Portugal to the EC. It noted that it was the main supplier of sorghum and the second largest exporter of corn to the Iberian states before the enlargement of the EC.
- The European Community said it had learned that Argentina and Brazil had signed an agreement, in September 1990, that represented an important step towards the formation of a Southern Cone Common Market. It asked the parties involved for more information on the subject. Brazil assured the EC that the agreement would be notified in full to the Council.

GATT and the environment

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Stockholm Conference

In 1971, GATT drew up and later published a paper on, *Industrial Pollution Control and Interna­tional Trade*. Prepared as GATT's contribution to the documentation for the 1972 UN Conference on Human Environment, the paper explored some of the problems in taking effective action to prevent industrial pollution without erecting new barriers to international trade.

A standing group on environmental measures and international trade was set up within GATT in November 1971. Its mandate was "to examine, upon request, any specific matters relevant to the trade policy aspects of measures to control pollution and protect human environment, especially with regard to the application of the provisions of the General Agreement, taking into account the particular problems of developing countries" and to report to the Council. The Group has not yet been required to examine any such matter.

The Stockholm Conference adopted principles similar to those suggested in the GATT study in the part of the report which dealt with the possible impact on international trade of measures to protect the environment. Among the Conference's proposals for international action, Recommendation Number 103 suggested in part that:

"all countries...agree not to invoke environmental concerns as a pretext for discriminatory trade policies or for reduced access to markets", (and) "the General Agreement on Tariffs and Trade, among other international organizations, could be used for the examination of the problems, specifically through the recently established Group on Environment and through its general procedures for bilateral and multilateral adjustment of differences".

Export of domestically-prohibited goods

With respect to export of domestically-prohibited goods, the Contracting Parties, meeting at Ministerial level in 1982, decided that GATT members "shall, to the maximum extent feasible, notify GATT of any goods produced and exported by them but banned by their national authorities for sale on their domestic markets on grounds of human health and safety".

In July 1989, the Council established a Working Group to consider the need for new disciplines to regulate exports of goods (pharmaceuticals, pesticides and other chemicals, for instance) which may be barred for sale in the domestic market of the producing country on the grounds that they are dangerous to human health or safety, but which are nevertheless exported. The Group's work also covered trade-related aspects of the disposal of toxic waste.

At the Forty-Sixth Session of the Contracting Parties in December 1990, the Chairman of the Group reported that members were considering a draft Decision on Products Banned or Severely Restricted in the Domestic Market. He said that upon adoption, the Decision would mean that all trade in domestically-prohibited goods would be under the auspices of at least one international organization. However, the Group had not been able to reach consensus because one member had reserved its position. The Contracting Parties had extended to the end of March 1991 the deadline for the completion of the Group's work.

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The following are excerpts from an address by GATT Director-General Arthur Dunkel to the 1991 annual meeting of the World Economic Forum at Davos, Switzerland on 4 February:

GATT is about opportunity

Even in its existing form and without the strengthening and expansion we are seeking through the Uruguay Round - the GATT is indeed about opportunity. By providing a framework for security and predictability in world markets and in trading relationships among nations it gives businessmen the opportunity to invest, to create jobs, to develop technologies and products, to evolve new marketing strategies and, of course, to trade. Simple rule-based concepts - like the binding of tariffs, non-discrimination, undistorted competition and the opening up of markets - lie at the heart of a system devoted to opportunity.

So for the future and following the suspension of talks in Brussels there is only one question which counts: can the new opportunities represented by the Uruguay Round be grasped or not? And here I should emphasise that I do not merely mean opportunity for entrepreneurs in the major trading nations, of course, but also the immense possibilities for economic and social advancement around the world.

In fact, I would contend that new opportunities have already been created by the Uruguay Round, that it is something of a success even before its conclusion.

Take for example, the institutional reforms that were implemented after the Mid-Term Review two years ago. The GATT has already switched to new and more efficient, dispute settlement procedures. But we need to go much further, especially in ensuring more effective implementation of panel findings. Another example is the new Trade Policy Review Mechanism. This has brought national trade policies under GATT surveillance in a concerted and comprehensive manner. The mechanism is fully in operation. You can already place orders with the GATT Secretariat for analytical reports on countries such as the United States, Colombia, Japan, Morocco or Sweden to name a few. But again, we need to develop it further. And while I am talking about the Mid-Term Review results, I should remind you that we already have achieved an appreciable lowering of protection in respect of tropical products, which should be of some advantage to exporters and consumers.

Holding the line on protectionism

Of more significance, perhaps, has been the extent to which the Uruguay Round has allowed us to hold the line on new protectionist measures by governments. Whether it was for reasons of negotiating credibility or in order not to poison the negotiating atmosphere, participants have generally lived up to their undertaking to ensure a standstill on new measures of protection and have largely avoided intensifying existing ones. There have been some regrettable exceptions and many threats of restrictive measures and legislation. But care and restraint have been exercised. The views of trading partners have been heard. And, incidentally, the potential weapon of resort to the GATT disputes settlement procedure seems to have encouraged amicable settlements. So the GATT has teeth after all.

We can neither lower the ambitions of this Round nor spend unnecessary time trying to achieve them.

We can go further still in examining the positive influence of the Uruguay Round in the real world. Many governments are engaged in trade and economic reform with a view to their integration into the GATT system but also, as a process of adjusting to the new trade disciplines and market opening obligations which will result from the Uruguay Round negotiations. In other words, these governments are assuming the success of the Round and are acting accordingly.

In the case of the Eastern and Central European countries the reforms are part of the fundamental restructuring of their political and economic systems. For a number of developing countries, they are a move away from old style, inward-looking economic and trade policies - at least partly in the context of efforts to cope with their overwhelming and continuing balance-of-payments problems. In each case, the trend is towards greater acceptance of the long-standing principles of the multilateral trading system and less insistence on being an exception to the rule. Taking just one example: Poland decided last year to seek to completely renegotiate its membership of GATT, replacing its commitments to achieve a planned level of imports with unequivocal GATT market-oriented disciplines.

These are the well-known cases, there are many more examples of individual countries taking autonomous trade liberalization measures over the past years. It would take too long to name them all but I could list as many as thirty countries taking such action, often affecting some of the most sensitive industrial sectors. At one end of the scale you would find small developing countries like Bolivia and, at the other end, the big trading nations where, like it or not, economic and trade policies are evolving with GATT obligations and Uruguay Round objectives very much in mind. This is true of the classic GATT domain of trade in goods, including textiles, agriculture, steel, civil aircraft and so on, but also of the new areas such as services.

Agriculture: the situation cannot continue

In the traditional area, let me pick one subject - agriculture. The distortions in world trade and production - and the unaffordable expense involved for even the most affluent treasuries in maintaining these distortions - have forced governments to agree that the present situation cannot continue. It is no accident, therefore, that the reform of agricultural trade has become a central point not only in the Uruguay
URUGUAY ROUND

Round agenda, but also in the internal debates on economic and social policies practically everywhere. It is also hardly surprising that relating multilateral agreement to the pace and content of the domestic reform process continues to pose a major challenge. The Brussels Ministerial Meeting in December last year and the debate surrounding the reform of the Common Agricultural Policy demonstrate this very clearly. This being said, it cannot be denied that the Round has made governments and the general public more aware of the costs of trade protection and distortion.

Turning to the new areas, let me take the services sector. Here we see a surprising degree of change worldwide - from reform which includes the previously centrally-planned economies, through privatization of services - airlines, for instance - in many countries to deregulation of financial services. Many of these trends have been affected if not initiated by concepts relating to liberalization of trade in services and greater competition developed in the Uruguay Round services negotiations. Many governments are also adapting their legislation for the protection of intellectual property rights under the influence of the Uruguay Round process.

By now, you may have begun to suspect that this litany of Uruguay Round benefits is just a case of international civil servants viewing the world through rose-tinted spectacles. On the contrary, I think the GATT is a down-to-earth institution. The facts are before you. There is only one real point to be added. Allowing the Uruguay Round to drift on and lose momentum is to risk not just the closing of new opportunities but also losing much that has already been achieved through collective and individual effort over the past four and a half years and which the Round must nail down.

From a political point of view the present situation in the Round begs the question of governments: what do they want the GATT to be? Why? Because, in an unprecedented way, the Round has brought governments face to face with the interaction between the interests of their traders and some of the most exposed areas of their domestic economy. As we move towards concluding the Round, governments will continue to find some of the implications of this change uncomfortable because of pressure or resistance from vested interests. I hope that, despite this discomfort, the view that this change is essential will prevail. The task is not an easy one. Again, the Brussels Ministerial Meeting demonstrated the tensions involved.

I have no intention here of conducting a post-mortem on the Brussels meeting. It is sufficient to say that it was neither one party nor even one subject that prevented the final package emerging. It was a more complex picture than that. But let us plan ahead rather than wasting time and energy on the past.

**Resumption of negotiations**

The challenge of the post-Brussels phase of the Uruguay Round is to find the means of resuming negotiations in a manner which is most productive. My consultations in recent weeks have convinced me that the consensus in favour of a successful conclusion of the Round remains intact. We have also the advantage that the Brussels meeting has led to a much clearer perception of the major stumbling blocks - and this, at the highest level in national capitals.

The dust has begun to settle down. The negotiations are gradually, but effectively, gaining momentum again."

"The dust has begun to settle down. The negotiations are gradually, but effectively, gaining momentum again."

The General Agreement provides for extension of the benefits of bilateral agreements to all GATT members through the Most Favoured Nation clause. It also provides for free trade agreements and customs unions because it believes that, under the right disciplines, these are trade creating not trade reducing or distorting. There is no more reason to consider that an abbreviation between the US, Mexico, Canada and others aimed at creating larger integrated markets in the Americas is any more of a threat than the fact that members of EFTA are negotiating with the Community on a European Economic Space. Conversely to operate effectively and produce the expected results, such arrangements would have to be part and parcel of the stronger multilateral trading system emerging from the Uruguay Round. It is not in the presence of an audience of business that I need to make the point that for enterprises which operate on a global scale - and there are more and more - regional disciplines and regional markets must be eventually be integrated with global disciplines and global markets.

I hope that this time next year you will hear reports of how the results of the Uruguay Round are being implemented. At the same time, we should be able to observe that the constantly renovated GATT is continuing to play its full and indeed indispensable role in supporting the activities of the business community around the world.
**GATT report**

Oversupply and faltering demand underpin world bovine meat market

Production expansion amid faltering consumer demand led to a 3 per cent drop in world exports of beef and veal in 1990, and is expected to further weaken international beef prices this year. The general economic slowdown last year held down beef consumption while the Gulf crisis resulted in the closure of major beef markets. Producers in the European Community faced an additional problem: an outbreak of bovine spongiform encephalopathy (BSE or ‘mad cow disease’), in the United Kingdom, dampened demand. In Eastern Europe, beef exporters have started to veer away from traditional trade arrangements to concentrate instead on "hard currency" markets like Western Europe.

These are among the conclusions of *International Markets for Meat 1990/91* published by the GATT in mid-February (available in English, French or Spanish from the GATT Secretariat or authorized book-sellers, Swiss Francs 25.-). The report examines trends in production, consumption and trade of bovine meat, and summarizes developments in pigmeat, poultry meat and sheepmeat. It offers an outlook for 1991 and lists significant trade policy developments in member countries of the Arrangement Regarding Bovine Meat.

**Highlights**

Before the Gulf crisis, Iraq and Kuwait had accounted for 3-4 per cent of world beef imports. Imports from their largest supplier - the European Community - amounted to some 100,000 tons in 1989. The loss of these markets and an outbreak of BSE in the United Kingdom which shook consumer confidence in several other markets contributed to a 284,000-ton drop in EC beef exports last year.

The GATT report highlights other key developments in the world beef market in 1990:

- Total bovine meat production of signatories to the Arrangement increased by 1 per cent to 31.4 million tons. Most of this growth was due to a 4 per cent expansion in the European Community. Drought conditions encouraged higher slaughter rates in Australia resulting in a 8 per cent rise in bovine meat production. Beef output fell in the United States (-1.1 per cent), Canada (-2.6 per cent), New Zealand (-4.4 per cent) and Argentina (-2.4 per cent).

- The long-term decline in beef and veal consumption continued because of rising retail prices, the general slowdown in economic growth and an abundant supply of cheaper poultry meat. Marketing campaigns and production of leaner meat, particularly in North America, had apparently failed to stop this trend. In the EC, consumption dropped by 4 per cent due in part to an outbreak of BSE.

- Estimated world bovine meat exports amounted to 3.9 million tons - some 120,000 tons below the 1989 figure. Among the major exporting countries, only Australia (+3.7 per cent), the United States (+2.6 per cent) and Argentina (+25 per cent) managed to increase beef shipments. However, the substantial decline in EC exports alone was able to offset the export rise in these countries. In Brazil, market uncertainties arising out of radical economic reforms and US sanitary restrictions on canned meat contributed to a 30 per cent drop in beef exports.

- Two countries whose beef import regimes had been the subject of GATT dispute-settlement procedures substantially increased their imports of bovine meat. Japan’s beef imports rose by 12 per cent to 562,000 tons while estimated beef shipments to Korea increased by 26.5 per cent to 105,000 tons.

World beef prices are expected to remain weak in 1991 because production is continuing to outstrip demand. EC beef exports could rise by a third to approach the historical record level of one million tons. The Community intervention purchases of beef rose sharply from 171,000 tons in 1989 to 650,000 tons in 1990. As a result, EC beef stocks, after falling by 70 per cent in 1989, was estimated to have at least tripled to some 600,000 tons at the end of 1990.

An increase in EC shipments would largely offset export declines expected for Uruguay and Argentina. Brazil could also come back to the export scene in a big way as it had substantially built up its cattle stock in 1990. The report forecasts higher beef sales by the United States and New Zealand.

**Macau** (Continued from page 1)

necessary to be deemed a contracting party to GATT as prescribed in Article XXVI:5(c) of the General Agreement.

The addition of Macau brings the total of GATT members to 101. GATT rules have been applied in respect of Macau since 1962 and until now its interests have been represented from within the Portuguese delegation.

Macau’s exports in 1988 amounted to US$1,400 million while its imports were valued at US$1,290 million. Macau’s major export markets are the United States, Hong Kong and the European Community while its principal suppliers are Hong Kong, China and Japan. Macau is a significant producer and exporter of textiles and clothing.

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