The Council had a lengthy agenda for its meeting on 3 November. It examined several trade disputes still outstanding among some of GATT’s member states, took some procedural decisions, and adopted the reports of several GATT bodies.

Concerning the disputes regarding income tax practices maintained by France, Belgium and the Netherlands and the United States tax legislation on domestic international sales corporations (DISC) – all of which have been pending for several years – these countries informed the Council that they had agreed on a common interpretation of certain concepts regarding export activities covered by Article XVI: 4 of the General Agreement. The Council agreed to revert to these matters at an early meeting.

The Council also discussed in depth the report of a panel established by request of the United States to examine consistency with the General Agreement of measures taken by Spain regarding domestic sales of soyabean oil. Several countries expressed reservations concerning the panel’s interpretation of Article III on national treatment applied to imports in respect of internal taxes and regulations; in particular, they considered this Article does not require the existence of injury or the threat thereof, and that the panel had given an unduly restrictive interpretation to the term “like products”. Taking these observations into account, and also the fact that the United States had not asked for any Council action on the matter, the Council simply took note of the panel’s report and the various remarks made.

The Council adopted a report by the Committee on Balance-of-Payments Restrictions concerning the deposit scheme introduced by Italy in May 1981 for purchases of foreign currency. It shared the view of the International Monetary Fund that macroeconomic policy action of a more general nature would have been preferable. The Council noted that the deposit scheme, though monetary in form, was having certain trade effects; accordingly it could be considered in the spirit of the declaration adopted at the end of the Tokyo Round which urges developed GATT member states to avoid imposing restrictive trade measures for balance-of-payments purposes to the maximum extent possible. The Council also noted that the deposit rate is to be reduced progressively, and that the scheme is to be eliminated by the end of February 1982.

*See Focus No 6.*

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**Consultative Group of Eighteen**

**Recommendation for a Ministerial Meeting in 1982**

At its meeting on 14-16 October, the Consultative Group of Eighteen reaffirmed the need to maintain close co-operation in GATT and to resist protectionist pressures.

The Group also continued discussion on the objectives and themes of the ministerial meeting that has been proposed for 1982. It suggested the ministerial meeting agenda could appropriately include a review of the current state of the multilateral trading system and possibilities for improving it; the meeting would also be a suitable occasion for reviewing implementation of the Tokyo Round agreements, and for dealing with issues presently under discussion in GATT, as well as for defining GATT’s future tasks. The Group unanimously recommended that GATT’s member states, at their session on 23-25 November, consider holding their November 1982 session at ministerial level, and that they request the Council to make the necessary arrangements.

The Group also began a detailed discussion of agricultural trade in GATT, and agreed to continue this discussion at a later date in the light of national policies.

*See Focus No. 5 and Press Release GATT/1297 of 16 October.*
INTERNATIONAL TRADE 1980/81

GATT's annual report on International Trade in 1980/81 has just been published in full (see p. 4). FOCUS Nos. 26 and 7 gave preliminary comments on trends in international trade; in this issue the reader will find additional information drawn from other chapters of the report.

Despite a decline in volume, the share of oil in the total value of exports reached a new peak of 24 per cent in 1980, as against 20 per cent in earlier years. Petroleum is the second most important export product in world trade, coming after manufactures, whose share in world exports declined from 58 per cent to 55 per cent in 1980.

World exports of raw materials (excluding oil) increased by nearly one fifth in value in 1980 due to a steep rise in prices in the first quarter of the year. In the second part of the year, export prices of most raw materials were declining, the downward movement continuing in the early months of 1981. The contraction of economic activity in industrial countries has been accompanied by a slowdown in their exports, which in terms of volume showed a growth rate of only 4% per cent in 1980 as against 7 per cent in 1979. This trend has been still more pronounced in respect of imports: these dropped by 3 per cent in volume in 1980 after an 8 per cent increase in 1979.

Terms of trade were deteriorating in 1980 in the industrial countries. Mainly as a result of higher oil prices, the effects of which were aggravated in 1981 by a rise in the dollar exchange rate.

As for developing countries, export earnings of the traditional oil exporters increased 40 per cent in 1980, only a little less than in preceding years, despite a 12 per cent decline in the volume of their shipments. Their imports rose 16 per cent in volume, following a decline in 1979. The other developing countries progressed more slowly in 1980 than in the preceding four years. Their real GNP growth barely reached 4 per cent, compared with an average of 5 per cent in 1976-79. Manufacturing and mining were the sectors most affected by the slowdown. In the new oil-exporting countries, the value of exports rose by 45 per cent in 1980, and imports by 43 per cent. In the oil-importing countries, exports were up only 19 per cent in value (as against 30 per cent in 1979); the value of their imports grew by about one quarter, as in 1979, although with a marked decline in volume growth. According to the GATT report, "a more marked slowdown in output and domestic expenditure has taken place in developing areas in the first half of 1981 than in 1974-75 (the first oil shock and recession). High levels of cumulated debt and less favourable maturity and interest conditions in financial markets have substantially narrowed the margin of alternative policy responses to deteriorating terms of trade and weak demand for the exports of developing countries".

Committee on Subsidies and Countervailing Measures

After carrying out its annual review of the operation of the Agreement on Subsidies and Countervailing Measures, the Committee that administers this agreement discussed subsidy notifications. It found the situation not entirely satisfactory in that some signatories fail to notify their export subsidies or make incomplete notifications. The Committee agreed to hold a special meeting in February so as to consider how greater discipline can be introduced in this area. The Committee also adopted the report of a group of experts on definition of the world “related” (see article on the Anti-Dumping Committee).

Committee on Anti-Dumping Practices

The Committee on Anti-Dumping Practices took two substantive decisions at its meeting on 26-27 October.

It adopted a draft understanding on basic price systems and special monitoring schemes. The main purpose of basic prices, provided for under Article 8.4 of the Anti-Dumping Code, is to facilitate the imposition of anti-dumping duties when several foreign countries are involved. But this provision contains ambiguities and can be interpreted in different ways; the Committee decided the provision was not essential to operation of the Code and should not provide the basis for opening an anti-dumping investigation or for imposition and collection of anti-dumping duties.

As regards special monitoring schemes, these are not envisioned by either the GATT or the Anti-Dumping Code. Nevertheless, these schemes can have the effect of burdening and distorting trade and could be used in a manner contrary to the spirit of the Code. Accordingly, the Committee agreed that such schemes should not be used as a substitute for anti-dumping investigations and that their effects on international trade should be examined with a view, if necessary, to strengthening international discipline in this area.

Second, the Committee adopted a report by an expert group which it had established jointly with the Committee on Subsidies and Countervailing Measures to define the meaning of the world “related” used in the two agreements administered by these Committees. This question concerns relations between a producer and an exporter or importer, and is important for the coverage and operation of the two agreements; objective criteria have now been defined for determining the existence of such relationships.

Committee on Government Procurement

At its meeting on 13-15 October, the Committee on Government Procurement continued its detailed examination of national legislation implementing the Agreement on Government Procurement concluded in the Tokyo Round. The Committee has asked its members to communicate their current practices in regard to leasing and similar arrangements, with a detailed description of the types of contracts considered to fall within the coverage of the Agreement. The Committee also examined the question of including taxes and duties in the threshold value of procurement contracts, which is one of the decisive criteria for implementing the Agreement.

The Committee discussed certain questions regarding transparency, in particular identification of contracts published under the Agreement and possible procedures to be followed for consultations between members.

In addition, the Committee conducted its first annual review of the implementation and operation of the Agreement.
Focus on...

AGREEMENT ON TECHNICAL BARRIERS TO TRADE

More and more, industrial and agricultural producers all over the world have to conform to standards and technical regulations defining the characteristics required of their products. Although these standards and regulations are designed to take account of legitimate concerns (such as safety, public health, protection of the environment), they vary from one country to another and can hamper free movement of goods.

The Agreement on Technical Barriers to Trade, which was drawn up during the Tokyo Round and which has been in effect since 1 January 1980, is designed to avoid the unfavourable effects that standards and regulations can have on international trade, and to encourage co-operation in this area, in particular through the application of international standards. At present the Agreement is being applied by thirty-one countries, one third of them developing countries.

The Committee on Technical Barriers to Trade, which administers the Agreement, recently made the second annual review of its operation. Some 250 technical regulations or certification systems have been notified to the Committee by signatories, in accordance with the transparency obligations that it has established: the notification procedure is the keystone of the Agreement and makes commitments under that instrument operational.

Complementary rôle

Standards and technical regulations are drawn up at national level by various types of bodies, whether or not on the basis of international standards adopted by international organizations such as the International Organization for Standardization (ISO), the International Electro-Technical Commission and the FAO Codex Alimentarius.

The General Agreement makes only few references to standards and technical regulations. Nevertheless, following successive tariff reductions implemented since 1947, the restrictive effect of technical barriers to trade has become relatively greater.

The Agreement on Technical Barriers to Trade resulting from the Tokyo Round fills the gap previously existing between the general principles laid down by GATT and government activity in this area. It establishes a more detailed system of rights and obligations in order to limit unnecessary obstacles to trade and urges signatory countries to participate actively in the formulation of international standards. It does not, however, supersede the activities of international organizations which specialize in this area, but is complementary to them.

While reaffirming the principles of national treatment and most-favoured-nation treatment set forth in the GATT, the Agreement aims to prevent technical regulations and standards from being used to protect domestic producers against imports of like products from other signatory countries.

Transparency and balance of obligations

The Agreement governs standards, technical regulations (including regulations on packaging, marking and labelling), test methods and verification procedures as well as certification systems. It applies to both agriculture and industry.

The Agreement establishes detailed procedures to ensure the transparency of standards and technical regulations and to secure access to certification systems. In particular, parties to the Agreement must publish and notify their draft technical regulations and certification systems if they do not correspond to the international standards in force; they must allow reasonable time for other parties to make comments in writing. In addition, signatory countries must establish enquiry points that can answer all reasonable enquiries regarding their standards activities and must furnish all necessary technical documentation for the examination of draft technical regulations or certification systems that have been notified.

These procedures are designed to prevent the establishment of technical barriers to trade by ensuring that trade partners are not placed before a fait accompli.

In order to ensure a balance of rights and obligations between countries with a central government, those with federal structures of government where standardization activities are most often within the purview of local authorities, and those where such activities are essentially a matter for the private sector, the agreement establishes a two-tier system of obligations. All signatory governments undertake to use their “best efforts” to ensure that local public institutions and private standards organizations conform to the obligations established by the Agreement. In this respect, the Agreement is unique in the framework of GATT, which does not usually regulate the activities of non-governmental bodies.

Developing countries

The Agreement aims to help developing countries to adjust to technical requirements in their major markets.

Technical assistance is provided for them, particularly for the least-developed countries, to assist them in drawing up technical regulations, establishing national standardizing and certification bodies, and to help them to conform to technical regulations established by their trade partners.

The Agreement also provides for special and more favourable treatment for developing countries, particularly in the application of existing international standards. In addition, it can allow them relief for a limited time from certain obligations under the Agreement.

1 Standards constitute a recommendation; technical regulations are mandatory.
2 Argentina, Australia, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Federal Republic of Germany, Greece, Hungary, Ireland, Japan, Republic of Korea, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Philippines, Romania, Singapore, Spain, Sweden, Switzerland, Tunisia, United Kingdom (plus Hong Kong), United States, Yugoslavia. Other countries are considering acceding to the Agreement.
3 See article on page 4.
4 Articles I and III (most-favoured-nation treatment and national treatment) apply to technical specifications. Articles IX, X, XI and XX also refer to standards and technical regulations.
5 Certification system is a set of procedures for obtaining a certificate of conformity with technical requirements.
Committee on Technical Barriers to Trade

The Committee on Technical Barriers to Trade, which administers the Agreement on Technical Barriers to Trade (see article on page 3), met on 20-22 October to examine notification procedures, technical assistance to developing countries, and regional standardization activities; it decided to undertake a study on non-governmental standards bodies. The Committee was informed by the working party on the accession of Bulgaria to the Agreement of the status of discussions on that matter. The Committee also organized a discussion among persons with responsibility for national enquiry points in order to determine practical arrangements for improving the notification and information system set up under the Agreement.

can discourage the installation and development of processing plants. The GATT Committee on Trade and Development, which is the forum for discussing the trade interests of developing countries, is also discussing this matter. It has been agreed that the technical aspects of tariff escalation will be dealt with by the Committee on Tariff Concessions, while the CTD would orient the work and evaluate results in the light of the trading interests of developing countries.

The Committee on Tariff Concessions decided that the basic data for the tariff study, to which a number of countries have contributed, should be updated regularly, and examined the possibility of extending its coverage. The study gives a clear picture of the post-Tokyo Round tariff situation of the countries involved.

As regards the new loose-leaf system for updating schedules of tariff concessions granted since the inception of GATT in 1948, some dozen countries have so far communicated their schedules.

And lastly, as usual, the Committee considered the status of acceptances and implementation of tariff concessions.

Trade in Civil Aircraft

At its meeting on 28-30 October, the Committee that administers the Agreement on Trade in Civil Aircraft continued its discussions on the quota system applied by Japan and agreed to revert to this matter at its next meeting. The Committee also discussed subsidies to export credits for aircraft sales. The United States has indicated that it considers this question of the utmost importance; it is prepared to seek an amicable agreement through consultations and has expressed its intention of availing itself of all its GATT rights in order to ensure conditions of fair competition in the United States market. The European Community explained its position regarding the relationship between the Agreement on Civil Aircraft and the Agreement on Subsidies and Countervailing Measures.

The technical sub-committee on trade in civil aircraft, meeting on 27 October, continued its work on trade statistics for products covered by the Agreement; in addition it made arrangements to allow further progress in its study so as to extend the product coverage of the Agreement.

Committee on Technnical Barriers to Trade

The Committee on Tariff Concessions met on 19 October and, among other things, discussed tariff escalation in relation to the degree of processing of products. Several countries underlined the methodological difficulties involved (collection of appropriate statistics; comparability of results). The Committee decided that pilot studies should be undertaken on certain products, which would have to be selected on the basis of certain criteria, such as their importance in world trade.

Tariff escalation is an issue of interest to both developed and developing countries, in that the existence of higher tariffs on finished products than on semi-manufactured or raw materials can discourage the installation and development of processing plants. The GATT Committee on Trade and Development, which is the forum for discussing the trade interests of developing countries, is also discussing this matter. It has been agreed that the technical aspects of tariff escalation will be dealt with by the Committee on Tariff Concessions, while the CTD would orient the work and evaluate results in the light of the trading interests of developing countries.

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Publications

GATT report on World Market for Dairy Products

This report contains comprehensive information on production, trade, consumption, stocks and international prices of dairy products in the world market in 1980, as well as estimates for 1981.

The report is available free of charge from the GATT Secretariat in English, French and Spanish.

International Trade 1980/81

On sale at the GATT Secretariat and in book shops, price Swiss Francs 30. Press Release GATT/1299 gives a detailed outline of the report. (See article on page 2.)

Coming GATT activities

Provisional programme of meetings for December

7-8 Working Party on Trade with Hungary
10-11 Meat Market Analysis Group
14-15 International Meat Council
16-18 Committees and Group of Experts on Milk Powders, Milk Fat and Cheeses

GATT FOCUS

Newsletter published 10 times a year in English, French and Spanish by the GATT External Relations and Information Division
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154 rue de Lausanne, 1211 Geneva 21
(tel. 31 02 31)