Council Chairman Lars E. R. Anell is set to consult with the world's four biggest traders - the United States, the European Community, Japan and Canada - on how to unblock implementation of five adopted panel reports. "The situation is serious and could get worse," Mr. Anell (Sweden) said at the Council meeting on 24 April. The world's four leading traders are involved as defendants in these five dispute-settlement cases.

The only starting point of the private consultations, the Chairman said, would be that "these panel reports concerned measures taken under existing treaty obligations". Losing parties have linked directly or indirectly, implementation of the five adopted panel reports to the outcome of the Uruguay Round, in effect postponing changes to measures found GATT-inconsistent until the conclusion of the negotiations. The Round, originally scheduled to end in December last year, resumed in February but no new deadline for completion had been fixed.

The problem of non-implementation of panel recommendations came up during the discussions on three adopted reports (see below). In effect, it was a continuation of a debate on the state of the GATT dispute-settlement mechanism held the previous day (see article on page 11).

Argentina said that a situation where members do not adopt or implement panel reports was tantamount to a paralysis of the GATT system. Chile noted that when consensus was not (Continued on page 12)
The Council has completed the fourth round of reviews under the GATT Trade Policy Review Mechanism (TPRM) with a comprehensive examination of the trade regimes of the European Communities (15-16 April), Hungary (17-18 April) and Indonesia (25-26 April).

The TPRM was among the early results of the Uruguay Round agreed at the Mid-Term Review, and was adopted by the GATT Council on a provisional basis in April 1989.

THE EUROPEAN COMMUNITIES

Many Council members stressed the important role of the EC in the multilateral trading system, both as a market and as a source for goods traded internationally, and as one of the trendsetters in trade policy. This role called for effective leadership to the benefit of all contracting parties. Council members emphasized the particular need for transparency in the Communities' policies having regard both to the importance of the Communities and the complex and multi-layered process of trade policy formulation and implementation. A number of questions and requests for additional information were addressed to the Communities with respect to various aspects of its trade policies and practices.

The Council noted that the EC trade régime was in a process of rapid transformation. This process resulted from a variety of initiatives, including the Uruguay Round; the Single Market programme; and ongoing European integration through negotiations on an European Economic Area and on association agreements with countries in central and eastern Europe. Many participants emphasized that regional liberalization should be conceived as a step towards freer trade at the global level, and that internal liberalization must go hand in hand with external liberalization of the EC trade régime in order to support and develop the multilateral trading system.

Example of benefits from liberalization

Some members noted that the process of EC integration provided, on a regional basis, a valuable example of the benefits that could be gained from broader multilateral liberalization and cooperation. Over the past three decades, trade among EC member States had expanded very rapidly as compared to trade with third countries. It was therefore welcomed, and considered reassuring, that the EC had expressed full support for further developing and strengthening the multilateral system and bringing the Uruguay Round to a successful conclusion.

Participants recognized that the incidence of tariffs and non-tariff measures over a wide range of industrial products in the Communities was relatively low. The high level of tariff bindings was noted.

The positive attitude of the EC in avoiding unilateral approaches to dispute settlement was emphasized.

Several Council members acknowledged that a number of recent policy changes had increased the
The European Communities in world trade

The European Communities form the world's largest importer and exporter of merchandise. Including trade among member States (internal trade), the EC accounted for 38 per cent of merchandise traded internationally in 1989, up from 23 per cent in 1958 when the Treaty of Rome became effective. This expansion in market share reflects both rapid growth of internal trade as barriers to trade among member States were lifted and the progressive enlargement of the EC from six to twelve member States.

Excluding trade among member States, one fifth of world trade originated from or was destined for the EC in 1989, slightly less than the twelve EC members as a group had accounted for three decades ago. External exports and imports of the twelve EC members, as a group, thus expanded less than world merchandise trade and, in particular, the Communities' internal trade. The share of external in total merchandise trade of the twelve countries declined sharply from 63 to 40 per cent between 1958 and 1989.

While less dynamic than internal trade, external trade has been of major economic importance for the EC. In 1989, external exports of merchandise worth ECU 413 billion corresponded to 9 per cent of the EC's GDP and external imports worth ECU 447 billion to 11 per cent of GDP. The external trade to GDP ratio of 19 per cent in 1989 exceeded that of the United States and Japan, even though the Communities' internal market is larger.

Trade in services and foreign direct investment at home and abroad add to the external trade balance of the EC. In the 1980s, the Communities' external trade in commercial services expanded more rapidly than external merchandise trade, to reach an estimated ECU 118 billion for exports and ECU 108 billion for imports in 1988. Available information also suggests expansion of foreign direct investment links between the EC and its trading partners in recent years. This expansion was attracted by economic prospects in Europe and fostered by financial deregulation, but possibly also induced by uncertainty about conditions of future access to EC markets. Investment links with the United States have been particularly strong.

The United States has also been the Communities' single most important trading partner, with a share of about 19 per cent in external exports and imports of merchandise in 1989. While in the 1980s merchandise trade links with the United States lagged behind the Communities' trade expansion with other trading partners, trade relations with Japan developed dynamically. Within a decade, Japan's share doubled to reach 10 per cent of total external imports of merchandise and 5 per cent of total external exports. Despite the rapid growth of exports to Japan, Austria, Sweden and Switzerland each remained larger outlets for merchandise made in the EC. As a group, EFTA countries were the market for close to one third of external exports of the EC and the source of more than one quarter of external imports of merchandise in 1989.

The developing countries are even more important trading partners. However, their shares in external merchandise trade declined from 44 (exports) and 45 (imports) per cent in 1981 to 32 and 31 per cent in 1989. This development reflects the decline in the ECU value of EC trade with petroleum exporting developing countries, in particular in the Middle East, and with heavily indebted developing countries in Latin America and Africa. EC imports and exports in merchandise trade with Asian developing countries doubled during the same time, boosting their share in external exports to 11 percent and in external imports to 12 per cent in 1989. These countries, as a group, have become more important trading partners for the EC than central and eastern Europe.

The average figures for the EC as a whole mask a wide variation of trade levels and intensities among member States. In 1990, trade to GDP ratios ranged from 12 per cent (Spain) to 62 per cent (Belgium-Luxembourg) for merchandise exports and from 18 per cent (Italy) to 64 per cent (Belgium-Luxembourg) for imports. Regarding the importance of extra-Community trade in five smaller countries (Belgium, Luxembourg, Ireland, the Netherlands, Portugal), external exports represent less than 30 per cent of total exports of merchandise. France has the weakest extra-Community export performance, although the Community share with external exports accounting for close to two-fifths of total exports of merchandise. The share of external in total trade is particularly high for Denmark and the United Kingdom, reflecting in part their historical EFTA relations and, in case of the United Kingdom, the ties to the Commonwealth.

Specialization in overall international trade also differs substantially among member States. For example, according to the breakdown of trade into eighteen major product groups routinely used by the GATT Secretariat, automotive products ranked top in the export baskets of Belgium, Germany and Spain in 1988, with exports having expanded at above average rates in the 1980s. In Denmark, France, Greece, Ireland and the Netherlands, food products were the leading export item, even though export performance had been below average in the 1980s. For Greece and Portugal, clothing alone accounted for about one fifth of total merchandise exports in 1988. Import patterns show a similar spread. This variety in trade interests among member States is an important factor behind the design and conduct of the external trade policies of the EC and, ultimately, the Communities' positions in the GATT system.
In this connection, considerable interest focused on export restraint arrangements. It was stated that these measures lacked transparency and were discriminatory, being usually targeted on the most competitive third-country suppliers. Many participants regarded this area as a particularly worrying feature of EC trade policies, being at odds with the EC commitment to a free and open multilateral trading system. Smaller trading partners were in an unequal bargaining position in dealing with demands for restraints from a trading power like the EC.

Many Council members viewed with concern the frequent recourse to antidumping procedures by the Communities. Reference was made to arbitrary methods used for determining injury and calculating anti-dumping margins, and to the excessive length of time taken for investigations. Several participants considered that these procedures were used as an elastic instrument of industrial policy rather than a legitimate defence against dumping, and they suffered from a lack of transparency. The low share of trade affected by definitive antidumping duties did not reflect the real impact of the policies on individual trading partners, including the uncertainties and disruption generated by the threat of investigation. Anti-dumping procedures had apparently been a factor in the proliferation of grey-area measures.

Reference was also made to the large element of discretion in the use of rules of origin by the EC which, it appeared to some participants, was calculated to influence decisions to invest and produce in the Communities.

Many Council members commented on the complex hierarchy of preferential trade agreements and trade schemes developed by the EC. They noted that there had been an increase in the proportion of the Communities' external trade covered by such arrangements. The various preference schemes implied a considerable degree of differentiation in the treatment given to different suppliers. The element of differentiation would be accentuated with the new arrangements for the establishment of a European Economic Area and for the association of the eastern European countries. Some participants stressed the contribution made by the EC's regional arrangements to the development and diversification of their economies. Some members emphasized the value of comprehensive regional trade liberalization in assisting the transition of their economies towards a market system.

While recognizing the benefits of the Communities' GSP scheme, some participants highlighted the complexity of its rules, including rules of origin; the exclusion of certain product areas; and the tariff quotas applied to sensitive products.

Council members sought more specific information on trade policies and practices at the level of member States. They asked whether procedures at Community level were sufficient to coordinate and control all trade-related policies by member States, and whether there were adequate mechanisms at Community level for the review of such policies. Despite disciplines at the EC level, national subsidies in trade-related areas were still widespread. Numerous direct and indirect trade-distorting measures appeared to be in place at the national level. The hope was expressed that the Single Market process would lead to a complete phase-out of such measures, including supportive restrictions under Article 115 of the Rome Treaty, rather than their transformation into EC-wide quotas. National and Community preference was seen as an inhibiting factor for trading partners' access to the public procurement market, representing some 15 per cent of Community GDP.

It was suggested that the complex pressures operating on policy formulation in the Communities made highly desirable the establishment of an independent review body to assess the impact of trade policy measures as a whole. It was also suggested that the policy-making mechanisms should permit trading partners' views to be taken into account before decisions were taken.

Responding to these comments and questions, the representative of the European Communities emphasized the unique nature of the process of EC integration, and the fact that the Communities' policies were in rapid change. This process was expected to induce higher economic growth in the EC, and thus boost import demand. In his view, this process would lead to a more streamlined and liberal EC trade régime, to the advantage of all contracting parties. For example, the principle of mutual recognition would open access to the markets...
of all member States once a product was accepted on one EC country. Guiding principles for EC action on environment were set out in Article 36 of the Treaty of Rome, which mirrored very closely Article XX of the GATT.

Looking at the development of external versus internal trade flows would give no clue to the effects of the Communities' trade régime. The longer-term development of imports into the EC, including imports from developing countries, would stand up well against the import performance of other major world traders.

The Communities viewed regional liberalization as a complement to, and as a way of promoting, multilateral liberalization. The negotiations on an European Economic Area were still underway. To comment on the results would be premature. The Communities had been at the centre of assisting central and eastern European countries in their reform process over the past eighteen months. The ongoing negotiations on association agreements with countries in central and eastern Europe would, it was hoped, make a major contribution to European political stability. The results would be presented to the GATT.

The great variety in the importance of agriculture to individual EC member States needed to be taken into account, which was an important factor in shaping the Common Agricultural Policy. The Communities were completely convinced of the need for reform. The EC had subscribed to the agreed objectives of the Uruguay Round in this area, and was seeking a balance in results among negotiating partners. Internal efforts of agricultural reform were also underway, however, there was no direct link with the Round. At this stage only preliminary indications could be given of the Commission's general orientation as regards possibilities for policy reforms; these included, in the light of unsatisfactory results of earlier reform approaches, a rethinking of the objectives of agricultural policies. The EC accepted the responsibilities resulting from the interdependence of agricultural markets worldwide. Traditional elements of price and output control would continue to have a central role, but more emphasis would be put on direct aid and income aid. In cereals, the objective would be to reduce prices to the level of competitive imports, compensation up to certain limits being paid to farmers for income losses. This approach would also be applied to some other products. In the dairy sector, the present quotas would have to be reduced, through a case-by-case approach, to balance supply and demand. For the sugar, tobacco and the livestock sector, reforms of a comparable nature would be envisaged in the near future. The agrimonetary system would have to be reviewed in the light of the EC movement towards monetary and political union.

Agriculture was not completely excluded from preferential arrangements. In this context, no sector was excluded as such.

The resort to export restraint arrangements by the EC was sometimes overestimated. Although the Communities regarded such arrangements as a convenient way of resolving trade problems with particular suppliers, many of the measures involved import surveillance or export monitoring rather than quantitative restrictions. Also, it was well known that the Communities' policy in this area was related to the long-standing discussion of Article XIX reform.

The EC would agree to phasing out grey area measures if the Uruguay Round led to a satisfactory new safeguard agreement.

Insofar as the use of anti-dumping measures was concerned, the complaints regarding lack of transparency were exaggerated. Formal investigations were undertaken only if complaints by affected parties were sufficiently substantiated, and the amount of trade affected remained limited. The uncertainty created was not altogether unrelated to objective factors.

The Communities had always respected its obligations to notify subsidies within the GATT. These obligations should not be confused with EC internal requirements which went beyond the scope of GATT.

Some of the concerns expressed concerning standards setting and the recognition of testing and certification in the context of the move towards a Single Market were unfounded. Further work on standards would be based on the concept of essential requirements rather than an approach of harmonization.

National restrictions within the EC were only approved if they were consistent with Community legislation. Quotas were established at the national level; information would have to be sought from individual member States. The use of Article 115 of the Treaty of Rome was strictly controlled by the Commission. Many of the member States' restrictions would be eliminated with the completion of the Single Market process, even though some decisions still had to be taken. Except for motor vehicles, it was difficult to envisage cases where national restrictions would be transformed into measures at the EC level.

Conclusions

In conclusion, the Council recognized that substantial progress had been achieved in the Single Market context. It was important to ensure that internal trade policy reform in the EC served as a catalyst for current efforts to strengthen the multilateral trading system. In framing its trade policies the EC should ensure that they develop-ed in a manner consistent with basic GATT principles. In this context, the Communities had a major contribution to make to the Uruguay Round, and to a further reinforcement and strengthening of the global trading system.
Council members expressed strong appreciation and support for Hungary's efforts to establish a market economy and the considerable liberalization steps already taken. New measures and policies had recently been introduced, or announced, by the Hungarian Government to accelerate and intensify the reform process. Hungary's determination to pursue these reforms was particularly noteworthy in view of the profound structural changes required and the major problems of economic and monetary imbalances which had to be addressed. The interest of the Hungarian experience for other countries which were seeking a similar transition towards a market economy was emphasized.

Major systemic changes had taken place in Hungary's political and economic institutions since 1989. The approach to political and economic reforms was fundamental and comprehensive. It involved major changes in trade policy: reduction of subsidies; establishment of a capital market; liberalization of the investment régime; and large-scale privatization. The Programme for National Renewal also included the objective of making the forint fully convertible by 1994. These steps were being supported by prudent fiscal and monetary policies.

Painful economic adjustment

The process of domestic economic adjustment was painful, involving problems of economic growth, unemployment, inflation and debt. The economic difficulties in Eastern Europe and the Soviet Union had caused a sharp decline in Hungary's trade with its former CMEA partners. However, the reforms had already shown tangible results, in particular a substantial increase in trade with market economies, an emerging trade surplus and rapid growth in the number of joint ventures with foreign partners since 1988.

Members of the Council recognized that a supportive external environment was crucial for the success of Hungary's reforms. Despite recent improvements in access to the markets of some of Hungary's major trading partners, a number of key export products, such as food, steel and textiles, faced serious trade barriers abroad. A strong open multilateral trading system was of critical importance in view of Hungary's high degree of dependence on trade, and its efforts to diversify markets and to open its economy to international competition in goods and services. In this respect, Council members noted the active and constructive role of Hungary during the Uruguay Round negotiations and expressed appreciation of the fact that Hungary was the first central and eastern European country to have submitted its trade policies for review under the TPRM.

The broad thrust of Hungary's trade policy reform, under which non-tariff measures were being replaced by price-related instruments and were welcomed by many participants. In particular, substantial reductions in import licensing requirements had been made by Hungary in a very short period of time.

Concerns

At the same time, Council members sought clarification and expressed concerns in a number of areas where further reform would assist in the full integration of Hungary into the multilateral trading system. Several members noted that increased transparency in the areas of import licensing, the consumer food quota and the operation of state enterprises, backed up by an appropriate institutional framework, could serve as a counterweight to the discretionary powers of the Government. Members also noted the importance of transparency with respect to the reform process and encouraged Hungary to provide detailed information on a continuing basis.

A number of questions were asked about sectoral policies, including the forms, timing and trade impact of possible changes in sectoral protection. Details were sought on the new agricultural import régime to be implemented in the near future. Concern was expressed about the selective approach taken by Hungary in its new safeguards legislation.

A number of points were made regarding the remaining import licensing measures and the global quota on consumer goods. Information was sought on the size and the allocation of quotas. It was noted that the consumer goods quota affected some products of particular export interest to developing countries. Hungary was asked whether it could provide a schedule for the phase-out of these measures.

Some members noted that the combined effect of charges on imports into Hungary other than tariffs, notably the customs clearance fee, the statistical fee and the import licensing fee, was substantial and that these charges discriminated against imports.

Questions were asked about Hungary's current subsidy policies and practices, in particular export subsidies for agricultural products. Some members noted that export subsidies were often used as a means to counter such measures by trading partners and expressed the hope that this issue would be resolved in the framework of the Uruguay Round negotiations. Hungary was encouraged to consider acceding to the Tokyo Round Subsidies Code.

Several Council members called attention to the continuing high level of State participation in the Hungarian economy. Clarification was
sought regarding the share of imports effected by State-owned enterprises and the influence of the Government on decision-making in such firms. While recognizing the transitional adjustment problems which might result, the importance of moving ahead with a progressive reduction in the role of State-owned enterprises was emphasized.

A number of members felt that Hungarian Government procurement policies and practices were not sufficiently transparent. Clear regulations in this important area would promote efficiency and help to develop trade. It was suggested that Hungary should consider joining the Government Procurement Code.

In view of the sharp decline in Hungary's trade with other former CMEA members, questions were asked regarding the economic impact of the decline on Hungary and the future of cooperation with countries of eastern and central Europe and the USSR. Information was sought on the conditions under which such trade was now carried out, including the coverage of the indicative list of products established in the trade agreement with the USSR. Details were requested regarding the proposed free-trade area among Hungary, Poland and the Czech and Slovak Federal Republic.

It was noted that substantially all of Hungary's trade was conducted on an m.f.n basis. Questions were raised concerning the possible trade effects of the association agreement which Hungary intended to conclude with the European Communities and of the free-trade area agreements Hungary intended to sign with the member countries of the EFTA. Hungary was encouraged to maintain and strengthen its trading relations with other contracting parties.

Attention was drawn to the low and declining level of Hungary's imports from developing countries, despite the very liberal GSP scheme maintained by Hungary. Members asked for further information on these trade flows and the reasons for the relatively low level of trade.

**Hungary's reply**

In reply to these questions and comments, the representative of Hungary thanked the Council members for their recognition, encouragement and support for his country's trade policies. The statements made would help to enhance the confidence

---

### Hungary in world trade

Within current efforts to raise economic efficiency as a key to resolving Hungary's economic difficulties, trade policy reform is an important element. As a small economy with relatively poor raw material and energy resources, Hungary is heavily dependent on foreign trade. In 1989, its merchandise exports and imports each corresponded to about one-third of GDP.

In global terms, Hungary belongs to the smaller trading nations. In 1989, the country ranked 47th among world exporters and 49th among world importers. Its share in world merchandise trade was 0.3 per cent, down from 0.45 per cent in 1980. The decline in world market share is related to the framework in which part of Hungary's trade was conducted until the end of 1990, and in particular to the way in which this framework developed in the 1980s.

As a result of the geopolitical changes after World War II, a centrally planned economy was introduced in Hungary and the country became a member of the Council of Mutual Economic Cooperation (CMEA) in 1949. Within the CMEA, Hungary developed a range of manufacturing industries. Manufactures made in Hungary, in particular machinery, transport equipment and other capital goods were exchanged against energy and raw materials produced by other CMEA members, mainly the Soviet Union. By contrast, Hungary's merchandise exports to market economies were mainly limited to raw materials, semi-finished products and food, whose world market demand was expanding relatively slowly during the 1980s.

For almost four decades, CMEA countries accounted for well over one-half of Hungary's merchandise trade. Except for a minor part, this trade was settled in non-convertible currency (transferable rouble accounting). Hungarian companies engaged in bilateral CMEA trade were not exposed to competition, as trade was based on bilateral annual delivery obligations at fixed quantities and prices. Poor product quality resulted, adding to Hungary's difficulties in increasing exports settled in convertible currencies.

Following several years of weak trade performance, the volumes of Hungary's merchandise exports and imports declined by more than 5 per cent in 1990. An estimated 27 per cent drop in exports settled in non-convertible currencies more than offset the estimated increase of 13 per cent in the volume of convertible currency exports. The volume of imports from convertible currency sources increased by an estimated 4 per cent in 1990, while import volume from non-convertible currency sources is estimated to have declined by 18 per cent.

The forint value of Hungary's trade increased by an estimated 6 per cent in 1990, with convertible currency trade increasing substantially and non-convertible currency trade contracting strongly. As a result, the share of the Soviet Union and other CMEA countries in Hungary's trade, on a declining trend since 1986, was reduced further to less than one-third in 1990. At the same time, Hungary's trade with developed market economies increased to about 60 per cent of its total merchandise trade. Developing countries continued to account for about 7 per cent of merchandise trade.

Several factors have contributed to this major change in Hungary's trade patterns. Successive real devaluations of the forint vis-à-vis convertible currencies (since 1985), coupled with the weak Hungarian market and, more recently, plummeting demand for Hungary's exports to the CMEA area, stimulated exports to the developed market economies. Imports from CMEA members to be paid in hard currencies were also reduced. This trend is expected to continue in the years to come.

Since the beginning of 1990, exports to market economies have also been facilitated by trade policy measures introduced by Hungary's western trading partners. In particular, GSP treatment for Hungarian exports was introduced, quotas established by the EC under voluntary export restraint agreements were increased, and specific quantitative restrictions maintained by the EC on Hungarian exports were eliminated. In 1990, Hungary achieved a record surplus of almost US$1 billion in its trade settled in convertible currencies.

Hungary's trade and current account balance in non-convertible currencies was in substantial surplus from 1985 to 1990. However, these surpluses were tantamount to an interest-free loan by Hungary to other CMEA members, because, under CMEA arrangements, they could not be liquidated.
of the international business community in Hungary.

Hungary's general reform approach relied on deregulation, liberalization and privatization. The role and influence of the State in the economy was being drastically reduced. Based on the experience of the past nine months, he was confident that State ownership would be less than 50 per cent of the economy within the predicted three-year period. Together with trade liberalization, wages and prices were being liberalized, within the constraints of macro-economic policies aimed at curbing inflation. Price controls now covered only 10 per cent of prices in the economy; wages were generally established in free collective bargaining. The move towards full currency convertibility was to be completed by 1994; the forint was in practice already convertible for payments for imports, profit transfers and capital repatriation on the dissolution of joint ventures.

Concerning the role of State-owned enterprises, the representative of Hungary said that the Constitution provided for the full independence of all economic operators, including State-owned enterprises, and for equality in treatment of public and private property. State-owned enterprises acted strictly according to commercial considerations. No preferences were given to them in terms of subsidies, credits and the like; rather, the private sector would get some preferential treatment, for example in the form of some concessional credits.

**Monopolies ended**

Monopolies had been eliminated in all areas including international trade. Even for products which required special authorization, any company meeting the requirements might be granted import authorization. He emphasized that more than 15,000 operators were now engaged in foreign trade. Hungary would provide, in its next Article XVII notification, information on trade by State-owned and private enterprises benefiting from special authorization.

The transparency of Hungary's trade policy decision-making was supported by the open nature of the Parliamentary and advisory process. A new Administrative Court was being established, in which any administrative decision could be challenged. Hungary's economic policies were also subject to regular examination by international agencies and had been examined earlier in GATT working parties.

The representative of Hungary outlined trade liberalization undertaken since January 1991. Import licensing now covered less than 10 per cent of imports. The global consumer product quota had been substantially increased, now covered imports from all sources, and its operating procedures had been made more transparent.

**Economic tensions from collapse of the CMEA**

In the first quarter of 1991, imports from non-CMEA sources had increased by over 85 per cent. This, together with the collapse of CMEA trade, had created great tensions in the Hungarian economy. Pressures for protection were becoming intense. In these circumstances, the Government would not be able to go further with trade liberalization this year but maintained its firm intention to continue with the process of liberalization in the long run. The tariff was now the main, and in some cases the only, instrument to regulate imports. Its level had been substantially reduced and Hungary had made an offer in the Uruguay Round for further cuts in tariffs and increases in bindings. Tariffs accounted for six per cent of budget revenue. Other levies and charges were admittedly substantial, but could not be reduced at present in view of their major contribution to the budget.

Remaining import licensing was liberally applied on a non-discriminatory basis. It was mainly applied for reasons relating to national security, monitoring of essential imports and the administration of the global quota on consumer products. This quota would be a subject for discussion in the negotiation on the elimination of the specific provisions of Hungary's Protocol of Accession.

Hungary's new safeguards regulations provided for the selective application of safeguards, in line with the provisions of its Protocol of Accession.

Concerning subsidies, the representative of Hungary confirmed that there were no production subsidies to manufacturing in Hungary. Hungary was an active participant in the Uruguay Round Subsidies negotiations and hoped for a successful outcome of these negotiations. It was also studying the possibilities of joining the Subsidies Code.

Domestic support for agriculture had been substantially reduced. Minimum purchase prices now applied only to wheat, maize, cattle and hogs for slaughter. Export subsidies were still necessary, partly because of the distortions in world agricultural markets. However, the resources available to Hungary for subsidizing exports were very limited. Most agricultural imports were subject to import licensing; however, Hungary's Uruguay Round offer envisaged the tariffication of such measures.

New legislation regarding Government procurement was being drafted. This would cover bidding procedures. He emphasized that many Government contracts were based on international loan finance, in which case the appropriate tendering procedures applied.

In Hungary's negotiations with the EC and EFTA countries for free-trade arrangements, Hungary would be seeking to cover substantially all trade. Increased economic cooperation with the Czech and Slovak Federal Republic and Poland was a logical step. All trade with the former socialist countries was now conducted in convertible currencies under a unified trade régime. It was only in trade with the USSR that an indicative import-export list was applied; even in this case, there were no delivery obligations, and barter trading had been prohibited by the USSR.

**Conclusions**

In conclusion, the Council, while noting that further movement could be expected, commended Hungary on the progress already achieved in moving towards an open market-oriented trading system and expressed its strong support for the Government's intention to pursue the process of reform vigorously. This was also seen as an important contribution to the strengthening of the multilateral trading system. The hope was expressed that the momentum of trade liberalization would be maintained. Members welcomed Hungary's intention to initiate negotiations for the elimination of all specific provisions contained in its Protocol of Accession to the General Agreement.

Members of the Council recognized the responsibilities of the in-
During the first half of the 1980s, especially for petroleum, and an Indonesian economy of the severe external connection, members also emphasized the important contribution that a successful Uruguay Round would make to Hungary's reform efforts. • A substantial share of domestic output was still covered by formal and informal non-tariff measures. The existence of a complex system of import licensing, including approval of sole distributors and a substantial rôle for State and private monopolies, resulted in a lack of transparency and could inhibit the growth of small and medium sized enterprises; • The very low share of consumer goods in Indonesia's import structure was noted; • Reference was made to the differential rates of excise taxes on tobacco products, which, it was suggested, had effectively prohibited cigarette imports for a number of years and protected domestic production; • Concern was expressed about the trading effects of Indonesia's self-sufficiency programme in key agricultural commodities. In this connection, it was suggested that the extensive marketing and price controls administered by BULOG could have adverse effects on trade; • The consistency of Indonesia's aims within the Uruguay Round of pursuing market opening in agriculture and textiles, with its own protective policies in these areas, was questioned; • "Strategic" industries, such as food processing, shipbuilding, heavy equipment, motor vehicles and steel, continued to be sheltered from international competition by import prohibitions, subsidies and local content requirements over and above the applied tariffs and licensing arrangements; • In this connection, members sought comprehensive economic reforms

It was noted that Indonesia had tackled these challenges resolutely by embarking upon comprehensive economic reforms. These comprised prudent monetary and fiscal policies, a realistic exchange rate policy, and progressive deregulation of financial markets and rules governing foreign and domestic investment. The resulting increases in investment had encouraged a more competitive industrial structure, created employment, boosted Indonesia's trade potential and alleviated the country's debt burden. Central to these efforts was the major and continuing trade deregulation and liberalization programme undertaken, in a number of packages, since 1985. This had brought about an important reversal in the direction of Indonesia's trade policies. The programme involved a complete overhaul of customs procedures; removal or tariffication of many non-tariff barriers; and tariff reductions. Tariffs were in the process of replacing licensing as the major instrument of import policy. Members welcomed the predominately non-discriminatory nature of Indonesia's tariffs, which were generally applied on an m.f.n. basis, using ad valorem rates. Indonesia's membership of the Subsidies Code had led to the curtailment of direct export subsidies, and the introduction of a GATT-consistent duty exemption and drawback scheme. Members encouraged Indonesia to consider signing other Tokyo Round Codes in which it was currently an observer.

Indonesia's active role in the Uruguay Round, including as a member of the Cairns Group and a prominent participant in areas such as textiles and clothing, was welcomed. Concerns

While Council members commended Indonesia for the direction and extent of its trade policy reforms, concerns were expressed in a number of areas:
• Tariffs remained high and disparate, with peaks and substantial escalation often exacerbated by temporary surcharges;
• The level of tariff bindings was low, at under 10 per cent of tariff lines. Further tariff bindings would give greater stability to the reforms;
• Surcharges were frequently used to compensate domestic producers for removal of import licensing, or to provide temporary relief. In a few cases, surcharges had lifted duty levels above bound rates. Many surcharges had been extended beyond the sunset period of one year. Members welcomed Indonesia's intention to remove three-quarters of existing surcharges in September 1991 and requested information about the incidence of remaining surcharges and a possible timetable for their removal;
• A substantial share of domestic output was still covered by formal and informal non-tariff measures. The existence of a complex system of import licensing, including approval of sole distributors and a substantial rôle for State and private monopolies, resulted in a lack of transparency and could inhibit the growth of small and medium sized enterprises;
• The very low share of consumer goods in Indonesia's import structure was noted;
• Reference was made to the differential rates of excise taxes on tobacco products, which, it was suggested, had effectively prohibited cigarette imports for a number of years and protected domestic production;
• Concern was expressed about the trading effects of Indonesia's self-sufficiency programme in key agricultural commodities. In this connection, it was suggested that the extensive marketing and price controls administered by BULOG could have adverse effects on trade; • The consistency of Indonesia's aims within the Uruguay Round of pursuing market opening in agriculture and textiles, with its own protective policies in these areas, was questioned; • "Strategic" industries, such as food processing, shipbuilding, heavy equipment, motor vehicles and steel, continued to be sheltered from international competition by import prohibitions, subsidies and local content requirements over and above the applied tariffs and licensing arrangements; • In this connection, members sought
information on the rationale for prohibiting investment in a number of sectors, through a "negative list". It was noted that additional investment in permitted sectors was often subject to cumbersome and non-transparent discretionary procedures.

- In respect of Government procurement, concerns were raised about the inhibiting effect on competition and efficiency of widespread countertrade requirements for large contracts and the reservation of smaller purchases to domestic suppliers.

- Participants drew attention to the use of formal and informal export restrictions, in the form of export prohibitions, quotas, taxes, licensing and supervision, to promote the development of natural resource-based processing industries, such as logs, sawn timber, rattan, raw hides and cement. Some members questioned the environmental and economic justification for such measures.

Some members expressed understanding for Indonesia's developmental aims in the areas of strategic agricultural and processed natural resource-based products, and for the priority given by Indonesia to imports of capital and intermediate goods rather than consumer products.

Indonesia's reply

In reply to these questions and comments, the representative of Indonesia stated that while he could provide, during the meeting, answers to general questions, more technical issues would be answered in writing at a later stage. Indonesia appreciated the broad range of questions that had been put, and in particular noted the pertinent points raised concerning the need to place trade reform in the perspective of development and equity in a country such as Indonesia. He also appreciated the constructive comments raised on the dynamics of Indonesia's macroeconomic policies.

The basic thrust of Indonesia's economic reforms was to deregulate the exchange rate and the banking system as a basis for providing future sustainable growth. Tackling impediments to efficiency was a major concern in promoting structural adjustment. The Indonesian representative emphasized the need for financial assistance during periods of trade policy adjustment. The political risks associated with domestic reform should be recognized by other participants.

Indonesia's objective of sectoral diversification, away from dependence on mining and primary products, was intended to reduce the economy's vulnerability and provide much-needed employment. In this context, the Indonesian Government did support strategic industries, such as steel, which were in their infancy. However, efficiency would be improved through a process of continued reductions in protection.

Agriculture, being an important basic sector, benefited from special arrangements to ensure that production of key food commodities satisfied domestic requirements. However, efficiency remained a major long-term priority and reforms such as reductions in the fertilizer subsidies were aimed at this.

Shifting away from non-tariff barriers

A major aspect of trade policy was a shift of orientation from non-tariff barriers to greater reliance on tariffs. This was a complex and delicate process which required careful attention. He acknowledged that tariff escalation had played a role in the development of certain industries. While the level of tariff bindings was low by developed country standards, Indonesia had offered, within the Uruguay Round, to substantially increase bindings. In this connection, he noted that Indonesia had offered a number of tariff bindings on textiles and clothing, subject to a satisfactory agreement in that area.

Surcharges were intended to be temporary and were not intended to be a substitute for anti-dumping procedures, but were used to provide producers with a margin of security when non-tariff barriers were relaxed. The Indonesian authorities were still considering whether to adopt anti-dumping legislation along GATT lines.

Indonesia in world trade

Trade and investment reforms, complemented by prudent monetary and fiscal policies and efforts to maintain a realistic real exchange rate, have played a major role in diversifying the economy and promoting broadly-based growth. Although still substantial, the dependence on oil and gas exports has fallen in favour of manufactured exports. Fuel exports declined in dollar value by one-half over the past decade, and now account for 40 per cent of total merchandise exports. By 1989, manufactured exports represented 50 per cent of total merchandise exports, up from 11 per cent in 1981. The ratio of manufactured exports to GDP has more than doubled to 12 per cent since 1985.

Export diversification has been strongest in processed natural resource-based products such as plywood, the single most important manufactured export item, and major labour-intensive industries like clothing and footwear. Several smaller industries such as wooden and rattan furniture, petrochemicals, pulp and paper, have emerged as potentially important economic activities. Agricultural exports, mainly coffee, spices, tea, shrimps and rubber, have also performed well.

Geographical diversification of trade has been less pronounced. Japan, United States and Singapore have remained Indonesia's main trading partners, accounting for over half of merchandise trade. Buoyant growth has occurred in trade with other ASEAN members, the major developing economies of East Asia and the European Communities.
The use of export restrictions on raw materials to promote greater domestic value-added, increase income opportunities and to conserve raw materials was constantly under consideration.

A joint-venture company had now been created between the Société Générale de Surveillance, PT Sucofindo, and the Indonesian Government, to handle pre-shipment inspections. By 1995, this new company was expected to handle 85 per cent of inspections. The objective remained the full reinstatement of Indonesian Customs as and when possible.

Although countertrade was an important instrument of Indonesian public-sector trade, these arrangements were not applicable to "soft" credit. He noted that donor countries providing "soft" credits, including export credits, often tied their aid to purchases from their industries.

The negative list of investment prohibitions in certain sensitive industries was continuously being reviewed and updated. Further details would be provided in Indonesia's written response.

The Indonesian representative emphasized the need faced by developing countries to ensure that their Government officials received adequate training on GATT matters. He saw the TPRM exercise as playing an important part in this process.

Conclusions

In conclusion, the Council commended Indonesia for the reforms undertaken. These had already generated substantial tangible benefits, both domestically and for Indonesia's trading partners. The Council encouraged Indonesia to vigorously pursue its efforts to liberalize and deregulate its trade and economic policies, to increase the transparency of its trade regime and to broaden the scope of these reforms into areas as yet untouched. The Council noted that Indonesia's efforts to diversify and expand exports encountered some substantial tariff and non-tariff barriers in foreign markets. It emphasized that a supportive world trading and financial environment, including improvements in market access, would make a significant contribution to encouraging Indonesia's development efforts and the process of reform on which it had embarked in recent years.

Numerous recent unilateral trade liberalization initiatives reflect a growing emphasis on outward-looking trade policies as a key element in efforts to promote sustained economic growth, according to Mr. Arthur Dunkel, Director-General of the GATT, in his annual report on trade policy developments. He presented his report to the Council on 23 April.

The report contains a list of 45 countries which are known to the GATT Secretariat to have undertaken trade liberalization measures since the beginning of the Uruguay Round. Of these, 30 are developing countries and five are from Central and Eastern Europe. Measures undertaken include tariff reductions and bindings, elimination of quantitative restrictions; abolition of import licensing restrictions and reduction of the number of items subject to import prohibition; and removal of other non-tariff barriers.

Highlighting the various trade reform programmes throughout the world, Mr. Dunkel points out that the common elements in these different initiatives are a shift to a more market-oriented regime, and the related desire for greater participation in the multilateral trading system.

The following are excerpts from the Director-General's report, covering the period January 1990 to March 1991:

Dispute settlement

"With nearly two years of dispute settlement under the Montreal procedures completed, it is encouraging to note that the greater automaticity of the procedures has eliminated significant delays in the panel process.

In certain cases, however, the contracting party concerned has linked implementation of the panel's recommendations to the outcome of the Uruguay Round, even though the dispute settlement process protects existing rights and obligations. The absence of a near-term deadline for the conclusion of the Uruguay Round makes it imperative that this linkage be reviewed by the parties concerned. A mutually satisfactory conclusion to all outstanding disputes would be an important contribution to the continuing negotiations."

Pursuing the Uruguay Round

"In looking ahead to the remainder of 1991, two points should be emphasized. One is the importance of pushing ahead with the Uruguay Round negotiations. The need to minimize the increase in business uncertainty caused by the failure to conclude the negotiations on schedule, to preclude backsliding in what has been achieved to date, and to give a "confidence boost" to a world economy in its third consecutive year of decelerating growth in output and trade - these and other considerations argue strongly for bringing the extended negotiations to an early, successful conclusion.

The second point concerns the critical importance of a strict observance of the extended standstill commitment. By and large, the observance of the standstill commitment during the Uruguay Round has been good, especially during the past two years. We need to continue - indeed, improve - this record during the remainder of the negotiations. Even in the best of times, increases in protection can jeopardize trade negotiations. When, as is the situation now, economic growth has slowed down and important changes in exchange rates are taking place, not only are protectionist pressures likely to increase, but the potential for one protectionist action to trigger a series of retaliatory measures is especially high."
possible, the General Agreement - in Article XXV - provided for a vote by the Contracting Parties. It supported the use of this GATT provision to resolve the problem of non-implementation of reports.

The European Community said that establishing linkages between implementation and the Uruguay Round results raised problems that increased as the negotiations became protracted. However, it would be simplistic for the Council to look at all five reports from the point of view that the dispute settlement process protected existing rights and obligations. It argued that each case should be examined on its own merits.

The Community said that the outcome of the Round, for example, would not be relevant to reports concerning GATT provisions which were not the subject of negotiations. However, when reports concerned GATT rules under negotiations, new issues, and the re-establishment of the proper balance of concessions, there could, perhaps, be justification for awaiting the outcome of the Round. It suggested that the Chairman hold informal discussions with the GATT members concerned to check "where we are and what we can expect about implementation".

The United States said that while there were lessons to be learned from the current situation, they did not include the establishment of self-serving categories. It said that GATT members should try to observe the existing dispute-settlement provisions and negotiate their improvement in the Uruguay Round.

Three of the five adopted panel reports were on the Council's April agenda:

US/Japan: Restrictions on imports of certain agricultural products. The conclusion in the panel report, adopted in February 1988, was that Japan's restrictions on 12 agricultural products had not met the conditions for exceptions set out in GATT Article XI:2 (General Elimination of Quantitative Restrictions). Some GATT members, including the United States, have expressed concern about Japan's non-implementation of the report on dairy products and starch. Japan had said it continued to have reservations over the panel's interpretation of Article XI:2, and that since this provision was being discussed in the Uruguay Round agriculture negotiations, it preferred to await the results before deciding on what measures to take regarding dairy products and starch.

The Council Chairman reported that Japan held consultations on this matter with some GATT members on 19 April. Japan said that the next round of plurilateral consultations would probably be held in late May.

The United States said that along with a number of other GATT members, it had reiterated in the consultations that Japan should comply with current GATT rules by eliminating the remaining dairy and starch quotas. Ending the starch quotas in particular would, according to the United States, remove the need to constrain imports of corn and sorghum for both animal feeding and industrial use. It urged Japan to reconsider linking the restrictions to the outcome of the Uruguay Round, and suggested that Japan submit a plan for liberalization of restrictions on the two products before the next meeting of the Council (29 May 1991).

Australia and New Zealand expressed concerns similar to those of the United States but with emphasis on dairy products. Chile shared the US concerns.

US/EC: Payments and subsidies paid to processors and producers of oilseeds and related animal-feed proteins. In this case, the panel had concluded that EC measures were inconsistent with Article III:4 and had impaired EC's concessions to the United States. It recommended that the Community be given "reasonable time" to adjust the relevant regulations. When the panel report was adopted in January 1990, the EC said it would comply with the panel's recommendations "in the context of the implementation of the results of the Uruguay Round".

"The Community is planting the second oilseed crop since the panel report was adopted," the United States complained. It said that for this year, the EC Commission had proposed some changes to oilseeds purchasing policies for soyabeans but not for rapeseed or sunflowerseed, the major oilseeds produced in the EC. It said that a proposed minor reduction in EC oilseed support prices did not begin to correct the injury incurred to the US as a result of the impairment of tariff bindings.

The United States maintained that for the EC to link implementation of the report to a successful conclusion of the Round or to the reform of the Common Agricultural Policy (CAP) would not be a valid reason for delay. If the Community should fail to proceed with a substantial reform package on oilseeds beginning this crop year, the United States warned it would ask the Council to consider appropriate measures.

Canada and Australia, noting their respective trade interest in the matter, urged the Community to implement the report.

The Community said it was somewhat surprised by the US statement as bilateral consultations at ministerial level would be considering the dispute very soon. Pending these talks, the EC said it would not be useful to make statements about the subject.

EC/US: Section 337 of the US Tariff Act of 1930. A panel concluded that US procedures on patent infringement actions discriminated against foreign goods. When the report was adopted in November 1989, the United States said that it expected the Uruguay Round to result in multilateral obligations that would provide effective border enforcement of intellectual property rights, and that the ability to obtain legislation amending Section 337 would be maximized in the context of the results of the Round.

Japan reiterated its concern (see previous Focus) that the United States had not only failed to implement the report but had recently used the procedures found GATT-inconsistent with respect to a Japanese company. Hong Kong shared Japan's concerns and said that an ongoing Section 337 case could affect the access of certain Hong Kong products to the US market. Canada said the the United States should not be undertaking any new action inconsistent with its GATT obligations. Australia urged the United States to implement the panel report.

The United States said it was committed to developing a GATT-consistent Section 337 mechanism. It reported that since January 1990, an inter-agency task force had been working towards developing a consensus on how, within the constraints of the US Constitution, to amend Section 337 to address the panel's recommendations. However, it said it
could not in the meantime condone infringement of US patents.

The European Community urged speedy implementation of the report and noted that the GATT provision relevant to this case - Article III - was not under negotiation in the Uruguay Round.

Japan said it was very disappointed with the US reply. Urging the United States to implement the panel’s recommendations quickly, Japan said that it should at least in the meantime refrain from taking action under Section 337. It said it would be pursuing the matter in future Council meetings and reserved its GATT rights on the matter.

Two of the five adopted reports were not on the April agenda but they had been the subject of follow-up at previous Council meetings:

**US/Canada: Canadian restrictions on ice cream and yoghurt.** The panel concluded that the Canadian restrictions were inconsistent with Article XI:1, and could not be justified under Article XI:2(c)(i). It recommended that Canada either terminate these restrictions or bring them into conformity with its GATT obligations. When the report was adopted at the Forty-Fifth Session of the Contracting Parties in December 1989, Canada indicated that it would implement the panel recommendations in the light of the outcome of the Uruguay Round.

The United States had followed up the panel report at previous Council meetings. In February 1991, it reported it had completed preparing a preliminary list of products on which concessions might be withdrawn from Canada.

**Japan/EC: Anti-dumping duties on products assembled in the EC from imported parts and components.** The panel ruled that the EC anti-circumvention duties were inconsistent with Articles III:2 and III:4 and were not covered by exemptions under Article XX. It recommended that the Community bring its application of the measure into conformity with its GATT obligations. When the Council adopted the report in May 1990, the European Community stressed that the problem of circumvention of anti-dumping duties should be resolved in the Uruguay Round. It signalled that the implementation of the panel’s recommendations would have to wait until the results of the Round were clear.

**Panel to examine Brazil’s complaint against US CTV duty**

For the second time, the Council considered Brazil’s request for a panel (see previous Focus) to examine an alleged violation by the United States of the most-favoured-nation principle of the GATT by discriminating against Brazilian non-rubber footwear in lifting countervailing duties upon the entry into force of the Subsidies Code in 1980. Brazil stressed that this was not in any way an appeal of a panel report pending adoption in the Subsidies Committee. In reply to a question posed by the United States at the previous Council meeting, Brazil affirmed it adhered to the Montreal decision on improved dispute-settlement procedures.

The United States asked the Chair for a ruling as to what the improved dispute settlement procedures for establishment of panels required the Council to do at that point. The Chairman recalled that decision agreed at the Ministerial Mid-

**Canada asks for a panel to examine US measures on beer, wine and cider**

Canada requested a panel to examine what it called discriminatory measures by the federal and state governments of the United States which affected the pricing, distribution and sale of alcoholic and malt beverages, in particular beer, wine and cider. It charged that the US measures violated the national treatment obligation (after crossing the border, an imported good should be given equal treatment with like domestic products) of GATT Articles III:2 and III:4, and obligations under Article XI (General Elimination of Quantitative Restrictions). Canada reported that two rounds of bilateral consultations, held in March and April, had not resolved the matter. (Note: When the Council, in February 1991, established a panel to examine a US complaint against Canadian measures regarding the importation, distribution and sale of beer, Canada said that there was equally a need to ensure that US practices on alcoholic beverages were consistent with the GATT.)

Canada noted that it was a substantial producer of beer, wine and cider (a fermented drink made from apples). In response to a GATT panel ruling in 1988 (which found Canadian restrictions on alcoholic beverages to be inconsistent with GATT provisions), Canadian wine and beer industries had been looking to export markets to enhance their competitive position. Thus, it was important that Canadian producers have an equal opportunity to compete with American producers in the North American market. Canada noted that US beer had three times the share of the Canadian market that Canadian beer had in the US market.

At the federal level, Canada said that Section 11201 of the US Omnibus Budget Reconciliation Act of 1990 had increased the excise tax on beer to US$18 per barrel but provided for reduced rates to US beer producers whose annual production did not exceed two million barrels. This would amount to a potential tax reduction of US$660,000 per producer, and there were about 200 US brewers who could qualify. Canada said foreign brewers were not eligible to benefit from the reduced tax rate. The US legislation, according to Canada, also provided for an increase in the excise tax of $0.90 per wine gallon of wine, including cider, but a tax credit was provided...
to producers for the first 100,000 wine gallons per year provided they did not produce over 150,000 gallons annually. Foreign wineries and cider producers were not eligible for this credit.

Canada said these measures contravened GATT Article III:2 and nullified or impaired benefits accruing to Canada under the General Agreement by preventing additional sales and exports to the United States.

At the state level, Canada said practices involving the pricing, availability for sale and distribution of beer, wine and cider that discriminated against imported products included discriminatory taxes on imported beer and wine and lower tax rates for locally-produced products. These practices, according to Canada, contravened GATT Article III:2. Certain state requirements regarding distribution and availability for sale were contrary to GATT Articles III:4 and XI.

Australia reserved its right to intervene in the panel procedures in the light of its trade interest in the matter.

The United States said that at bilateral consultations, Canada had failed to adequately document its complaint, particularly with regard to state practices. On the other hand, the United States had provided a number of instances in which practices alleged as discriminatory were no longer in force. It suggested that further consultations would be helpful in further clarifying and resolving Canadian concerns.

The Council agreed to revert to this subject at the next meeting.

Chile urges US to rescind marketing order on kiwis

Chile recalled that in October 1990, it had expressed concerns over a draft bill in the United States which would extend marketing orders on kiwis. That draft bill, according to Chile, had been approved by the US Senate and now was being implemented.

US marketing orders, according to Chile, set standards for the shape, appearance and size of fruits. It said that by increasing prices and maximizing returns of local producers, the US marketing orders favoured local products in violation of GATT Article III:1. When Chilean fruit failed to meet the standards they had to be destroyed while US produce could be diverted to other states or reprocessed. Chile said this more favorable treatment of local produce contravened Article III:4. It said that the US measure was also inconsistent with the Agreement on Technical Barriers to Trade, and with Article I (most-favoured-nation principle) of the GATT because the United States inspected produce in Canada and Mexico while Chilean fruits were inspected at the US port of entry.

Chile said that the US marketing order violated the standstill and rollback commitment of the Uruguay Round and called for its removal.

The United States said it had no reason to believe that the marketing order amendment had had, or would have, any adverse trade impact on Chile or any other country. It had long used marketing order standards to improve the average quality of the product brought to market. A higher-quality product for the consumer, it said, should face a higher demand and thus command a higher price and larger returns for both foreign and domestic producers. The United States was ready to consult with Chile on this issue but if Chile believed that the measure was indeed inconsistent with the GATT, then it should make that case to the Contracting Parties.

Korea presents 1992-94 import liberalization programme

In accordance with an undertaking resulting from consultations with the Committee on Balance-of-Payments Restrictions in October 1989, Korea presented a three-year import liberalization programme covering 1992-1994.

It said the programme was designed to phase out restrictions, in a generally even manner, on 133 products which were mostly agricultural (e.g. live swine, sardines, egg yolks, refined sugar, alcoholic beverages). Restrictions on the remaining 150 products covered by the undertaking would either be liberalized or brought into conformity with GATT provisions.

Korea stressed that the list of products took account of the concerns conveyed by other GATT members. It had drawn some 64 items from the product lists submitted by the United States, the Community, Canada, Australia, New Zealand and Iceland. For products listed but not liberalized at the conclusion of the Uruguay Round, Korea promised to bring the remaining restrictions into conformity with the final results of the agriculture negotiations, including tariffication.

Korea said that eliminating its remaining restrictions would be a painful process especially now that it was facing a sizeable trade deficit. Moreover, agriculture continued to be a politically sensitive sector with inherent structural weakness. But despite these obstacles, Korea would do its best to abide by its GATT commitments and noted that it was already contributing to world agricultural trade by importing 60 per cent of its domestic consumption.

The United States expressed deep disappointment with the scope, substance and quality of Korea’s programme. It said that while the Korean product list covered roughly half of the products subject to BOP cover, the value of trade in these products was limited and over 75 per cent of them were items of little or no trade interest to Korea’s major trading partners. It said that Korea appeared not have complied with its BOP undertaking to “give due consideration in drawing up its programmes to the interests of other contracting parties in a balanced
Council to hold structured debate on trade and environment

The Council would hold a structured debate on international trade and the environment at its next meeting on 29 May. Chairman of the Contracting Parties, Ambassador Rubens Ricupero (Brazil), reported that this was the consensus that emerged from informal consultations. He said that he would soon submit an outline of points which delegations might wish to consider in the debate. He said the question was raised in the consultations of whether one Council debate on the subject would suffice or whether it might be better to hold a second or perhaps a series of such debates. Ambassador Ricupero said this could be taken up in the light of the discussions at the May meeting.

The Contracting Parties Chairman said that he would continue consultations on the proposal to convene the 1971 Working Group on the Environmental Measures and International Trade, as well as on the contribution that GATT might eventually make to the 1992 United Nations Conference on the Environment and Development.

The EC said other GATT members should understand that the protection of the environment had become a priority issue in the Community. It then provided a detailed report on recent technical measures taken by the EC Commission with respect to the environment.

Romania reports on reforms, Hungary set to renegotiate accession terms

State Secretary Napoleon Pop, head of Romania's Department of Foreign Trade, presented a report on recent legislation under his country's programme of economic reform for transition to a market economy. Recent trade policy reforms included:

- The elimination of foreign trade and foreign exchange State monopolies;
- Customs tariff had become the most important and effective trade policy instrument; and
- The export and import regime had been liberalized, including the licensing system.

Secretary Pop said Romania's new trade policy would play an extremely important role in ensuring transition to a market economy. "In this field, starting from the specific conditions and possibilities of Romania's economy, we are totally committed to the GATT rules and disciplines," he said. Romania, he said, would soon acquire the needed experience and results to consider the renegotiation of its Protocol of Accession to the GATT.

In conclusion, Secretary Pop said "the transition to the market economy is a complex, difficult and rather painful process. We hope we can further count on an enhanced and goodwill assistance from the international economy in order to facilitate the transition."

At the conclusion of the Council's regular agenda, Hungary requested the Chairman to hold informal consultations with the aim of enabling the Council in May to take a formal decision on the establishment of a working party on the renegotiation of certain terms of the country's accession to GATT.

It recalled that at the recently-concluded trade policy review of Hungary, it had indicated that in the light of fundamental and comprehensive economic transformation taking place, it intended to formally initiate a process leading to the elimination of all specific provisions of the Hungarian Protocol of Accession to the GATT. (Note: When Hungary acceded to GATT in 1973, its Accession Protocol contained certain provisions reflecting the country's non-market economy, including allowing the maintenance of trade restrictions on Hungarian products.)

"Other business"

- Peru reiterated concerns about the lack of notifications to the GATT of restrictions imposed on its products due to the cholina epidemic. It said these restrictions were unjustified, citing a World Health Organization certification that cholera was not transmitted through trade in foodstuffs. It said it would be consulting with the GATT members concerned on this matter.
- The European Community and the United States noted that Argentina, Brazil, Paraguay and Uruguay had formally concluded on 26 March an agreement to institute a common market with the goal of eliminating internal barriers by 1995. They expressed concern that members of this Southern Cone Common Market or MERCOSUR have not yet notified the agreement to the GATT. Argentina gave the assurance that the MERCOSUR agreement would be notified.
- The EC called on the Council Chairman or the Contracting Parties Chairman to hold informal consultations on what it called the problem of "forum-shopping". The aim, according to the Community, would be to avoid inappropriate results coming out of the fragmented nature of the GATT dispute-settlement mechanism. It expressed serious concern over the manner in which a US complaint against German exchange rate guarantee programme for Deutsche Airbus had been handled within the GATT system (a panel had been established under the Subsidies Code and not under the Civil Aircraft Code as the EC had wished). The United States expressed concern about the EC reservation on the outcome of the panel proceedings, and urged it to allow the Airbus dispute to proceed without further damage to the credibility of the GATT dispute settlement system.
GATT Secretariat reorganized

GATT's Director-General, Mr. Arthur Dunkel, announced on 17 May that with the impending retirement of Mr. Madan G. Mathur, Deputy Director-General, and five senior members of of the GATT Secretariat on 31 July this year, he is making a number of organizational changes in the GATT Secretariat. These changes are designed to meet the immediate needs of the contracting parties of GATT and of the participants to the Uruguay Round.

Mr. Dunkel said that he has been holding consultations and will continue to do so in order to be able to identify a successor to Mr. Mathur, who has served 27 years with the GATT, 18 years of which have been as Deputy Director-General. Mr. Dunkel added that Mr. Mathur "has given invaluable service to the GATT and to me personally. Till his departure, he will continue to be a full member of the GATT management team. He will also assist me in ensuring a smooth transition from the existing Secretariat structure to the new one, and I personally, shall greatly miss him when he leaves."

Five directors also are retiring in July. They are: Mr. Klaus Kautzor-Schröder, Tariff Division; Mr. Jean-Marc Lucq, Agriculture Division; Mr. Stuart Robinson, Session and Council Affairs Division; Mr. Michel Salib, Special Project Division (responsible for textiles and clothing negotiations); and Mr. Peter Williams, Non-Tariffs Division and Secretary of the Trade Negotiations Committee.

"The five retiring directors," Mr. Dunkel said, "have served GATT with distinction and exemplify the high degree of professionalism and objectivity which characterizes the Secretariat. Much of GATT's success is owned to these five retiring directors."

Mr. Dunkel also announced that in the context of the restructuring of the GATT Secretariat, effective 1 June, he and Mr. Charles R. Carlisle, Deputy Director-General, will be assisted by Assistant Directors-General Mr. Arif Hussain, at present Director of the Office of the Director-General and Mr. Keith Broadbridge, now Permanent Representative of Hong Kong to GATT, who will join the Secretariat this summer.

Professor Jagdish Bhagwati of Columbia University, New York, will be assisting the Director-General from time to time on economic policy matters.

- RULE-MAKING (subsidies and countervailing duties, anti-dumping, safeguards, preshipment inspection, rules of origin, technical barriers to trade, import licensing procedures, customs valuation, government procurement and a number of specific GATT Articles) and Trade-Related Investment Measures (TRIMs).
- Ambassador George Maciel (formerly Permanent Representative of Brazil to the UN, New York) assisted by Mr Rudi Ramsauer (Deputy Permanent Representative of Switzerland to GATT).
- TRIPS (Trade Related Aspect of Intellectual Property Rights). Ambassador Lars Anell (Permanent Representative of Sweden to GATT).
- Institutions, (Final Act, Dispute Settlement and FOGs) Ambassador Julio Lacarte-Murú (Permanent Representative of Uruguay to GATT).

The Group of Negotiations on SERVICES will continue to be chaired by Ambassador Felipe Jaramillo (Deputy Permanent Representative of Colombia to the UN, Geneva). He will now be assisted by Ambassador David Hawes (Permanent Representative of Australia to GATT).

Mr Arthur Dunkel remains chairman of the Group of Negotiations on Goods (GNG) - to which all of the above groups, with the exception of that on services, report - and the Trade Negotiations Committee when it meets at official level.

(Continued from page 1)

The groups and their chairmen were announced after consultations conducted by Ambassador Rubens Ricupero of Brazil, in his role as Chairman of GATT's Contracting Parties. They are as follows:

- MARKET ACCESS (tariffs, non-tariff measures, natural resource-based products, tropical products). Mr Germain Denis (Assistant Deputy Minister, Multilateral Trade Negotiations, Department of External Affairs and International Trade of Canada).
- TEXTILES AND CLOTHING- Mr Arthur Dunkel.
- AGRICULTURE. Mr Arthur Dunkel.
- RULE-MAKING (subsidies and countervailing duties, anti-dumping, safeguards, preshipment inspection, rules of origin, technical barriers to trade, import licensing procedures, customs valuation, government procurement and a number of specific GATT Articles) and Trade-Related Investment Measures (TRIMs).
- Ambassador George Maciel (formerly Permanent Representative of Brazil to the UN, New York) assisted by Mr Rudi Ramsauer (Deputy Permanent Representative of Switzerland to GATT).
- TRIPS (Trade Related Aspect of Intellectual Property Rights). Ambassador Lars Anell (Permanent Representative of Sweden to GATT).
- Institutions, (Final Act, Dispute Settlement and FOGs) Ambassador Julio Lacarte-Murú (Permanent Representative of Uruguay to GATT).

The Group of Negotiations on SERVICES will continue to be chaired by Ambassador Felipe Jaramillo (Deputy Permanent Representative of Colombia to the UN, Geneva). He will now be assisted by Ambassador David Hawes (Permanent Representative of Australia to GATT).

Mr Arthur Dunkel remains chairman of the Group of Negotiations on Goods (GNG) - to which all of the above groups, with the exception of that on services, report - and the Trade Negotiations Committee when it meets at official level.