October Council

GATT to focus on trade and environment link

The link between trade and environmental policies is to become a key focus of GATT’s work, especially after the conclusion of the Uruguay Round. The Council, meeting on 8 October, accepted the convening of a working group and noted a provisional agenda.

The Council also established working parties to consider membership of two formerly inward-looking economies, and dealt with problems related to Eastern Europe’s dramatic transition to market economy policies. Of course, trade disputes continue to be a regular Council staple. The United States warned that it will come to the Council for action should the European Community not take steps to implement the oilseeds panel report by as promised.

Environment and trade

After months of informal consultations, the Council noted the convening of a Group on Environmental Measures and International Trade. The Group has, at present, the following agenda:

- trade provisions contained in existing multilateral environmental agreements (e.g. the Montreal Protocol on Substances that Deplete the Ozone Layer, the Washington Convention on International Trade in Endangered Species and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal) vis-à-vis GATT principles and provisions;
- multilateral transparency of national environmental regulations likely to have trade effects; and
- trade effects of new packaging and labeling requirements aimed at protecting the environment.

The Group was originally established by the Council in 1971 but had never met. The EFTA countries proposed the convening of the Group at the Council meeting in February this year. This was initially received with some apprehension by a number of GATT members, mainly developing countries, who questioned whether the GATT was the right forum to deal with environmental issues since several international organizations were already competent.

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Council
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Chairman of the Contracting Parties, Ambassador Rubens Ricupero, was requested to conduct consultations on the EFTA proposal.

GATT Deputy Director-General Charles R. Carlisle, who conducted the most recent consultations on behalf of Ambassador Ricupero (Mr. Ricupero is now Brazil's ambassador to the United States), reported to the October Council. He said there was agreement that the membership of the Group would be updated to include all interested GATT members but that because of the present burden on delegations arising from the Uruguay Round, the Group would limit the number of its meetings in the coming months.

Several delegations welcomed the convening of the Group, including two members recently involved in a trade dispute related to the environment (US import prohibition on Mexican tuna caught in a way that endangered dolphins).

Mexico said it expected the expert discussion in the Group to once again show that GATT founders had established a multilateral framework sufficiently broad to take care of environment issues, and yet sufficiently precise to deal with trade protectionism. The United States said that the convening of the Group sent a message that GATT is sensitive to environmental protection. It stressed that trade and environmental objectives are mutually supportive.

Some delegations expressed reservations about the Group's agenda and emphasized that the completion of the Uruguay Round should remain the top priority.

On the other hand, the European Community underscored the importance of GATT involvement in international efforts on the environment. It said that the results of the Group not prove to be decisive, it would come back to the subject after the completion of the Uruguay Round.

It was agreed that the Council Chairman, Ambassador Lars Anell (Sweden), would consult on a chairman for the Group. He would also consult further on the question of a GATT contribution to the 1992 UN Conference on Environment and Development.

Mongolia, Panama seek GATT entry, Hungary asks for review of accession terms

The Council established working parties to examine the membership applications of Mongolia and Panama. This brings the current number of accession working parties in GATT to seven (the other countries are Algeria, Bulgaria, Honduras, Nepal and Paraguay). A Working Party was also set up to handle the review of Hungary’s Protocol of Accession.

Mongolia said that in the face of tremendous economic and social difficulties, it has decided to transform its system to a market economy. It had started negotiating bilateral trade agreements with major trading partners and had recently joined the International Monetary Fund, the World Bank and the Asian Development Bank. It said its trade regime is consistent with the spirit of the General Agreement, stressing it has no quantitative restrictions on imports.

Japan strongly supported Mongolia's participation and integration into the world economy. Accession to GATT, it said, would contribute to the development of the Mongolian economy. The United States reported that it had concluded a bilateral trade agreement with Mongolia at the beginning of the year, and came away deeply impressed with the depth of the country's commitment to reform.

Panama said it had previously undertaken trade mainly on the basis of bilateral agreements and had not taken part in any economic integration arrangements. Major world developments, including changes in Eastern Europe, the economic rise of Eastern Asian countries and President Bush's "Initiative for the Americas", had encouraged the country to speed up economic reforms. A national committee had been established to deal with issues related to Panama’s accession to the GATT.

Many Latin American countries warmly welcomed Panama's application for GATT membership. They said that the multilateral trading system would benefit from the entry of a country which occupies a major crossway for international trade. The United States commended Panama's decisions to draw closer to other Central American economies and to reform its economic and trade regimes.

Both countries said that their decision to apply for GATT membership came after a close study of the General Agreement. The process, they said, was assisted by the positive government and private response to seminars organized by the GATT Secretariat (in July in Ulan Bator and in May in Panama City).

Hungary said that against the background of radical changes to its trade regime, it was anachronistic to maintain terms of GATT membership guided by its 1973 Protocol of Accession. It said that the role and influence of the government in the economy had been significantly reduced in the past two years. Liberalization measures have resulted in the gradual elimination of import licensing for products accounting for some 90 per cent of imports. The requirement for prior import authorization had largely been eliminated. Trade flows took place at world prices and in convertible currencies.

Hungary asked for the establishment of a Working Party to undertake the review of specific provisions in its Accession Protocol. These include the possibility of imposing selective safeguard measures on Hungary’s exports and semianual consultations between Hungary and GATT members. Hungary suggested that its report submitted to the Council under the Trade Policy Review Mechanism (Focus No. 81) be used as the basis of the review.

US warns EC on oilseed report

The implementation of two adopted panel reports was followed up at the Council: that on EC’s producer subsidies on oilseeds (see Focus No. 68), and that on Japan’s restrictions on certain agricultural products. The United States warned that it will come to the Council in November for action should the European Community not take steps to implement the oilseeds panel report by 31 October as promised. It charged that current EC Commission proposals do not address the panel’s ruling that EC support for oilseed producers nullifies and impairs the EC zero tariff binding on oilseeds. It stressed that its soybean industry continues to suffer as a result of the EC oilseed regime.

The United States said it had relayed its concerns to the Community but had not received any response. It had thus proposed to the EC that the original GATT panel be reconvened to give an opinion on whether the EC actions would meet the standards set in the panel’s findings and recommendations.

The Community emphasized that one of the conclusions reached by the panel was that GATT members should take no further action under the GATT dispute-settlement provisions on this case until the EC had had reasonable time to adjust its regulations. For the present, the Commission proposals had not been agreed by the EC Council of Ministers and would not, therefore, be considered by the GATT Council - they were an internal matter for the Community.

On the other panel report, the United States reported it would hold further bilateral talks in late October with Japan on the implementation of panel recommendations on starch and dairy products.

Japan questions selective safeguard action by Austria

Japan challenged a recent safeguard action by Austria on imports of certain types of cement, which exempted products originating from the European Community and EFTA countries. It said that while it had no immediate trade interest in the matter, it (Continued on page 6)
FEATURE:

GATT, the Uruguay Round and the environment

The following are excerpts from a Secretariat background note, presented at the October Council meeting, on current GATT work on trade and the environment, related discussions in the Uruguay Round, and international agreements on environmental protection that touch on trade matters:

THE GATT

Group on Environmental Measures and International Trade

During the preparatory work for the Conference on the Human Environment (1972 Stockholm Conference), the GATT secretariat was requested by the Secretary-General of the Conference to make a contribution. In response to this request, the secretariat prepared a study entitled Industrial Pollution Control and International Trade.

At the October 1971 meeting of the GATT Council, the Director-General suggested that as contracting parties carried a special responsibility in this area, they should try to ensure that the efforts of governments to combat pollution did not result in the introduction of new barriers to trade or impede the removal of existing barriers. He therefore suggested that the Contracting Parties should consider whether to set up a flexible mechanism which could be used at the request of contracting parties if the need arose.

At the November 1971 Council meeting, the Council agreed to the establishment of a Group on Environmental Measures and International Trade with the following terms of reference:

The CONTRACTING PARTIES

Noting that efforts at the national or international level to control pollution and to protect human environment can have important consequences for international trade;

Desiring to co-operate in this sphere with a view to contributing to the effective operation of the General Agreement and the attainment of its objectives;

Bearing in mind the provisions of the General Agreement;

Recognizing that in appropriate cases it may be desirable that contracting parties examine between themselves the possible effects on the operation of the General Agreement of measures to control pollution and protect human environment and that such examinations should be fruitful if they are undertaken at the appropriate time;

Desiring to establish appropriate and flexible procedures which would facilitate consultations between contracting parties;

Decide to establish a Group whose main functions would be:

1. to examine upon request any specific matters relevant to the trade policy aspects of measures to control pollution and protect the human environment especially with regard to the application of the provisions of the General Agreement taking into account the particular problems of developing countries;
2. to report on its activities to the Council.

In introducing the terms of reference which were proposed for the Group, the Director-General stated as follows:

"The functions of the proposed group would be limited to the consideration of specific matters that were relevant to the application of the provisions of the General Agreement. There was, thus, no danger of duplicating or encroaching on work going on in other bodies on this very large problem of environment. The secretariat was not aware of any problem that could be placed before the group at present, were it established. One could, nevertheless, anticipate that concrete problems could well arise in this area."

The Group was thus set up as a standby machinery which would be ready to act, at the request of a contracting party, when and if the need arose.

At the February Council meeting, the EFTA contracting parties stated that, in a letter dated 4 February 1991, they had requested the Director-General to convene, at the earliest appropriate date, the "Group on Environmental Measures and International Trade". They stated that this Group was necessary in order to provide a forum in which to "tackle the issues that have arisen and will arise in the context of environmental policies, so that the GATT can be maintained as a relevant body of rules in all respects". Reference was also made to a possible GATT contribution to the 1992 United Nations Conference on Environment and Development.

After several months of consultations, the Council, in October 1991, noted the convening of the Group and its present agenda (see page 1).

The Working Group on Export of Domestically Prohibited Goods and Other Hazardous Substances

In 1982, at the Ministerial meeting of the Contracting Parties, it was agreed that GATT should examine the measures that need to be taken to bring under control export of products which are prohibited to be sold in the domestic markets of the exporting countries on the grounds that they are harmful to human, animal or plant life or health or the environment in its territory. This resulted in the establishment of the Working Group on Export of Domestically Prohibited Goods and Other Hazardous Substances in July 1989.
The Group is considering a draft Decision on Products Banned or Severely Restricted in the Domestic Market. This would cover all "products (including hazardous wastes) which are determined by a contracting party to present a serious and direct danger to human, animal or plant life or health or the environment in its territory, and which for this reason are banned or severely restricted in the domestic market of that contracting party." The Decision aims to increase transparency by creating a notification system through which contracting parties will notify to the GATT secretariat all products that are banned or severely restricted for domestic sale but for which no equivalent action has been taken on the export side. The GATT secretariat shall immediately forward such notifications to all enquiry points of contracting parties which are to be established according to the Decision.

To avoid duplication of other international instruments, these provisions do not apply if the product is covered by another international instrument and the contracting party is a signatory or a participant of this instrument. The Decision calls on contracting parties to participate effectively in information exchange systems as well as procedures to regulate trade in such products (e.g. prior informed consent procedures for chemicals and pesticides and the certification scheme for pharmaceutical products) developed under these instruments.

Though the present version of the text of the draft Decision is generally acceptable to almost all members of the Group, one delegation has made proposals for modifications.

Agreement on Technical Barriers to Trade

Reference to problems that may be posed as a result of regulations adopted for achieving environmental objectives were made during the Tokyo Round (1973-1979), particularly in the negotiations that established the Agreement on Technical Barriers to Trade (TBT). The basic obligation which the Agreement imposes is to ensure that technical regulations and standards, including packaging, labelling and marking requirements and methods of certifying conformity with technical regulations and standards, are not adopted or applied so as to have the effect of creating unnecessary obstacles to trade.

The Agreement recognizes that technical regulations and standards would not pose problems to international trade if the Parties use international standards as a basis. Towards this end, it urges Parties to the Agreement to play a full part within the limits of their resources in the preparation by international standardization organizations of appropriate standards for products for which they have adopted or expect to adopt technical regulations or standards.

It further lays down an obligation on Parties, where "relevant international standards exist or their completion is imminent"
Food testing in Bangkok: The extension of TBT Agreement’s coverage to processes and production methods would increase the Code’s relevance to environmental issues. (ILO Photo)

...to use them as a basis for their technical regulations or standards, except when they are considered inappropriate for, inter alia, such reasons “as national security requirements, the prevention of deceptive practices, protection of human health or safety, animal or plant life or health, or the environment: fundamental climatic or other geographical factors; fundamental technological problems”.

The TBT Agreement thus explicitly stated that environmental protection could be considered a valid justification to deviate from international standards. Any such derogation would, however, be subject to the basic obligation of the Agreement to ensure that technical regulations are not applied or adopted to have the effect of creating unnecessary obstacles to international trade. Furthermore, any such deviations are subject to the provisions relating to transparency and dispute settlement.

THE URUGUAY ROUND

In the Uruguay Round, environmental issues related to international trade have been discussed in the following negotiating areas.

The TBT Agreement

Some of the provisionally agreed modifications to the text of the Agreement which may be relevant to the discussion on the trade implications of regulations and standards adopted for achievement of environmental objectives are:

Inclusion of processes and production methods in the definition of technical regulations. This may increase the relevance of the Agreement for environmental issues, as environmental protection in many cases is provided by adopting technical regulations or standards which lay down processes and production methods.

Criteria for determining whether technical regulations cause unnecessary obstacles to trade. The amended draft Agreement further lays down principles and criteria that should be taken into account by Parties to ensure that technical regulations do not have the effect of “creating unnecessary obstacles to trade”. For this purpose, it incorporates the principle of proportionality by requiring the Parties to see that the regulations they adopt are not “more trade-restrictive than necessary to fulfil a legitimate objective, taking into account the risks non-fulfilment would create”. The legitimate objectives for which it is recognized countries may adopt technical regulations include the protection of human health or safety, or animal or plant life or health or of the environment.

Agriculture

In the agriculture negotiations with respect to domestic support, many participants have expressed the view that policies for the purpose of reducing the negative environmental effects of agricultural production should be exempted from commitments to reduce domestic agricultural support, provided that such policies comply with certain criteria.

The draft Uruguay Round Decision on Sanitary and Phytosanitary Measures establishes rules to ensure that the sanitary or phytosanitary measures imposed by GATT contracting parties are only those which are necessary for the legitimate protection of human, animal and plant life or health and are not arbitrary or unjustified barriers to international trade.

Subsidies and Countervailing Measures

The text of the draft Agreement on Subsidies and Countervailing Measures under negotiation in the Uruguay Round contains some modifications to the subsidy rules. The draft has attempted to define “non-actionable” subsidies as those related, under certain conditions, to research and development, structural adjustment assistance, environmental protection and regional aids.

Trade-Related Aspects of Intellectual Property Rights

The main issue in this area, which is of relevance to the discussion on trade and environment and on which differing views are being held, relates to whether patents should be granted for inventions of animal and plant varieties and for the biological processes for the production of plants and animals.

There is also the issue of whether plant varieties should be protected under patents or some other sui generis system.

GATT Articles

In the negotiations on GATT Articles, one delegation had indicated that it may be desirable to amend Article XX (General Exceptions) by adding the term “environment” to paragraph (b) (see Sidebar on GATT dispute-settlement on page 4).

Trade in Services

Article XIV in the draft text of the General Agreement on Trade in Services contains “exceptions” to its basic rules. There are wide differences in the views on the scope of the exception.

Some countries have proposed that in addition to the measures which may be necessary for the protection of human, animal and plant life or health, or the integrity of infrastructure or transportation systems, or for prevention of deceptive practices, the exceptions should also permit countries to take measures which are necessary for the protection of “sustainable development and environment”, “cultural values”, and “conservation of exhaustible natural resources”. All such measures taken would be subject to the condition that this would not result in arbitrary or unjustifiable discrimination between countries where same conditions prevail or a disguised restriction on international trade in services.

Darkening sky: The Montreal Protocol contains provisions that restrict trade in CFCs and halons, substances that are primarily responsible for the depletion of the ozone layer. (WWF Photo)
INTernational Arrangements on the Environment

There are over 140 international agreements and instruments in the environmental field. Three instruments have been specifically mentioned in the present agenda of the GATT Group on Environmental Measures and International Trade. These are:

The Montreal Protocol

There is now international consensus that increasing use of chlorofluorocarbons (CFCs) and halons is primarily responsible for depletion of the ozone layer. The damage that could follow from continued CFC and halon release and consequent depletion of the ozone layer includes damage to health (increased incidence of skin cancer, cata racts, etc.), reduction in yield of food crops, and increased global warming and associated climate change.

The Montreal Protocol on Substances that Deplete the Ozone Layer was adopted in 1987 and entered into force on 1 January 1989. Its basic obligation is to eliminate production and consumption of controlled substances (e.g. chlorofluorocarbons, bromofluorocarbons, carbon tetrachloride and trichloroethane) by the year 2000.

Since the Protocol mandates reductions in levels of consumption of controlled substances and defines consumption as the sum of production and imports, minus exports, it is implicitly assumed that Parties will gradually reduce and eliminate imports and exports. The method of implementation of this reduction in trade among Parties to the Protocol is left to each Party to determine.

Basil Convention on the Control of Hazardous Wastes

The basic objective of the Basel Convention is to control transboundary movements of hazardous wastes and their disposal in other countries, especially developing countries. Towards this end it imposes obligations on the countries where waste is generated, importing countries and on countries of transit to ensure that trans-border movement is permitted only under conditions which do not endanger human health or environment.

It seeks to ensure the environmentally sound management of the wastes and their disposal as close as possible to the source of generation.

Council

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was concerned as a matter of principle over Austria’s selective application of a safeguard measure which it charged violated the most-favoured-nation principle of the General Agreement.

Japan’s concerns were shared by India, Thailand, Hong Kong, Pakistan, Korea and Chile. Hungary said it has a substantial trade interest in the matter and reserved all its GATT rights.

Austria explained that as an EFTA member and having a free trade agreement with the EC, its safeguard action does not cover members of these trade arrangements. It maintained that the GATT provision on customs union and free trade areas (Article XXIV) is an acknowledged exception to the m.f.n. principle of the GATT. It expressed readiness to enter into consultations with any GATT member on this issue.

A safeguard action is one taken under GATT Article XIX to protect an industry from an unexpected build-up of imports.

Trade Centre commended

The pronounced shift in many developing countries from inward-looking strategies toward globalization, internationalization and greater export orientation is expected to further expand demand for export-promotion assistance from the International Trade Centre (ITC). This was reported by Ambassador Antti Hyninnen (Finland), chairman of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT, which held its 24th annual session in April 1991. He added that in 1990, the ITC had worked closely with the GATT in areas like technical barriers to trade and export of hazardous substances.

Established by the GATT in 1964, the ITC is a joint subsidiary organ of the GATT and the United Nations.

Many Council members lauded the ITC’s programme of technical assistance to developing countries, which in 1990 amounted to $34.7 million. They also paid tribute to Ambassador Göran M. Engblom (Sweden), who will be retiring after ten years of service as ITC’s Executive Director.

Under “other business”, Canada complained that after it had given notice of its intention to terminate a bilateral understanding on softwood lumber, the United States, on 4 October, initiated a countervailing-duty investigation on the Canadian product - the third such investigation in eight years. It charged that on the same day, the United States also announced a new bonding requirement applicable only to Canadian softwood lumber. Canada said that at the next meeting, it would ask for a panel to confirm its view that timber pricing practices are not countervailable, and that the US bonding requirement violated GATT provisions.

New and old GATT experts: 24 officials from Bulgaria, Czechoslovakia, Hungary, Poland, Romania, the USSR and Yugoslavia who had participated in the first GATT Special Trade Policy Course (27 May-26 July) with members of the Training Division. Switzerland announced at the October Council its willingness to fund another special course.

(Photo by Tanja Tangi/GATT)
The Council welcomed and supported Nigeria’s moves to deregulate and liberalize its trade and foreign exchange systems under the Structural Adjustment Programme introduced in 1986. These steps were taken against the background of serious economic difficulties affecting Nigeria during the 1980s, largely as a consequence of declining exports of petroleum.

Since 1986, tariffs had replaced import licensing as the major policy instrument affecting most merchandise imports. Members welcomed the Nigerian tariff reforms of 1988, which introduced a more stable and predictable tariff structure for the period up to 1994.

In the same period, Nigeria had eliminated import and export licensing systems, reduced the number of prohibited imports, removed price controls, abolished commodity marketing boards, privatized some public enterprises and put others on a commercial footing. As a result of these measures, Nigeria now maintained fewer non-tariff measures than before the SAP was launched. Market-oriented changes in the foreign exchange system had also been introduced. The Council welcomed these developments.

The Council also appreciated Nigeria’s active participation in the Uruguay Round and other areas of the GATT’s work, including the formulation of international rules on exports of domestically prohibited goods and other hazardous substances.

Concerns

While welcoming the broad thrust of Nigeria’s economic and trade policy reforms, Council members expressed their concerns on a number of areas where, it was felt, further liberalization and closer integration into the multilateral trading system could benefit both Nigeria and the trading system:

• Tariffs remained generally high for both agricultural and industrial products, with peaks reaching 200 to 300 per cent for certain goods. Members sought clarification on Nigeria’s plans for future tariff cuts;
• Only one tariff item was bound. Moreover, there had been frequent changes in tariffs in recent years despite the introduction of the long-term tariff reforms in 1988. Members stressed the advantages for traders and investors of a stable and predictable tariff system and encouraged Nigeria to consider binding a higher proportion of tariffs;
• Various import surcharges collected as a 7 per cent across-the-board surcharge made the nominal rate of protection higher than tariff rates suggested. Some of these charges, such as the Port Development surcharge, were in excess of services rendered. The inclusion in tariff rates of landing charges equivalent to excise duties on domestic products made the rate of tariff protection still less transparent and more unstable;
• Import prohibitions were still applied to a significant number of agricultural and industrial products. Nigeria continued to invoke GATT Article XVIII:B for these restrictions. Members urged Nigeria to phase out these measures, which reduced the international competitiveness of protected domestic production and distorted the overall allocation of resources. It was also pointed out that temporary import measures, introduced for balance-of-payments purposes, should not have the effect of protecting domestic industries in the longer run;
• Questions were asked concerning Nigeria’s self-reliance programmes in key agricultural sectors. The trade restrictions associated with these programmes were likely to have caused distortions in the Nigerian economy through their effect on domestic prices. One participant asked about the role of subsidized foodgrain imports in changing Nigerian consumption patterns;
• Despite considerable under-utilization in existing industrial sectors, such as steel, heavy import protection and costly investment programmes were felt to cause greater distortion both to the industries concerned and to those which had not received such support;
• There were still a number of commercial activities reserved for Nigerian ownership despite the stated objective of the Nigerian Government to attract foreign investment;
• Noting that over 80 per cent of Nigerian foreign exchange was provided by the Central Bank, questions were raised concerning the role that the allocation of foreign exchange might play as an instrument for controlling the volume and structure of imports; and
• Recalling that Nigeria was a signatory to the Tokyo Round Agreements on Import Licensing and Bovine Meat, members asked what plans Nigeria had for accession to other Codes.

Other specific questions raised related to the role of the Tariff Review Board; proposed reforms to Nigeria’s Anti-Dumping Act in the light of the GATT Code; Nigeria’s adherence to international standards; use of countertrade in Nigeria; the operation and effects of subsidies under the Export Adjustment Scheme; Nigerian legislation concerning foreign investment and competition rules; progress in the establishment of export processing zones; and enforcement of intellectual property laws. Information was also sought on the relationship between the development of an African Common Market, other regional arrangements, and Nigeria’s adherence to multilateralism and the m.f.n. principle.

A textile mill in Lagos: Nigeria is trying to reduce heavy export dependence on crude petroleum.
Nigeria in world trade

Nigeria ranked 46th among world exporters and 57th among world importers in 1989, with a share in world merchandise exports of 0.3 per cent. Nigeria's exports are estimated to have grown much faster than world exports in 1990. Nigeria is both the biggest exporters and importer in Sub-Saharan Africa excluding South Africa.

Over 90 per cent of Nigeria's export earnings come from crude petroleum. Nigeria is estimated to be ninth among world exporters of fuels in 1989, accounting for about 3.5 per cent of world fuel exports.

Nigeria is also one of the world's leading producers of cocoa beans, yams, taro, cassava, roots and tubers, sorghum, and millet. While Nigeria was the world's fourth largest exporter of cocoa beans in 1988, exports of other agricultural products have been either very limited or prohibited to secure domestic food supply.

Largely due to the fall in petroleum export volume and prices since 1981, Nigeria's merchandise exports in dollar terms declined sharply during the period 1981 to 1986, resulting in rapid increases in external debt. Growth in both exports and imports turned upwards in more recent years, but the estimated trade value in 1990 was still only half of 1980 levels.

Since 1986, the Government has undertaken a series of trade and foreign exchange reforms under the Structural Adjustment Programme (SAP). They include trade liberalization measures such as elimination of import and export licenses, reduction in the number of prohibited imports, removal of price controls, export promotion initiatives, and market-oriented changes in the foreign exchange system.

These reforms have contributed to substantial growth in Nigeria's real GDP in recent years (6.2 per cent in 1989), supported by growth in both oil and agricultural sectors. While Nigeria's external debt is still large ($33 billion total external debt stock in 1989), debt service ratio has been kept under the target rate of 30 per cent in recent years, as a result of successful debt rescheduling agreements.

However, despite various Government efforts to promote non-oil exports, heavy dependence on crude petroleum exports still continues (95% in the first half of 1990), and progress in diversifying and increasing non-oil exports has so far been limited. Foreign investment, apart from the petroleum sector, has so far been limited despite a number of incentive schemes introduced by the present Government.

Heavy export dependence on crude petroleum limited the favourable impact of the sharp depreciation of the Nigerian currency on exports. While some effects of the depreciation are discernible in reduced import volume and changed composition of imported products, the total dollar value of Nigeria's imports has been essentially determined by the availability of foreign exchange, that is export earnings mainly from petroleum which are not susceptible to changes in the value of the currency.

The greater part of Nigerian exports is directed to developed countries, especially the United States and the EEC. While most imports have also been supplied by developed countries, the share of developing countries has grown from about 10 per cent in 1977 to about 30 per cent in 1989. Asian developing economies now account for about 20 per cent. The share of Africa in Nigeria's total trade, particularly that of ECOWAS member countries, has also been growing, albeit to still less than ten per cent. However, unrecorded trade with neighbouring African countries is estimated to be substantial.

Nigeria's reply

In reply to these comments and questions, the representative of Nigeria appreciated the confidence expressed by Council members for Nigeria's efforts to liberalize its trade regime despite great difficulties. The Structural Adjustment Programme aimed at promoting an open and liberal trading system, as well as diversifying the economy. Nigeria was committed to pursue open market policies and programmes which would integrate it fully into the world economy.

The number of items under import prohibition had been considerably reduced under the SAP. Nigeria's intention was to continue progressively reducing import prohibitions which were in place for reasons of self-reliance, and eventually to eliminate them.

In adopting the Harmonized System, Nigeria had also streamlined and reduced tariffs. The present structure would remain broadly stable for at least 7 years. It agreed in principle with tariff binding, but such action must be commensurate with the need to protect developing industries and to prevent unfair competition, including dumping. The Tariff Review Board could consider any request for fine-tuning tariffs.

Nigeria's food self-reliance programmes were aimed to encourage increased production of domestic crops, particularly traditional grains, but were not intended to close the door entirely to imports. Nigeria was currently promoting the production of wheat and rice, consumption of which had grown with prosperity. Foreign exchange was a major constraint which had to be overcome.

In allocating foreign exchange, priority was given to satisfying external debt obligations and funding the foreign exchange market for imports. However, the Government did not control the volume or structure of imports through foreign exchange allocation. With the introduction of a liberalized foreign exchange system, the Export Adjustment Scheme was no longer operational.

Nigeria planned to amend its Anti-Dumping Act, taking into consideration relevant provisions of the GATT Code. Nigeria no longer used countervailing duties.

The Standards Organization of Nigeria adhered to the principles of the ISO, even though Nigeria's membership was currently suspended. Nigeria planned to begin negotiations soon on possible accession to other Tokyo Round Codes.

Nigeria was in the process of simplifying the implementation of its intellectual property laws. China, by consolidating the operations of a large number of different responsible agencies.

Investment laws had been revised several times since 1972. Now, even in sectors reserved for Nigerian ownership, foreign investors who could invest 20 million naira in a company could take full ownership.

The recent signature of an agreement to create an African Common Market was not intended to create a bloc, but to put in place a structure for growth in inter-African trade. Attempts were being made to accelerate the integration of the ECOWAS area.

The first phase of Nigeria's major steel project would be completed in 1992. It was hoped to benefit downstream industries and even export to other West African markets.

Although production costs would be higher than from other suppliers, the expected national benefits would be important.

Conclusions

In conclusion, the Council commended Nigeria for the reforms undertaken in recent years towards deregulation and liberalization of trade. As the largest Sub-Saharan African economy, the lessons of Nigeria's development would be highly relevant for other African contracting parties. The Council urged continued that a supportive world trading and financial environment, including a positive outcome to the Uruguay Round, would make a significant contribution to the growth and diversification of Nigeria's exports and to the reform process.

The Council emphasized the importance for the Nigerian economy of maintaining steady progress towards liberalization. It stressed the risks and distortions that could arise for the economy as a whole in pursuing strategies of self-sufficiency in individual sectors and the advantages for any contracting party of a liberal, stable and predictable trade system. It encouraged Nigeria to continue its liberalization by lowering tariffs, stabilizing its tariff structure through increased bindings and progressively phasing out remaining import prohibitions and other non-tariff measures.

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