37th SESSION OF GATT CONTRACTING PARTIES

The present issue of GATT Focus—the last for 1981—is largely devoted to reporting on the 37th Session of the GATT Contracting Parties, held in Geneva from 23 to 25 November. This year's Session is likely to be remembered principally for its unanimous decision (reported below) to convene a ministerial-level session in November 1982.

But there was much more to its debates than this single decision—an opening statement by the Chairman of the Contracting Parties, marked by a refreshing degree of optimism, reports from Chairmen of the main GATT bodies, an item-by-item examination of matters brought before the GATT Council during the past twelve months, and a lengthy series of statements by national delegates which bore witness both to the wide range of specific trade concerns of the 86 GATT signatories and to their shared and vital interest in the health of the multilateral trading system.

We are grateful to the anonymous delegate whose caricature enlivens this issue of Focus.

GATT's member States decide unanimously to convene their 1982 session at ministerial level

The GATT, Contracting Parties (member states) will meet in November 1982 at ministerial level to “examine the functioning of the multilateral trading system and reinforce the common efforts of the contracting parties to support and improve the system for the benefit of all nations”.

The ministers will address themselves to “the implementation of the results of the (Tokyo Round) Multilateral Trade Negotiations, problems affecting the trading system, the position of developing countries in world trade and future prospects for the development of trade. Finally, in the context of their consideration of the work programme of the GATT for the 1980’s. Ministers will also determine future priorities for co-operation among contracting parties”.

The GATT Council has been entrusted with overall responsibility for preparing the ministerial meeting, including setting up appropriate institutional arrangements. The Council will decide the duration and precise date of the meeting. It will be assisted by a Preparatory Committee open to all member states. The Council will also arrange for other GATT bodies to make appropriate contributions to the preparatory work.

On 7 December, the Council started preparations for the ministerial meeting by setting up the Preparatory Committee and by designating Ambassador Donald McPhail (Canada) as Chairman of the Committee.

Election of officers of the Contracting Parties

At the close of their 37th Session, the Contracting Parties elected the following officers:

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<th>Position</th>
<th>Representative</th>
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<tr>
<td>Chairman of the Contracting Parties</td>
<td>Ambassador Donald S. McPhail (Canada)</td>
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<td>Vice-Chairmen of the Contracting Parties</td>
<td>Ambassador Anthony Hill (Jamaica)</td>
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<td>Ambassador André Onkelinx (Belgium)</td>
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<td>Ambassador Marko Vrhunec (Yugoslavia)</td>
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<td>Chairman of the Council of Representatives</td>
<td>Ambassador Bhagirath Lal Das (India)</td>
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<td>Chairman of the Committee on Trade and Development</td>
<td>Ambassador Felipe Jaramillo (Colombia)</td>
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"If anything characterizes GATT and distinguishes it from other international organizations, it is the importance of ensuring the ‘will’ of the parties. The advances, halts and retreats are due quite apart from the contributions and technical efforts of the secretariat, to the will of the contracting parties. GATT is only, and could not be otherwise than, the negotiated synthesis of our will to act”. This reminder of the framework in which GATT’s activities are situated, given by Ambassador Gabriel Martinez (Argentina), Chairman of the Contracting Parties in 1981, in his opening statement at the thirty-seventh session, was also an appeal to GATT members to take on their full responsibilities in a difficult period.

The Chairman said the rules and trading practices established in the General Agreement must be respected. Over the past year, countries at all levels of development had expressed their interest in protecting the integrity of the GATT rules and their concern that, in settling disputes, no precedents should be established which might damage the system.

## Dialogue rather than confrontation

The most encouraging element, he added, was the recent change of attitude of countries in regard to economic and trade developments: “during 1981, we have largely renounced the easy way out of blaming one another for the difficulties these developments have brought. Instead, we have concentrated our attention on exploring the possibilities of acting constructively together”.

Looking to the future with cautious optimism, Ambassador Martinez said that “to overcome the difficulties in the textile and agricultural sectors we must seek, through co-operation and dialogue, better answers than those resulting from dialectics and confrontation”.

Much remains to be done for developing countries

Ambassador Martinez noted that it was in the interest of all that the countries and sectors now on the sidelines of the trading system should be brought into it and contribute to strengthening GATT and international co-operation. In particular, apart from some encouraging examples, not enough developing countries had acceded to the General Agreement; their participation in the Tokyo Round agreements was of great importance for the universal character of GATT and for the transparency of international trade relations.

“One reason why developing countries are not yet participating fully in GATT,” said Ambassador Martinez, “has been their perception that there are major and important gaps in the system which need to be filled by the definition of appropriate and permanent rules”. He mentioned in particular the issues of safeguards and residual quantitative restrictions, and agricultural trade problems; he also said many developing countries considered the GATT system still did not fully meet their particular needs.

“Time has come to take stock at political level of our co-operation in GATT,” he said, referring to the 1982 ministerial meeting: and he noted that “the purpose of the permanent dialogue carried on by the Contracting Parties is to establish binding legal commitments”.

## Committee on Trade and Development

### Importance of programme of consultations on trade liberalization stressed

Presenting a report on the activities of the Committee on Trade and Development (CTD) over the past year, Ambassador Felipe Jaramillo (Colombia) said developing countries consider the Committee’s work to be particularly relevant to preparatory work for the 1982 session of the Contracting Parties at ministerial level.

The CTD has decided to establish a “programme of consultations on trade liberalization” aimed at systematic identification and analysis of trade problems concerning tropical products and quantitative restrictions, so as to further liberalize trade in these areas. This programme of consultations between developed and developing countries, on a product-by-product basis, is currently being prepared and consultations are scheduled for the first quarter of 1982.

As regards the Committee’s work on trade liberalization in the area of tariff escalation, Ambassador Jaramillo said pilot studies were being prepared in GATT on some areas of interest to developing countries.

The two new sub-committees established by the CTD, on protective measures and on trade of least-developed countries, have been functioning satisfactorily. In response to a proposal made at the Paris Conference on the Least-Developed Countries, the life of the sub-committee on trade of least-developed countries has been prolonged.

Ambassador Jaramillo expressed the concern felt by developing countries over implementation of Part IV of the GATT, and of the “enabling clause” granting special and more favourable treatment for developing countries. He mentioned in particular differentiated application of GSP schemes by developed countries, and the increasing deficit in developing countries’ trade balances.
The November 23-25 session of the Contracting Parties gave GATT members an opportunity to review the organization’s activities during 1981. Since the end of the Tokyo Round, this annual review has taken on particular importance because it covers not only activities of the Council and its subsidiary bodies, but also those of the committees established to administer the Tokyo Round agreements. The Contracting Parties could usefully consider follow-up on the reports of the committees established to administer the Tokyo Round agreements. FOCUS has regularly reported on the work done by these committees. This article rounds up and supplements information already published.

The second stage of tariff cuts was implemented on 1 January 1981; the third is to follow on 1 January 1982. In 1981, as in the preceding year, the main task of the committees has been to oversee implementation of the agreements by signatory countries. All the Tokyo Round agreements have now entered into force. The committees have examined national legislation and provisions to carry the Tokyo Round agreements into force at the national level. The committees have also examined measures taken and notified by the signatories. Observance of these notification procedures is an essential element of the agreements, designed to ensure transparency in the sector concerned. In certain cases (dairy products and bovine meat) reports have been drawn up on world production, consumption and trade in these products.

Apart from these administrative aspects, various substantive questions have arisen regarding the coverage of the agreements.

1 For ease of reference, this issue includes a subject index of articles that have appeared in Focus during 1981.

For example, the Committee on Subsidies and Countervailing Practices and the Committee on Anti-Dumping Measures have asked a group of experts to define objective criteria for determining when a producer and an exporter or importer are considered to be “related”. The Committee on Technical Barriers to Trade has taken up the question of international and regional standardizing activities, and has decided to undertake a study on private standardizing and certifying bodies. The Committee on Government Procurement has considered the inclusion of taxes and customs duties in the minimum value of procurement contracts, and also the identification of contracts published in accordance with the Agreement on Government Procurement.

New tasks have been given to the committees, such as the study on tariff escalation in relation to the degree of processing of products, and extension of the list of products covered by the Agreement on Civil Aircraft, which has been entrusted to a technical sub-committee. Lastly, certain basic issues have been discussed in some of the committees.

Council Chairman underlines four topics

The Council, which represents the GATT Contracting Parties between their annual sessions held nine meetings in 1981.

Ambassador Donald McPhail (Canada), Chairman of the Council for the past year drew the attention of GATT’s members to four essential aspects of the Council’s activities:

- The review of the operation of the system of notification, consultation, dispute settlement and surveillance undertaken by the Council at two special meetings in the spring and autumn still needs further reflection by delegations.
- The Contracting Parties could usefully consider follow-up on the reports of panels of independent experts set up to examine trade disputes: this question has been raised in the Council on several occasions.
- The Council found that no progress had been made in the Committee on Safeguards, although this matter was among the objectives of the Contracting Parties last year. The issue of “voluntary” restraints on exports, which were a feature of trade relations in 1981, had also not been dealt with satisfactorily.
- Lastly, Ambassador McPhail recalled that on the initiative of the Consultative Group of Eighteen, the Council had proposed that the Contracting Parties hold their 1982 session at ministerial level.

Developing countries considered that United States non-application, in respect of industrial fasteners from India, of the criterion of injury stipulated in the Agreement on Subsidies and Countervailing Measures, had important implications. Fortunately, this matter was settled by mutual agreement between India and the United States. Export credit subsidies granted on sales of civil aircraft have been the subject of lively discussion in the Committee on Civil Aircraft, as has the quota system applied by one country in this area.

Safeguards
Initiative for breaking deadlock

The Director-General of GATT drew the Contracting Parties’ attention to the lack of progress in negotiations on improvement of the international safeguard system. He said: “the situation is still deadlocked, even though many contracting parties are still showing keen interest in seeking a more satisfactory settlement of this matter”. He added that remaining disagreements were in themselves a disturbing factor of uncertainty for the international trading system.

The Director-General announced his intention of initiating, within the next few weeks and more systematically than up to now, in-depth consultations with delegations in the hope of encouraging a real effort of compromise. He said this effort could be seen in the perspective of the 1982 ministerial session of the Contracting Parties.

Coming GATT activities

For the moment, no meetings are scheduled for January. The provisional programme of meetings for February is as follows:

2-4 Committee on Government Procurement
10-12 Consultative Group of Eighteen
18-19 Working Party on Structural Adjustment.


**Concerns and hopes of GATT’s member States**

For lack of space, we cannot report even briefly the thirty or so statements made on behalf of nearly fifty countries, expressing their views on GATT’s activities in 1981 and priorities recommended for the future.

Nevertheless, the Chairman of the Contracting Parties, Ambassador Martinez, identified in his summing up at the end of the session “five subjects of concern but also of hope”.

1. Disturbing trends in international trade and the increase in restrictive measures outside the GATT system were underlined by many delegations. That is why it is important to renew efforts to strengthen co-operation and the international trading system.

2. Although the number of trade disputes has increased sharply because of protectionist pressures, this increase is also an indication of the vitality of the GATT system and of confidence in the consultation and dispute settlement procedures as they emerged from the Tokyo Round. Nevertheless, certain countries stressed the need “for contracting parties to maintain the effective and timely operation of the dispute settlement mechanism under continuing review and to give attention to the follow-up on panel reports”.

3. Many speakers referred to outstanding problems in need of urgent solution. The attention given by the Consultative Group of Eighteen to problems affecting trade in agricultural products was welcomed and “the hope was expressed that issues affecting agricultural trade would receive serious consideration”. The need to find solutions for improving the international safeguard system was also underlined. Many delegations expressed their hope for an early understanding on co-operation in the field of structural adjustment, and welcomed the work being done on this issue in GATT.

4. Many representatives underlined the severe economic problems confronting developing countries and the need for those countries to be integrated more closely in the international trading system. This aspect was linked to further trade liberalization in areas of interest to developing countries.

5. Lastly, noted the Chairman, “the importance of a mutually satisfactory agreement on trade in textiles for the future of co-operation and for confidence in the trading system was recognized by all participants”. 

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**Multifibre Arrangement**

**Intensive negotiations**

All the participants in the negotiations for renewing the Multifibre Arrangement Regarding International Trade in Textiles (Multifibre Arrangement) have now made known their positions: on 26 November the European Community presented a draft protocol for extending the MFA. This draft followed those already presented by the United States and by developing countries, as well as specific proposals made by other delegations.

As this issue of *Focus* goes to press, the negotiations have entered their intensive phase.

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**Consultative Group of Eighteen**

The Director-General of GATT, who is Chairman of the Consultative Group of Eighteen, drew the attention of the Contracting Parties to the Group’s discussions on agriculture which had made a good start and looked promising. He also recalled the reasons why the Group had proposed that a ministerial meeting be convened in 1982.

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**GATT FOCUS**

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