June Council

EC, US to negotiate compensation on oilseeds

The dispute between the European Community and the United States on subsidies paid to EC oilseeds producers moved a stage further at the 19 June Council when the Community was authorized to renegotiate its zero-tariff concessions on oilseeds. The Council was considering a report which had found that a new oilseeds support regime in the Community continued to impair the value of these concessions, negotiated with the United States and other countries in the 1960s. The panel members had recommended that the EC either modify its oilseeds regime or renegotiate the concessions.

In requesting authorization for Article XXVIII:4 negotiations, the Community said this would help secure a “pragmatic, effective and prompt solution” to its dispute with the United States. It cited a 1955 Working Party report, which stated that such negotiations could be applicable to subsidies affecting tariff concessions. The EC gave the assurance that it would take account of the interests of other oilseeds exporters. At the same time, the Community charged as “harassment” the recent publication by the United States of a list of EC products that could be subject to retaliation in the event of no adequate resolution of the dispute.

The United States warned that the renegotiation would be “costly” for the Community as compensation would have to address the US$1 billion annual damage to US soya bean producers as well as a further US$1 billion of trade lost to producers in other countries. It stressed that it was up to the injured party to consider the adequacy of compensation offered in Article XXVIII negotiations. The United States was hopeful of a resolution to the long-standing dispute but would remain vigilant, adding that work on the list of products targeted for retaliation would continue until the completion of its negotiations with the Community.

Brazil, Argentina, Canada and other exporters of oilseeds welcomed the Community’s proposal for Article XXVIII negotiations as a step in the right direction. However, some of them said they would have preferred that the EC modify its oilseeds support instead.

Under Article XXVIII:4, if no settlement is reached within 60 days after the authorization of the negotiations, the requesting member may refer the matter to the Council. If still no settlement is reached, the member is free to modify or withdraw the concession, unless the Council determines that it had “unreasonably failed to offer adequate compensation.” Should the member proceed, other members with a principal or substantial trade interests in the concession may modify or withdraw equivalent concessions originally negotiated with the Community.

Other decisions reached at the meeting will be reported in the next Focus.

Dispute settlement dominates the Council’s agenda

Dispute settlement continues to dominate the work of the Council. At its 30 April meeting, the Council considered two panel reports. It also received the finding of the Tokyo Round Committees.

Adoption of three panel reports boosts dispute-settlement mechanism

The adoption of these two reports raises hope for a similar action soon on four other reports pending in the Committee. These reports are related to EC subsidies on wheat flour, EC subsidies on exports of pasta products, Canada’s countervailing duties on EC boneless manufacturing beef, and US countervailing duties on non-rubber footwear from Brazil. Earlier this year, the GATT Director-General in his annual report to the Council pointed out that inaction on panel reports “compromises” the dispute-settlement mechanism of the Subsidies Agreement.

The Committee on Government Procurement adopted at its first consideration on 13 May a panel report on Norway’s procurement of an electronic toll system around the

reconvened members of the oilseeds panel on a new EC support system for oilseeds.

The case concerns a complaint raised by the United States in 1986 that the EC system for oilseeds had nullified the EC zero-tariff binding on oilseeds. A panel, whose report was adopted by the Council in January 1990, upheld the US position.

The Contracting Parties, at their 47th Session in December 1991, granted a US request for the reconvening of the panel members to examine a new EC oilseeds regime. Under the old system, subsidies were granted to oilseeds processors to compensate for the difference between EC and world market prices. Council Regulation (EEC) No. 3766/91 of 12 December 1991 established a new support system for soya beans, rape seed, colza seed and sunflower seed, involving direct per hectare payments to EC farmers. (Continued on page 2)

Tokyo Round Agreements

Adoption of three panel reports boosts dispute-settlement mechanism

The recent adoption of three panel reports and the announcement of partial implementation of another have given a boost to the dispute-settlement mechanism of the Tokyo Round Committees. The intense dispute-settlement activity in several Tokyo Round Committees during the past year is expected to result in the submission of more panel reports in the coming months.

The Subsidies Committee’s swift adoption of a panel report on Canada’s countervailing duty on United States’ grain corn on 26 March is considered particularly significant because it was the first panel report adopted by the Committee since the Subsidies Code came into effect in 1980. This was followed with the adoption, on 28 April, of a long-standing panel report on US definition of “industry” for wine and grapes.

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The panel members concluded that the new EC support system continued to impair GATT benefits accruing to the United States as a result of the zero tariff binding. It recommended that the Community act expeditiously to eliminate the impairment of tariff concessions - either by modifying the new support system or by renegotiating the tariff concessions. The panel members stated that in the event the dispute was not resolved expeditiously either way, the Contracting Parties should, if requested by the United States, consider further action under the dispute-settlement mechanism of the GATT. (Note: The Contracting Parties could authorize a GATT member to suspend concessions or other GATT obligations to another member.)

After the introduction of the report, the United States said the findings were clear and precise. It asked the Community what it would do to comply with the recommendations.

The EC replied it was not in a position to accept the panel's report. However, it stressed its wish to find a solution to the dispute, and promised to present a proposal on the matter before the next Council meeting.

A number of countries, including those that had made third-party submissions to the convened panel members in support of the US position (Brazil, Canada, Argentina and Australia), called for the immediate adoption of the report.

The United States criticized what it said was a record of delay by the EC since 1988 when it first brought the case to the GATT. Citing reports that the EC Council of Ministers had already rejected the panel's findings, the United States expressed serious doubts as to whether the EC could indeed come up with a proposal addressing the panel's recommendations. The United States said it had little choice but to and that on that same day, the US government would announce steps for withdrawal of concessions from EC products in response to $1 billion damage to US producers. The United States added that it strongly preferred an amicable solution to the dispute, and that it was ready to discuss the matter with the Community.

The EC said it detected "a strong whiff of unilateralism" in the US statement. The US position was quite out of order as the report was only undergoing its first consideration by the Council, and was a regrettable step after a positive EC response to the report, the Community said.

Many delegations, including those that had supported the adoption of the report, stressed their opposition to unilateral trade action and urged the United States to first seek the authorization of the GATT Council before retaliating against the Community.

### Panel rules against US measures on beer

The Council considered for the first time a panel report on US federal and state measures affecting imported beer, wine and cider (see sidebar). The chairman of the panel, Ambassador Julio Lacarté-Muro (Uruguay), said that after examining liquor regulations of 44 different states, 76 specific state measures as well as two federal-level measures, the panel concluded that most of these measures were inconsistent with GATT provisions. (A panel report concerning Canadian practices on imported beer was adopted at the February meeting, see Focus No. 88.)

The panel, Ambassador Lacarté said, was left with the impression that some of the matters examined could have been resolved with more intensive consultations between the two parties. He stressed the importance of thorough bilateral consultations in ensuring the rapid and efficient completion of GATT dispute settlement procedures.

Canada said the measures found to be inconsistent by the panel constituted significant barriers to trade and had seriously disadvantaged Canadian producers. It called for the immediate adoption of the panel report.

The United States noted that this was the first panel report to have addressed state measures. It stressed that the cumulative effect of the measures had been negligible, and that alcoholic drinks from Canada could be obtained in the fifty states. The United States said the findings were clear and precise. It asked the Community what it would do to comply with the recommendations.
States indicated that it was consulting extensively with the states concerned regarding the panel report. While it could not agree to the adoption of the report at the current meeting, it expected to have a more definite and positive response at the next meeting. The Council agreed to revert to the matter at the next meeting and granted Canada’s request to derestrict the panel report.

EC may ask for a panel on US tuna embargo

The Chairman invited Mexico and the United States to report on their bilateral consultations concerning a panel report that had ruled against a US embargo, taken to limit the catching of dolphins, on imports of yellowfin tuna from Mexico.

Mexico said a ministerial-level meeting would soon take place in Cancun to discuss “responsible fishing”. The United States said the US Administration was working with Congress on legislation that would replace the basis of the embargo, and that these efforts were moving in “a positive direction”.

The European Community expressed frustration at what it described as a blockage in GATT dispute-settlement procedures. It reported that it had started bilateral consultations with the United States on its complaint that a secondary US embargo had affected tuna exports by several EC member States. In the absence of a solution, the EC said it would ask for its own panel at the next Council meeting.

Many delegations reiterated their call for an early adoption of the report (see previous Focus).

M.f.n. on footwear

Brazil urged the adoption of a panel report containing a conclusion that the United States was in breach of its obligations with respect to a countervailing duty action on non-rubber footwear from Brazil, had not acceded m.f.n. treatment to Brazilian “exports” (see Focus No. 88). It noted that the report was being considered by the Council for the third time.

The United States said progress was being made in intensive consultations with Brazil on this matter. It was hopeful that a solution would be found in the immediate future.

Brazil said continued delay was burdensome to its exporters. It could agree to a postponement of Council action only on the understanding that the matter would be resolved at the next meeting.

Egypt asks for waiver on tariff changes

Egypt requested a temporary waiver, until 30 June 1993, for changes in its tariff system aimed at assisting an economic reform programme it was undertaking with the cooperation of the International Monetary Fund and the World Bank. It stressed that the tariff changes were not aimed at introducing discrimination or further trade restrictions, but rather at narrowing the gap between minimum and maximum rates in changing over to the Harmonized System tariff nomenclature. It noted that in 1986 and 1989, it had unilaterally reduced its tariffs by 50 and 30 per cent, respectively.

Some 27 countries supported Egypt’s request. The following countries requested more information on the Egyptian tariff changes, and the postponement of a decision until the next meeting: New Zealand, Canada, the United States, Switzerland, the European Community and Austria.

Egypt said that it had already given the necessary information concerning its request, including lists of specific duties that would be increased and decreased. It stressed that more information would be provided in its Article XXVIII negotiations with interested contracting parties, which would take place after the waiver decision. Noting that many delegations had supported the request, Egypt asked for a vote on the granting of the waiver.

Many delegations observed that the Council traditionally arrived at decisions through consensus, not through voting. Emphasizing that a vote on such a matter would provide a dangerous precedent in GATT, they requested Egypt to reconsider its call for a vote. They stressed that some delegations had suggested a delay in Council action, not a rejection of the waiver.

After informal consultations, the Chairman told the Council that there was a strong desire to take a decision on Egypt’s request on the basis of consensus. He said he would consult with interested parties to facilitate a decision at the next meeting.

Trade agreements

The Chairman reported on his consultations on how GATT could efficiently deal with the rising number of notifications on free-trade areas. He said the Council should agree in principle to establish a limited number of working parties to consider these agreements, with standard terms of reference and open to all interested GATT members. Two working parties would be established at the meeting to examine agreements already notified: subsequent agreements would either be submitted by the Council to these working parties, or to other working parties to be established.

The Council established two working parties, respectively, to examine the EFTA-Turkey Free Trade Agreement and the EEC Association Agreements with the Czech and Slovak Federal Republic, Hungary and Poland (see previous Focus).

BOP reports

The Chairman of the Committee on Balance-of-Payments Restrictions, Mr. Jean-François Boititin (France), reported on the Committee’s consultations with India held in March. He said the Committee recognized the continuing fragility of the balance-of-payments position of India and commended the Indian authorities for launching a comprehensive reform programme.

It also held simplified consultations with Pakistan and Sri Lanka.

Other business

- Yugoslavia announced the promulgation of the Constitution of the Federal Republic of Yugoslavia, consisting of Serbia and Montenegro, on 27 April. This Republic, it said, would continue the international personality of the former Socialist Federal Republic of Yugoslavia. The United States, the EC and Austria said they were not ready to take a position with respect to Yugoslavia’s statement. The Community added that the panel established at the previous Council meeting on EC sanctions on Yugoslavia would have no foundation until the succession claim had been clarified. Yugoslavia maintained that nothing had changed with respect to that panel.

- The Chairman of the Contracting Parties, Ambassador Lars E.R. Anell (Sweden), announced that he would start consultations on the Office of the GATT Director-General. Mr. Dunkel’s term expires at the end of 1992.

GATT trade course for Eastern European officials

The wide-ranging economic reforms and trade liberalization in many of the former Soviet Republics and countries of Central and Eastern Europe have increasingly led them to seek greater integration into the world economy. To assist in their transition to market-oriented economies and fuller participation in the multilateral trading system, the GATT Secretariat has organized its second Special Trade Policy Course designed specifically for senior trade officials from these countries.

Like the first Special Course held in 1991, the nine-week course that began on 25 May was organized with financial support of the Swiss Federal Government. Twenty-five officials are participating in the current course. They were nominated by the governments of Albania, Belarus, Bulgaria, the Czech and Slovak Federal Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Russian Federation and the Ukraine.

The Czech and Slovak Republic, Poland, Romania and Hungary are long-standing members of the GATT but have only recently embarked upon ambitious programmes of reassessment and realignment of economic policies. Bulgaria’s application for GATT membership is being examined by a working party.

Besides the Russian Federation, which assumed the Soviet Union’s observer seat in the GATT at the beginning of this year, several of the states that comprised the former USSR have indicated an interest in GATT membership.
TPRM

Council reviews trade policies of Ghana, the United States, Austria and Singapore

Under the Trade Policies Review Mechanism (TPRM) - an early result of the Uruguay Round - the Council examines, at periodic special meetings, the impact of each GATT member's trade policies and practices on the multilateral trading system. In March, the Council completed an intensive cycle of reviews. The discussions on the trade policies of Finland and Argentina, held early that month, were reported in the previous Focus.

The following are excerpts from the Chairman's summaries of the Council discussions on the trade policies of Ghana (9-10 March), the United States (11-12 March), Austria (23-24 March) and Singapore (25-26 March).

**GHANA**

The representative of Ghana opened the discussion by outlining the basic objectives of the ongoing programme of trade and economic reforms followed by Ghana since 1983 under the Economic Recovery Programme. An essential ingredient of these reforms had been to improve the country's resource allocation as well as its productive and export capacities, through greater reliance on market forces and an increasing role of the private sector, while maintaining responsible monetary and fiscal policies. Public sector efforts focused on effective implementation of policy reforms and improving the physical and social infrastructure.

Efforts taken to liberalize the trading regime in Ghana included the removal of import licensing and tariff reductions, together with the introduction of a market-determined exchange rate. Further steps announced in the 1992 Budget included abolition of the super sales tax; rationalization of the special additional import tax rates, formerly of between 10 and 40%, to a maximum rate of 10%; the scaling down of import and sales taxes on motor cars and building materials as well as, inter alia, reductions in company tax rates in commerce and other service areas. As Ghana's economy became more outward looking, however, its need for better access to foreign markets and a stronger international trading system would be more critical.

Participants recognized that Ghana, as a low-income developing country with a natural resource-based economy, a limited export base and a high level of indebtedness, had faced many serious constraints in a responsible manner. Its impressive achievements to date in economic reform, with trade and exchange liberalization at the centre, had strengthened its integration in the world economy and improved its economic performance.

Ghana had ceased to use trade restrictions for balance-of-payments purposes, had reduced tariffs and thus exposed its economy to greater international competition. The Council commended Ghana for the way that, with the aid of substantial external assistance, it had resolutely tackled the challenges before it using comprehensive economic reforms. The important role played by autonomous trade liberalization in redressing the inefficiencies caused by past import-substitution policies was emphasized.

Participants raised questions and sought further information from Ghana on a variety of issues, including: the effect on trade and production incentives of Ghana's escalating tariff structure and various tax concessions; the use of minimum import prices and special import tariffs, including for anti-dumping purposes; and the role of the recently established Tax Tribunal in customs matters.

It was noted that Ghana had bound none of its tariffs in GATT. Participants also asked whether Ghana would join any of the MTN Agreements.

In responding to these questions and comments, the representative of Ghana reiterated his Government's commitment to further trade reforms, including the gradual lowering of tariffs to more uniform levels, and reductions in the scope for duty exemptions and concessions. A major aspect of its policy thrust was to reduce the economy's vulnerability to world commodity price movements through export diversification away from traditional exports, such as cocoa, towards non-traditional manufactured and primary exports, including fish, salt, processed food, soaps, wood and aluminium products. The activities of the Export Promotion Council were important in this regard. The stimulation of greater private sector involvement was also receiving high priority, through acceleration of the divestiture programme and policies such as tax concessions and financial reforms. He emphasized that the Government's role was one of providing the infrastructural facilities necessary for economic growth.

Details were given on the important role played by overseas remittances, as well as external assistance, in supporting the balance of payments and the reform programme. The recent establishment of the Tax Tribunal, with High Court status, was an important advance in customs administration. Ghana would give consideration to binding its tariffs, but thought that further tariff reforms should precede any binding commitments. The reduction of the Government's role in marketing of primary products would be continued. Steps would soon be taken to remove Cocobod's monopoly position on domestic cocoa sales, although it was thought necessary to maintain its sole export responsibilities for quality control purposes, among others.

Ghana was considering acceding to MTN Agreements, especially those on Technical Barriers to Trade, Customs Valuation, Government Procurement and Import Licensing. However, this would be heavily influenced by the outcome of the Uruguay Round. There had been a renewed interest in regional trade initiatives, such as ECOWAS and the proposed African Economic Community, following the strengthening of international trade blocs elsewhere in the world. Other matters raised by participants would be covered in a written response.

**Conclusions**

Members agreed with the representative of Ghana on the importance to its reform programme of a successful outcome to the Uruguay Round, especially in tropical products, natural resource-based products and agriculture. Improved market access in these areas would significantly assist the achievement of Ghana's full export potential and help further reduce its dependence on cocoa. At the same time, Ghana could make its contribution to the Round and increase the stability and predictability of its own trade policies through tariff bindings.

The Council commended Ghana for the substantial progress that it had made in economic liberalization, in the face of considerable difficulties. The implementation of further reforms, including continuing reductions in tariffs and greater divestiture of State-owned enterprises, would strengthen Ghana's economic potential. However, Ghana's autonomous liberalization efforts must be matched by its trading partners within the multilateral system, by ensuring favourable market access and stable trading conditions for its export growth and diversification.
In his introduction, the United States representative stated that his Government's primary trade policy objective in the past two years had been to secure a successful outcome to the Uruguay Round, which would reduce trade barriers and modernize the trading system. Merchandise trade accounted for 17%, and overall international transactions for almost 30% of the United States' GNP. A strengthened multilateral trading system, based on effective rules, was crucial to the U.S. economy.

In his view, the United States' two free trade agreements were fully consistent with GATT provisions and other preferential arrangements had been granted GATT waivers. The United States had also adopted a cooperative approach in bilateral trade disputes, including bringing disputes to the GATT where relevant rules existed. In relation to the use of Section 301 authority, the United States had favoured an agreement in the Uruguay Round for strengthened and efficient dispute-settlement rules.

Questions were raised and concerns expressed on several specific points. These included: the existence of high tariff peaks, notably on tobacco, clothing and footwear; unpredictable customs procedures, particularly in interpreting rules of origin; the application of anti-dumping and countervailing measures, particularly the uncertainty, harassment and costs caused for foreign competitors; the use of "managed trade" practices, particularly in the steel, automotive and semi-conductor sectors. In this context, some members asked whether provisions might replace the existing VRAs on steel when they expire; and "trigger" provisions under the 1990 Farm Act, which considerably expanded the scope for export subsidization.

In response to concerns about regionalism, he stated that the free trade agreements with Israel and Canada were already proven successes, even though full liberalization had not yet been achieved. The United States believed that the process of integration would also assist greater overall trade liberalization.

He recognized participants' concerns over unilateral actions by the United States. He recognized participants' concerns over regionalism, he stated that the free trade agreements with Israel and Canada were already proven successes, even though full liberalization had not yet been achieved. The United States believed that the process of integration would also assist greater overall trade liberalization.

Managed trade was not seen as a desirable policy, and the United States would continue to resist its use. U.S. sectoral agreements had served to open markets for other suppliers.

Export subsidies on agriculture had no redeeming value. The U.S. subsidy programs were regarded by them as a necessary step to promote reform in this sector through negotiations under the Uruguay Round. Without an agreement on agriculture in the Uruguay Round, the United States would undoubtedly continue to mandate agriculture export subsidies. In the same vein, the "trigger" clause in the 1990 Farm Bill was meant to send a clear signal: either of Uruguay Round agreement or a continuation of subsidy wars.

The United States' GSP scheme had increased in scope and coverage since the last review.

Conclusions

In conclusion, the Council welcomed the importance attached by the United States, and its positive approach, to the TPRM process. It was recognized that the United States had, in the past two years, continued to support the multilateral trading system and, at a time of economic difficulties, largely resisted pressures for greater protection.

Nevertheless, few fundamental changes had taken place in the United States' general trade policy framework. Many of the developments which had occurred continued the trends, seen in the first Trade Policy Review, towards greater use of bilateral or unilateral measures; unilateral interpretations of multilateral trade rules, or managed trade. Subsidized exports of agricultural products had also increased. Serious consequences for the trading community resulted, not least from uncertainty regarding access to the U.S. market and effects on third markets. It was also seen as imperative that, in pursuing regional trading objectives, now a more obvious third "leg" of U.S. trade policies, the United States adhere fully to the letter and spirit of GATT provisions.

The rapidly-growing contribution of external transactions to the U.S. economy made an open, smoothly functioning multilateral trading system vital to the United States' trading partners and, equally, to the United States itself. In asserting these points, the Council emphasized that the interests of the United States and all its trading partners would be best served by a speedy and positive conclusion to the Uruguay Round, providing for a balanced, equitable trade liberalization package over all sectors and for all participants and the creation of a stable, transparent and rule-based multilateral trading system.
In his introduction, the Austrian representative stated that, after World War II, Austria’s aim had been to liberalize its foreign trade as soon as possible. In pursuance of this policy, Austria played an active role in establishing a free-trade system in Europe; it was a founding member of EFTA, had concluded a free-trade agreement with the European Communities in 1972, and had applied, in 1989, for full membership of the EC. In 1991, trade with European countries accounted for 84% of exports and 81% of imports. Since 1987, Austria had taken important steps towards deregulation of economic activities and further comprehensive changes were in the offing.

Although Austria had been affected by the slowdown in international economic activity in 1991, the economy was expected to grow by 3.5 per cent per year on average between 1991 and 1996. Consumer prices were relatively stable. Austria’s monetary and exchange rate policies had contributed to this situation.

Council members recognized that Austria’s long-term social and economic stability had contributed largely to its strong economic performance. The introduction of fiscal reforms, acceleration of structural adjustment and restructuring of the nationalized industries in 1987, despite a difficult international economic environment, had improved conditions for investment and growth. Since its accession to the GATT, Austria had made steady progress towards trade liberalization. It had resorted to safeguard, anti-dumping and other trade restrictions sparingly.

Participants acknowledged that Austria had supported a rule-based, multilateral trading system, and played an active role in all areas of the Uruguay Round. In addition, Austria devoted particular attention to issues of environmental protection, both in its domestic trade policies and in the GATT.

Austria had traditionally followed a Europe-oriented trade policy. At present, about three-quarters of Austria’s imports originated in preferential EC and EFTA sources. The application of m.f.n. treatment was therefore the exception, rather than the rule. Austria’s most important current trade policy objective was to become a member of the European Communities. This, together with the recent conclusion of negotiations on the European Economic Area and a growing number of free-trade agreements with central and eastern European countries, would lead to even closer links within Europe. In this context, a number of delegations expressed their expectation that Austria’s integration into the European market would be fully compatible with its GATT obligations and would not impair the development of Austria’s trade with non-participants.

Members noted that while Austria’s trade policy in relation to most industrial products was relatively liberal, agriculture remained heavily protected and largely insulated from international market signals. High levels of assistance were provided to the farm sector, in pursuit of policy objectives such as self-sufficiency and the protection of the environment. In support, a wide variety of restrictive border measures was applied, including import and export licensing, import quotas, variable import levies, high (mainly specific) tariffs, minimum import prices, seasonal restrictions and export subsidies. Barriers to imports had, in certain cases, prevented trade flows from efficient producers. Protection of certain sectors, such as grains, sugar, beef and dairy products, had led to more than self-sufficiency and to subsidized imports, while Austrian consumers had to pay prices much higher than world levels for agricultural products. Members questioned Austria’s policy of self-sufficiency and the consistency of environmental policy objectives with price incentives for production. A successful conclusion of the Uruguay Round should contribute to reducing Austria’s protective barriers in agriculture.

M.f.n. tariff protection for industry was higher than in most OECD countries, with peaks in some sectors, such as textiles, clothing and footwear, often in the form of specific duties. Moreover, GSP coverage was limited and tariff reductions less than full. These factors meant that imports from third countries, including GSP beneficiaries, were at a considerable disadvantage relative to imports from the EC and EFTA. The hope was expressed that the product coverage of the GSP scheme could be extended, in particular to agricultural products, textiles, clothing and footwear.

Replying, the representative of Austria recalled his country’s active participation in international trade fora, including the Uruguay Round. The entry into force of the EEA Treaty, and EC membership, would also lead to significant changes in Austria’s policies.

Austria’s economy was already largely integrated into the EEC. Membership would improve competitive conditions within the country and should have trade-creating effects. It was not expected to discriminate against third countries or to inhibit reductions in trade barriers on an m.f.n. basis. Austria’s strong links with central and eastern European countries included many joint ventures, which should assist business development.

The importance of import restrictions had been overstated by participants. The simplified procedure for import licensing, which applied to all industrial products except lignite, was not restrictive and had been recognized as full liberalization under GATT. The scope of the price surveillance system had already been significantly reduced and was under further review. The safeguard action taken by Austria on cement was fully in conformity with Articles XIX and XXIV. Austria had never taken anti-dumping or countervailing measures, and the application of strict competition law in the EEA would rule out such measures among members.

Austria’s GSP scheme, which was extended to all countries on a self-election basis, had the broadest product coverage of any scheme. It contained no quotas and the safeguard procedures had been used only twice in 20 years.

Austria had made autonomous tariff cuts of 20%. These were incorporated into its Round offer of a 30% reduction overall.

Its agricultural policy was intended to serve economic, environmental and social objectives. The PSE level was at the average for OECD. Self-sufficiency was only one aim and could not be achieved overall. In some areas, surpluses had occurred. Supply control measures had been taken to reduce the excesses; these would continue. Access to the EC, including the need to accept CAP reforms, and the Round outcome, would also have reforming effects.

Conclusions

In conclusion, the Council recognised Austria’s contributions in GATT and under the Uruguay Round towards maintaining, developing and strengthening the multilateral trading system. It had also proved sensitive to new policy trends and challenges, including environmental objectives, and the need to find multilateral solutions.

Austria’s engagement in the multilateral process had been accompanied by internal market-oriented policy reforms in recent years. These reforms, aimed at strengthening adjustment capacity in a number of sectors, had laid the ground for strong economic performance in terms of growth, employment and inflation. The Council expressed the expectation that Austria would continue to work towards liberalization, deregulation and structural adjustment.

The Council noted that, in a number of sectors, high levels of protection remained and expressed its concern about some specific discriminatory elements in Austria’s trade policies.

The Council emphasized that, in strengthening economic links within Europe, Austria should ensure that ongoing reform efforts at the European level should not only be compatible with multilateral liberalization but should contribute to m.f.n.-based opening of restricted and regulated markets in all sectors of Austria’s economy.
In his introductory statement, the representative of Singapore noted that the country’s economic development over the past 30 years had been based on a liberal and open trade and investment system. Most imports entered Singapore free of tariffs and domestic industries were not protected by non-tariff barriers. The role of the Government was mainly to encourage the private sector to become internationally competitive. As an export-oriented economy, Singapore was vulnerable to economic downturns and protectionist measures in its major markets. Singapore remained firmly committed to the GATT-based multilateral trading system and sought a successful conclusion to the Uruguay Round negotiations. It had consistently maintained an open trade regime and had rejected pressures for protection even during difficult times. In the regional context, Singapore was working closely towards the creation of the ASEAN Free Trade Area.

Participants recognized Singapore’s economic success. Outward-oriented policies and social and institutional stability were the roots of its impressive economic development. Singapore’s trade regime testified to the benefits to be derived from liberal international trade. M.i.n. treatment was the general rule. Singapore imposed very few tariffs or import restrictions.

Noting that Singapore’s per capita GDP was higher than in certain developed countries, some members questioned the need for its continuing status as a developing country in GATT. Other members took the view that the status of a country was dependent on many economic, social and political considerations and that the TPRM was not the appropriate forum to discuss this issue.

Participants recognized that the external trading environment was crucial to Singapore. Particular concerns included export restrictions, anti-dumping and countervailing actions. Several members underlined the need for a successful conclusion to the Uruguay Round in this context.

Singapore’s positive contribution to regional integration was welcomed. Particular reference was made to the “Triangle of Growth” concept linking Singapore to certain regions of Malaysia and Indonesia. The sole exception to m.i.n. treatment was for preferences granted within ASEAN. In this connection, attention was drawn to the recent agreement on an ASEAN Free Trade Area (AFTA). Participants looked forward to the notification of the agreement to the GATT. Questions were raised regarding the timeframe for implementation and the nature and coverage of concessions. Some participants, noting that not all products were included in the agreement, emphasized that it should be fully GATT-consistent and avoid trade diversion.

The tendering system for quotas on re-strained exports under bilateral agreements was a case in point.

Although most imports entered Singa-
Panel reports
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city of Trondheim. Another panel report - that on the United States' procurement of a sonar mapping system - will be again considered by the Committee in June. This report is considered significant because it provides a ruling on the Code's coverage of products procured through service contracts.

At the first consideration on 28 April by the Subsidies Committee of a panel report on the German exchange rate scheme for Deutsche Airbus, the European Community objected to its adoption. However, it announced the partial implementation of the panel's recommendations.

CVD on grain corn
This dispute concerned the initiation in July 1986 by Canada of a countervailing duty investigation of imports of grain corn from the United States after filing of a complaint by the Ontario Corn Producers Association. The Canadian Import Tribunal (CIT) issued a determination of subsidization in March 1987. One basis of this determination was that the US was the world's dominant grain corn supplier and therefore was responsible for the dramatic decline in world corn prices.

The panel concluded that the CIT determination was not consistent with the requirements of Article 6 of the Subsidies Code because the CIT did not determine on the basis of positive evidence that material injury to Canadian grain corn was caused by imports of subsidized grain corn from the United States. It recommended that Canada bring its countervailing duty measure into conformity with obligations under the Subsidies Code.

When the panel presented its report to the Committee on 26 March, Canada said it could agree to the adoption of the panel report. The United States and other Committee members congratulated Canada for its swift action on the panel report.

Deutsche Airbus
On 28 April, the Committee on Subsidies and Countervailing Measures considered a panel report on the German exchange rate scheme for Deutsche Airbus. The panel had concluded that the German measure was among the prohibited subsidies listed in the annex to the Subsidies Code. It also took the view that the inputs delivered by Deutsche Airbus to Airbus Industrie were exported from Germany to France, and thus the scheme applied to exports. The panel ruled that the scheme was an export subsidy prohibited in terms of Article 9 of the Code. The panel recommended that the exchange rate guarantee scheme operated by the Government of Germany with respect to Deutsche Airbus be brought into conformity with the provisions of Article 9 of the Subsidies Agreement.

The European Community did not agree to the adoption of the report but announced that the Government of Germany had suspended the operation of the scheme with effect from 15 January this year. The EC objected to the panel's conclusions, calling the legal argumentation behind them "flawed." In particular, the EC could not accept the application of Subsidies disciplines to exports from one Community member state to another. In its view, the fact that it was the sole signatory to the Code meant its obligations related to exports from the EC to other signatories.

The United States welcomed the announcement of partial implementation of the panel's recommendation. It urged the adoption of the report, maintaining that the EC objection had largely already been argued before the panel.

The Committee will revert to the report at its next meeting.

Toll collection system
This case concerned the awarding by the Norwegian Public Roads Administration in March 1991 of a contract, budgeted at 28.5 million Norwegian Kronors, to Micro Design A.S. (a Norwegian company) for the design of an electronic and mainly unmanned toll collection system around Trondheim and the supply of ten toll stations and 60,000 vehicle tags.

The United States complained that in conducting the procurement, Norway had violated Code provisions.

Norway maintained that the contract was for the procurement of prototypes and therefore was covered by an exception to the Agreement (Article V:16c).

The panel concluded that Norway had not demonstrated that the principal purpose of the contract had been to obtain the results of research and development rather than the procurement of a functioning toll ring system. The single tendering of this procurement, therefore, could not be justified under Article V:16c and therefore Norway had failed to comply with Article II:1 to provide suppliers of other signatories treatment no less favourable than that accorded to domestic suppliers. The panel recommended Norway to take measures necessary to ensure that entities listed in the Norwegian Annex to the Agreement conduct procurement in accordance with its findings.

Sonar mapping system
The Government Procurement Committee also considered at its meeting on 13 May a panel report on a complaint by the European Community regarding US procurement of a sonar mapping system for a research ship in the Antarctic. This procurement, which forms part of a contract for the provision of logistical and other supporting services for Antarctic research, was subject to a "Buy American" requirement.

The panel concluded that the exclusion of service contracts per se cannot be taken to mean that the exclusion of any products above threshold procured through them by covered entities. Consequently, the procurement of the sonar mapping system, whether or not it was to take place under a service contract, was covered by the agreement. The panel recommended that the Committee request the US to conduct the proposed procurement consistently with its obligations under the agreement.

The United States said it needed more time to consider the report. The Committee agreed to revert to the report at its next meeting, in June.

CALENDAR

The following is a tentative schedule of meetings for July:

On call
Trade Neg. Committee, NG on Market Access
Working Party on Swiss Accession Protocol
6-7 Council TPMR: Uruguay
8-9 Council TPMR: Korea
9-10 Group on Anti-Dumping
Environment and Int'l Trade
13 Committee on Trade and Development
14 COUNCIL
16 Ctte. on Civil Aircraft
22-24 Textiles Surveillance Body

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