Mozambique has become the 104th contracting party of GATT following a notification by its Government to the Director General, Mr. Arthur Dunkel, on 27 July. Mozambique has acceded under the terms of Article XXVI:5(c) of the General Agreement following its recent adoption of open-market economic policies.

The country achieved its political independence from Portugal in 1975 and the Government of Portugal informed the GATT that Mozambique had acquired full autonomy for its external economic relations. Since that time, it has been applying the General Agreement on a de facto basis. Under these circumstances, Mozambique needed only to notify the GATT Contracting Parties that it wished to be deemed a Contracting Party, having met the conditions required by Article XXVI:5(c).

Mozambique’s exports in 1990 amounted to US$145 million with prawns, cashew nuts, cotton and sugar the main export products. Imports in 1990 were valued at US$950 million with food, capital equipment and spare parts featuring as the main import products. Mozambique’s principal export markets are Spain, the United States, Japan and Portugal, while its main suppliers are South Africa, the United States, Portugal, Italy and Japan.

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Trade Policy Review Mechanism

The trade régimes of two countries which have undertaken extensive market-opening reforms were examined by the Council in July under the Trade Policy Review Mechanism (TPRM).

The Council (6-7 July) commended Uruguay for the progress it had made in the liberalization of its trade and the deregulation of its domestic market, in the face of economic difficulties. Members said they expected further trade reforms, including a higher level of tariff bindings after the completion of the Uruguay Round.

Korea (8-9 July) was complimented for the steps it has taken in the past ten years to liberalize its trade policies and practices, and many aspects of its economy. Council members, however, expressed concern over high levels of assistance in certain areas of agriculture, the country’s tendency to seek bilateral solutions for its trading problems in certain industrial sectors, and the emergence of informal trade barriers.

Comprehensive reports on the trade régimes of these two countries will be available separately from the GATT Secretariat in October. These reports will include studies prepared by the GATT Secretariat, reports by the Governments concerned, and the Council’s discussions.

The TPRM - an early result of the Uruguay Round - enables the Council to conduct a collective evaluation of the full range of trade policies and practices of each GATT member at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

The following are excerpts from the Chairman’s summaries of the discussions in the Council:

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The representative of Uruguay in his opening statement highlighted the evolution of trade policy reforms since 1974. Elimination of quantitative restrictions, exchange regulations and other impediments to trade, as a first step, had been complemented by tariff rationalization and reduction. He emphasized the difficulties in pursuing trade liberalization efforts in an unfavourable trading environment for Uruguay’s exports, particularly of agricultural products, textiles and clothing.

All participants complimented Uruguay on the reform programme underway, although some reversals had occurred in times of particular economic difficulties. Under the reform programme, Uruguay was making further revisions of several facets of its foreign trade régime and was continuing with its tariff reduction plan. The privatization programme and the deregulation of the internal market were central to the reform process, although they seemed to be facing some opposition.

Participants also commended Uruguay for its commitment to the fundamental principles of the multilateral trading system. Its contribution to launching the Uruguay Round and its continuing active participation, including chairmanship of the TNC at Ministerial level, provided evidence of this commitment. Uruguay’s trade policy was generally open. Investment policy was free. Export restrictions, which had been an area of concern in the past, had been virtually eliminated, while only investment in an unfavourable trading environment for Uruguay’s exports, particularly of agricultural products, textiles and clothing.

Participants noted that Uruguay’s tariff binding commitments had been under GATT waiver for the last 30 years. Its offer in the context of the Uruguay Round negotiations to bind the entire tariff was therefore welcome. However, it was noted that the proposed binding level of 35 per cent was well above the average applied tariff and left considerable scope for variations in duty rates. Some participants also encouraged Uruguay to join remaining MTN Agreements, in particular the Anti-Dumping Code.

Some participants raised questions about the nature and operation of Uruguay’s anti-dumping and countervailing measures law. In this context, the use of reference prices and minimum “export” prices as anti-dumping measures was criticized and more information was sought on the scope and operation of these practices.

Uruguay’s reply
In his reply, the representative of Uruguay noted that Uruguay had followed an economic reform programme since 1974, although this had suffered a setback during the debt crisis of 1982-85. The opening of the economy had occurred despite an external environment in which Uruguay’s key exports faced severe restrictions. Internally, the public sector deficit was to be eliminated by 1993, and inflation was on a downward trend. The participation of the public sector in the economy was progressively being reduced, although the privatization process was not easy after 50 years of extensive state intervention and, admittedly, faced some opposition.

The re-negotiation of Uruguay’s tariff schedule (Schedule XXXI) was now caught up in the Uruguay Round negotiation, in which Uruguay was offering to bind its entire tariff at 35 per cent.

The automobile sector was now under the general trade régime, with a 24 per cent tariff. There were no reference prices, nor any remaining local content or export compensation requirements. The new régime would be notified to GATT in due course.

With respect to reference and minimum export prices, Uruguay did not share criticisms of the protectionist nature of the system. The fixing of such prices was done in consultation with all concerned parties. The system, which had been introduced during the debt crisis of the early 1980s, had affected at most 5 per cent of imports: in 1991, 2 per cent of tariff lines and imports were covered. It was being progressively reduced. Reference prices were phased out sometime within the next year; minimum export prices by January 1995.

Regarding MERCOSUR, there was no intention to create a closed market but...
rather, to encourage greater competition. The level of the common external tariff would be decided early in 1993. The whole arrangement would be reviewed shortly in the GATT Committee on Trade and Development.

Conclusions
The Council commended Uruguay for the progress it had made in the liberalization of its trade and the deregulation of its domestic market, in the face of economic difficulties. Uruguay’s trade régime had been gradually changed from a highly protected to a relatively liberal one, over a prolonged period. Uruguay’s trading partners had a responsibility to support this process by trade liberalization in areas of interest to Uruguay, particularly in agriculture and textiles.

At the same time, the Council looked forward to the abolition of the reference and minimum “export” price system, and the implementation of effective binding commitments by Uruguay following the Uruguay Round. The Council also expressed the hope that regional trade liberalization within MERCOSUR would be matched by multilateral liberalization, which would contribute positively to the development of the multilateral trading system.

KOREA

In his introductory statement, the representative of the Republic of Korea said that Korea’s trade policies had three basic objectives: balanced expansion of external trade based on the principle of free trade, internationalization of Korea’s trade regulations and institutions, and continued contribution to the multilateral trading system. In Korea’s twenty-four years of GATT membership, its trade had increased more than 110-fold. Korea was not only an export-oriented economy, but was equally dependent on imports, and thus sought a balance between exports and imports through its trade policies. Korea had continuously made efforts to ensure that its trade policies and practices were in conformity with the GATT and, particularly since the early 1980s, had simplified its trade procedures to achieve greater transparency. Korea sought to strengthen the multilateral trading system through active participation in GATT and the Uruguay Round, as well as in negotiations on shipbuilding, steel and government procurement.

Korea’s policies were undergoing considerable reform to make the economy more responsive to market signals. The policy of direct assistance to targeted industrial sectors was a thing of the past. Many of the regulatory and co-ordinating functions of Government had been reduced or eliminated. Improved market access was being achieved through the removal of import restrictions and the progressive reduction of tariffs. By 1994, 98.5 per cent of tariff lines would be free from import licensing restrictions and the average tariff rate would be very close to OECD levels. Korea’s commitment to liberalization could also be seen in its Uruguay Round offers, as well as in steps to streamline health, safety and import licensing procedures. In addition, anti-dumping and safeguard regulations had been revised, and a sunset clause had been introduced in anti-dumping and countervailing rules. Korea’s liberalization was not confined to trade in goods but extended to areas such as investment, services and intellectual property rights.

Korea was the world’s sixth largest net agricultural importer in 1991. The general trend in Korea was toward agricultural liberalization. However, liberalization of the rice market raised serious social, economic and political concerns related to food security and to the family-based structure of Korean agriculture.

A remarkable success
Participants recognized Korea’s development over the past three decades as a remarkable success. During this period, Korea had transformed itself from an agrarian to a largely diversified industrial economy. Real economic growth averaging 9 per cent a year had been based on an outward-oriented, high investment strategy, supported by continuous access to foreign markets. In this latter respect, Korea had been a significant beneficiary of the open multilateral trading system.

Trade liberalization had played an important rôle in the early stages of Korea’s development and again during the 1980s. In the past decade, the average tariff had been reduced from 24 to about 10 per cent; the scope of non-automatic licensing had been substantially reduced; export subsidies had been eliminated; and the trade-inhibiting effects of individual regulatory laws had been lessened. Korea’s disinvocation of GATT balance-of-payments provisions had set in train a further reduction in import restraints. Korea was also playing an active rôle in the Uruguay Round, particularly in the dispute settlement and rule-making areas. These moves had contributed to strengthening the multilateral trading system.

Participants noted that Korea was now the fifth-largest trading entity in GATT. This implied a significant responsibility for the continued successful functioning of the multilateral trading system. The system would benefit from further liberalization by Korea, both in industry and particularly in agriculture where certain products, including rice and barley, were effectively sheltered from international competition. In this connection, it was recalled that the economic cost of agricultural support in Korea was almost equivalent to the sector’s contribution to GDP, suggesting the need for greater structural adjustment in agriculture.

Participants raised a number of specific questions and concerns, including:
• the tariff system remained complex, with numerous abatements and provisions for temporary, adjustment and emergency duties;
• there was a marked discrepancy between the relatively low average duties applied to industrial goods and the much higher rates on agricultural and food products;
• tariff escalation and peaks led to high levels of effective protection in certain sectors, including clothing, footwear and electronics;
• the level of tariff bindings was relatively low;
• with the reduction of formal trade barriers, informal restrictions had become more evident;
• the tendency for Korea to accept bilateral solutions to trade disputes also led to a degree of discrimination; and
• recent “frugality campaigns” seemed to have inhibited imports. It was hoped that the Government would dissociate itself from anti-import drives.

Korea’s reply
Replying to comments and questions, the representative of Korea thanked the
GATT membership
(Continued from page 1)
GATT membership is expected to expand further in the near future. Working Parties are examining membership requests from Algeria, Bulgaria, Honduras, Mongolia, Nepal, Panama, Paraguay and Slovenia. A Working Party is examining China’s status as a contracting party.

Rapid integration into the multilateral trading system has become a priority of Eastern and Central European countries and the new republics of the former Soviet Union. Six of these countries gained observer status in the GATT in June and July, as a preliminary step towards an eventual application for membership. These countries were Albania, Armenia, Estonia, Moldova, Turkmenistan and the Ukraine.

In addition to the 104 contracting parties, 28 countries apply GATT rules on a de facto basis.

TPRM
(Continued from page 4)
representatives and discussants for their appreciation of Korea’s development and its trade policies. The process of Korea’s liberalization was now irreversible and its commitment to the multilateral trading system was unshakeable.

Korea had been, and would continue, liberalizing its agricultural market, despite both internal and external difficulties. Its structural adjustment programme in this area aimed to achieve economies of scale, expand training and employment programmes, diversify the rural economy, provide special retirement and social welfare facilities and improve rural living conditions. The Rural Development Fund had been established for these purposes.

Following disinvocation of Article XVIII:B, Korea had notified its 1992-94 programme of liberalization in April 1991. Progress in implementation would be reported annually to the Council. Korea had made its best efforts to incorporate the commitments in regard to remaining import restrictions.

Overall, Korea was committed to the successful conclusion of the negotiations and had submitted a draft list of specific commitments for agriculture, covering market access, domestic support and export subsidies.

Korea’s average tariff rate would be down to 7.9 per cent by 1994; it was hoped that other countries would eliminate tariff peaks in these sectors. The reduction of tariffs also aimed, through lower escalation, to provide a neutral tariff structure.

The increase in bindings resulting from the Uruguay Round would reduce uncertainty for traders. Flexible duties were mostly below statutory levels, fully compatible with GATT provisions, and subject to time limitations.

Korea was presently engaged in accession and expansion negotiations for the Government Procurement Code. Generally, open tendering was followed, and competitive or single tendering was applied only exceptionally.

The “New Life/New Ethics Campaign” was aimed to address social problems, including the erosion of traditional values; the frugality element was only one aspect. It was not to be interpreted as a move away from the Government’s commitment to increased openness. Wide efforts were being made to minimise unintended negative effects, bearing in mind concerns expressed by trading partners.

In regard to the external trade environment, Korea’s exports were increasingly subject to various indirect restrictive measures. VERs were operated through agreements between governments or businesses; unilateral export restrictions were monitoring arrangements on exports instituted without a request from a trading partner which did not restrict the quantity of exports.

Since the early 1980s, Korea had taken a number of market-opening measures in major services sectors. These were reflected in Korea’s offer in the Uruguay Round. Financial services were now subject to a three-stage liberalization programme to be completed around 1997.

Korea had also taken significant steps to protect intellectual property rights.

Conclusions
Korea was complimented for the steps it has taken in the past ten years to liberalize its trade policies and practices, and many aspects of its economy. This process appears firmly supported by a strong commitment to the multilateral trading system and will be helped by a successful conclusion of the Uruguay Round.

However, some areas of concern remain, particularly the remaining high levels of assistance in certain areas of agriculture, which create significant costs for the Korean economy, the visible tendency of Korea to seek bilateral solutions for its trading problems in a number of important industrial sectors, and the emergence of informal barriers.

The statements by Korea that liberalization is irreversible were welcomed as an indication of its determination to maintain the process, to the benefit of both Korea and the multilateral trading system.