The Director-General of GATT, Mr. Arthur Dunkel, has warned that the idea of "managed trade" was a threat to the multilateral trading system. He also said that governments should pursue environmental and social goals through appropriate international bodies, not through the unilateral imposition of standards, or the use of trade policy as a weapon.

Mr. Dunkel spoke on 24 May in Seoul at a meeting of the Pacific Basin Economic Council.

Referring to the Uruguay Round, Mr. Dunkel noted encouraging expressions of commitment to a rapid result. He called on world leaders attending the Economic Summit in Tokyo in July to bring credibility to the December 1993 deadline contained in the request by President Clinton to the US Congress for new "fast track" negotiating authority.

Excerpts from Mr. Dunkel's speech:

I would say that the growth of regional trading arrangements would become a threat to the multilateral system only if these groupings were to turn inward on themselves, erect new trade barriers, and become hostile blocs. The world last saw this in the 1930s, and I do not need to dwell on the horrible consequences. In fact, the GATT was born from a collective determination not to repeat those mistakes, and I remain confident that the world's political leaders will not forget - will not be allowed to forget - the painful lessons of our recent past.

One word is the key to keeping hostile trading blocs in the dustbin of history where they belong. That word is "openness".

Openness is indeed the touchstone for regional agreements. It describes trade agreements which make a net addition to the volume of world trade rather than just diverting it; which break down existing trade barriers without erecting new ones; and of course, which follow GATT rules...

Continued on page 8
Dispute settlement continues to dominate the Council’s agenda. At the Council meeting on 12-13 May 1993, the European Community reiterated a request for a panel to examine the GATT consistency of three US taxes on automobiles: the Corporate Average Fuel Efficiency (CAFE) payment, the so-called gas-guzzler tax, and a luxury tax on cars (see previous Focus). It complained that very high proportions of these taxes fell on imported cars, resulting in discrimination contrary to Article III of the General Agreement (National Treatment on International Taxation and Regulation). Bilateral consultations, according to the Community, had not resolved the issue.

Sweden said its car manufacturers were also affected, and supported the request.

The United States expressed regret that the EC had not been amenable to further bilateral talks on the issue. It believed strongly in a GATT member’s right to a panel and so, while it would not join a consensus on the EC’s panel request, it would not block one.

The Council established a panel to examine the EC complaint. Australia and Japan indicated they would participate in the panel as interested third parties.

Panel established on US car taxes

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Panel requested on incoming EC regime on banana imports

Costa Rica, also speaking on behalf of Colombia, Guatemala, Nicaragua and Venezuela, asked the Council to establish a panel to examine a EC regulation establishing a unified import regime for bananas in force on 1 July 1993 (see box). It charged that Regulation No. 404/93 on the Common Organization of the Market on Bananas, adopted by the Council of the European Community on 13 February 1993, violated a number of GATT provisions. These included Article I because of discrimination against banana imports from Latin America; Article II because duties higher than the EC bound rate of 20% on bananas would be imposed; Article XI because a quota on banana imports would be established; and Article VIII because a discriminatory import licensing system would be set up.

Stressing the urgency of their case, Costa Rica said the EC Regulation was already adversely affecting their economies in terms of declining production and investments and rising unemployment. It also stressed the perishable nature of bananas. It asked that the panel use expedited procedures set out in the 1989 improvements to the GATT dispute settlement system (Note: For urgent cases, including those involving perishable goods, paragraph F(f):5 of the 1989 Decision cuts the normal six-month deadline for the panel’s submission of its report to the parties to three months).

The ASEAN countries, Mexico, El Salvador, Uruguay, Brazil, Chile, Argentina, the United States, Bolivia, Australia, Peru, and observer Ecuador, supported the establishment of a panel.

Dominica pointed to the crucial importance of banana exports to its economy and to those of other ACP countries, noting that many of the 69 ACP countries were contracting parties to the GATT. It questioned the appropriateness of establishing a panel on a measure not yet applied. Côte d’Ivoire, Jamaica, Cameroon, Madagascar and Trinidad and Tobago also opposed the panel request.

The EC said the establishment of a panel was premature because the Regulation had not yet entered into force, and that the Panel examining the current EC banana regime had not yet concluded its work. It remained willing to pursue a settlement on the issue in consultations with interested parties.

The Council agreed to take up again this matter at the next meeting.

Brazil-US talks successful

The Director-General recalled that in February, Brazil had requested his “good offices” to seek a solution to its complaint.

The EC banana market

Total European Community’s consumption amounted to 3.68 million tonnes in 1991. Of this 19 per cent was domestically sourced, 16 per cent came from ACP countries and 65 per cent from Latin American suppliers. In six member States (France, Greece, Italy, Portugal, Spain and the United Kingdom), market access in the sector has traditionally been determined by national quota regimes rather than by the Community’s GATT bound tariff of 20 per cent or, as in Germany, by a zero-tariff quota.

France, Italy (until December 1992) and the United Kingdom operated quantitative restrictions on Latin-American bananas giving additional protection to preferential imports from overseas territories and traditional ACP suppliers. In a Protocol to the Lomé Conventions, the EC assured the ACP countries of such preferential treatment and, under Lomé IV, of its continuation in the Internal Market context. Portugal and Spain also used quantitative restrictions to protect domestic producers, e.g. in Madeira and the Canary Islands. Apparently, a 20 per cent tariff preference over Latin American producers has not been sufficient to enable EC and ACP suppliers to gain a foothold on the remaining non-restricted markets; their shipments to the Benelux countries, Denmark and Ireland have remained close to nil.

An EC Council Regulation of 13 February 1993 aims to replace the variety of national arrangements “with a balanced and flexible common organization of the market for the banana sector” (Regulation No. 404/93). Main elements of the new import régime, scheduled to be implemented on 1 July 1993, are duty-free access for traditional ACP deliveries and a tariff quota of 2 million tonnes on third-country shipments and non-traditional ACP supplies combined. In-quota imports from ACP sources are duty-free, while other external supplies are assessed a levy of ECU 100 per tonne. Additional shipments of ACP and third country bananas are subject to levies of 750 and 850 ECU per tonne, respectively. The quota volume is to be expanded should the Community’s annual market forecast point to an increase in demand. Import licenses are allotted mainly among established importers of third country or non-traditional ACP bananas (66.5 per cent) and companies hitherto engaged in marketing Community production or traditional ACP supplies (30 per cent).

Five Latin American contracting parties (Colombia, Costa Rica, Guatemala, Nicaragua, Venezuela) have taken various initiatives under the GATT, since June 1992, challenging certain member States’ national banana policies and the forthcoming EC régime. In February 1993, the GATT Council established a Panel to examine the current national import régimes. ■

Excerpted from the GATT Secretariat’s TPRM report on the EC (April 1993).
against US restrictions on imports of Brazilian boys' and men's wool suits (see Focus No. 97). He had requested both parties, as a first step, to intensify bilateral talks towards finding a solution.

Mr. Dunkel said that "due to the positive and pragmatic approach shown by both sides" in the bilateral contacts, the matter had been resolved.

US actions on steel products

A number of delegations reported that they have started bilateral consultations with the United States on this issue in the framework of the the Tokyo Round agreements on anti-dumping practices and on subsidies and countervailing measures.

Brazil expressed hope that its consultations would lead to a successful result. The European Community said the Subsidies Committee recently had granted its request to conciliate its dispute with the United States. Finland and Sweden described their consultations with the United States, held late April, as useful.

Delegations reiterated their criticisms of the US actions. Poland said it continued to be perplexed by what it called arbitrary US measures on Polish steel products, complaining that the United States had disregarded information provided by Polish steelmakers. Korea said it continued to believe the US actions were unjustifiable. Austria and Australia said that the establishment of a multilateral steel agreement would offer the best solution for problems in the world steel trade.

The United States confirmed that it had had bilateral contacts on this issue with Finland, Sweden, the European Community and Mexico. It stressed that investigations were still ongoing: final determinations regarding the imposition of anti-dumping and countervailing duties would be made by the Department of Commerce on 21 June, and by the International Trade Commission on 4 August.

It invited other delegations to bilateral consultations regarding their specific concerns under the Anti-Dumping and Subsidies Codes.

EC renegotiations on oilseeds

In June 1992, the Council authorized the European Community to enter into Article XXVIII:4 negotiations with the United States and other affected GATT members in order to modify its tariff concessions for oilseeds and cakes. This was in response to the conclusion of a second panel report on this dispute, which found that the new EC régime on oilseeds continued to impair the Community's zero-tariff concessions on these products. At the Forty-Eighth Session of the Contracting Parties in December 1992, the EC and the United States announced that the "Blair House Agreement" had enabled them to put an end to their bilateral negotiations under Article XXVIII.

At the May Council, Canada expressed serious concerns over its Article XXVIII negotiations with the EC regarding oilseeds. It described the current offer of compensation by the Community as "insufficient", and stressed that the EC had an obligation to bring the negotiations towards a mutually-satisfactory solution.

Argentina criticized what it called were delaying tactics by the EC in the renegotiations. Brazil emphasized its trade interest in the EC treatment of soya products and sunflower cakes. India expressed disappointment that the Article XXVIII:4 negotiations with the EC, which had a time limit of 60 days, had lasted for nearly a year. Pakistan, Uruguay and Hungary also urged the Community to complete the Article XXVIII negotiations.

Sweden reported that it had concluded negotiations on oilseeds with the Community at the beginning of the year, and that it was satisfied with the results achieved. It urged the EC to conclude its negotiations with the other parties "so we can leave this matter behind us".

The EC conceded that there had been delays in its Article XXVIII negotiations. It expected the EC Council of Ministers to take a decision in June on its bilateral agreement with the United States on oilseeds, after which it would do everything possible to conclude speedily its negotiations with other GATT members.

Czech-Slovak Customs Union

The Czech Republic and the Slovak Republic public said that the entry into force of their customs union on 1 January 1993 marked the final step in the dissolution of Czechoslovakia as a GATT member. They believed that for this customs union, Article XXIV negotiations with other members would not be required as both successor states had taken over the GATT obligations of the former Czechoslovakia.

The Council established a working party to examine the customs union.

EC requests waiver

The European Community requested a waiver on transitional trade measures taken in connection with the unification of Germany. An earlier waiver, which expired at the end of 1992, had authorized the EC to grant duty-free treatment to certain imports from Bulgaria, the former Czechoslovakia, Hungary, Poland, Romania, the former USSR and Yugoslavia to the limits foreseen in trade agreements entered into by the former German Democratic Republic.

The EC said that because the economic situation in the former GDR and its trading partners had continued to be precarious, it had decided to extend its preferential treatment for a more limited number of products by another year, up to 31 December 1993. This duty-free treatment would be granted to certain imports from Bulgaria, the Czech Republic, the Slovak Republic, Hungary, Poland, Ro-

St. Vincent and the Grenadines accedes; Croatia now observer

GATT membership has risen to 111 contracting parties with the accession of St. Vincent and the Grenadines on 18 May, following a notification by its Government to the Director-General, Mr. Arthur Dunkel.

The country became independent from the United Kingdom in 1979. Since that time it has had full autonomy in the conduct of its external commercial relations and has applied the General Agreement on a de facto basis. Under these circumstances, St. Vincent and the Grenadines needed only to notify the GATT Director-General that it wished to be deemed a contracting party, having met the conditions required by Article XXVI:5(c).

In 1991, St. Vincent and the Grenadines' exports amounted to US$65.7 million and imports were valued at $110.7 million. Agriculture is the principal sector of the economy, and the main crop is bananas, which contributed 44.6 per cent of total merchandise exports in 1989. The islands is the world's leading producer of arrowroot. There is also a small manufacturing sector, which accounted for 8.9 per cent of the GDP in 1989. The main activities include a garment industry, the manufacture of tennis rackets and the processing of agricultural products.

At the GATT Council meeting in May, the Republic of Croatia requested observer status as a first step of a future accession request. It said that compared with the trade regime of the former Socialistic Federal Republic of Yugoslavia, it had undertaken substantial trade reforms, including the abolition of export subsidies and the halving the number of import quotas. Croatia stressed the importance of trade in international efforts to reconstruct its economy, which it said had sustained an estimated US$24 billion damage due to the war. The Council granted the request.
Monitoring of panel reports

The United States reported that progress was being made in the implementation of the panel report on US measures regarding imports of beer (see Focus No. 90). It said that state legislations to implement the panel’s recommendations had been passed in New Mexico and were being considered in Massachusetts and Minnesota; work in other states was also advancing. Canada welcomed the US report and requested bilateral consultations on the consistency of new legislations with the panel report.

BOP consultations

The Chairman of the Committee on Balance-of-Payments Restrictions, Mr. Peter Witt (Germany), presented reports of recent consultations held with Poland (31 March and 2 April) and Turkey (1 April).

The Committee recognized that a temporary import surcharge of 6% established by Poland in November 1992 was applied in manner consistent with the relevant GATT provisions. However, it encouraged Poland to pursue its reform programme through economic measures which expand, rather than contract, international trade. The Committee therefore urged Poland to hold to the original timetable for the reduction of the surcharge to 3%, and looked forward to the elimination of the measure by the end of 1994, or even earlier.

Trade complaints raised under “Other Business”

Brazil expressed concern over its recent identification, under US Special Section 301, as a “priority country” for investigation for failure to protect intellectual property rights. It said the US action represented “another blow” to the multilateral trading system. Thailand and India also objected to their identification as “priority countries” under the US legislation. Australia, Japan, Hungary, Argentina and Korea, noting they had also been affected by similar US measures, expressed concerns over the unilateral nature of the US actions. The EC said the best remedy would be to conclude the Uruguay Round.

The United States questioned the relevance of this issue to the Council as IPRs were not covered by the existing GATT. It stressed that the announcement of “priority countries” was mandated by US legislation and that no decision had yet been made to initiate investigations or retaliation. The United States added that the cost of IPR violations to US companies amounted to billions of dollars per year.

Concerns were expressed over EC import licensing schemes for certain agricultural products. Brazil said it feared that an EC import licensing scheme for orange juice, introduced in February, would lead to restrictions on the product. The EC said automatic licensing for orange juice was merely a surveillance measure.

Chile reported it had been consulting with the European Community regarding the EC introduction of an import licensing scheme on Chilean apples. It said that this scheme had resulted in a implicit tariff of 40% per cent on the Chilean fruit in contravention of GATT Articles I and II. Brazil, Mexico, Australia, Argentina, Colombia, New Zealand and Guatemala supported Chile. The EC representative said he would transmit the concerns to Brussels but it would have preferred the discussion of this subject under the regular agenda.

Hungary charged that recent safeguard measures by Austria on Hungarian cement and fertilisers did not conform to conditions set out in Article XIX of the General Agreement. The Czech Republic, the Slovak Republic, Poland and Romania shared Hungary’s concerns. Austria explained that the measures were in response to a dramatic increase in imports amidst sluggish domestic demand, and hoped consultations would resolve the issue.

Mexico said it had requested consultations with Venezuela, under Article XXIII:1, regarding judicial decisions that had restricted the entry of Mexican cement. Venezuela agreed to consult with Mexico.

Also under “Other Business”, Japan announced a “New Package of Economic Measures”, representing Y13.2 trillion (about US$116 billion) in new government spending, aimed at stimulating further its domestic economy. It said the package was expected to contribute to increased imports into the Japanese market.

The Committee commended the widespread trade liberalization undertaken by Turkey, including the abolition of all quantitative restrictions. It noted, however, that a combination of import duties with payments to the Mass Housing Fund led to total charges on imports exceeding bound levels for 12% of tariff lines in the country’s schedule of concessions. It welcomed Turkey’s readiness to notify all tariff lines in this regard, recognizing that the basic aim of the Mass Housing Fund was not for balance-of-payments purposes. It took note of Turkey’s intention to disinvolve Article XVIII:B in the future.
The Council recently examined the trade policies of Mexico (19-20 April) and held its second review of the EC trade regime (17-18 May) under the framework of the Trade Policy Review Mechanism (TPRM). The following are excerpts from the Chairman’s concluding remarks:

**MEXICO**

In his opening statement, the representative of Mexico said that, since the deep crisis of the early 1980s, his country had transformed its highly protected and over-regulated economy into an open, market-oriented system. Since 1983, a programme of trade liberalization had been pursued with the aim of promoting greater efficiency in Mexican industry and larger participation in world markets. Exports had been substantially diversified from petroleum into manufactures.

Mexico attached great importance to its participation in GATT. It had also concluded regional agreements under the Latin American Integration Association (LAIA), and other trade-related agreements with countries in Europe and the Pacific Rim. The North American Free Trade Agreement - which was yet to be ratified - was seen as fully compatible with GATT rules; it formed part of the extensive programme of economic and social policy changes.

**Reforms commended**

All participants praised Mexico for its far-reaching economic reforms, which had been conducted with notable success. Stable macroeconomic policy, with fiscal and monetary discipline, had been supported by measures to achieve a broad social consensus and alleviate the burden of adjustment, including wage and price pacts. This had enabled Mexico to stabilize and transform its economy and to resume economic growth.

The trend of major policy changes in Mexico was towards the consolidation of an open, market-oriented economy. Liberalization of the trade régime, privatization of most state enterprises, and deregulation of economic activities were showing impressive results.

Participants welcomed Mexico’s binding of all tariffs upon accession to GATT in 1986, reduction and rationalization of tariffs, modernization of customs procedures, virtual elimination of quantitative restrictions, and the considerable reduction in the scope of import licensing requirements. Participants strongly encouraged the Mexican Government to continue on its reform path.

**Questions**

A number of delegations raised questions about Mexico’s anti-dumping and countervailing legislation. Main areas of concern included the 5-day rule for establishing provisional measures, the “chilling” effect on imports of the initiation of investigations, the role of the dumping margin in considering determination of injury, the possibilities for upward revision of duty rates recommended by SECOFI, the lack of a sunset clause, and the extent to which procedures took into account public interest criteria. Participants welcomed Mexico’s stated commitment not to use anti-dumping or countervailing measures as a protectionist device.

Participants asked Mexico to elaborate a consolidated list of remaining products subject to import licensing. They questioned the reasons for retaining such a requirement.

Some participants asked if Mexico had any plans to change its ad valorem customs service fee into a specific fee, more linked to the cost of the service rendered.

Many participants expressed serious concern about Mexico’s use of sanitary, phytosanitary and other standards-related measures to limit imports. In some cases, it appeared that licensing requirements had been replaced by sanitary, phytosanitary or administrative obstacles. Reference was also made to a lack of transparency in Mexican procedures.

A number of participants sought further elaboration on the experience of maquiladoras, including their future in the light of general trade liberalization. Concern was expressed that incentives for existing maquiladoras were likely to be eroded by provisions of the NAFTA agreement, including rules of origin.

Clari fi cation was also sought and comments made on the following:

- the gap between bound and currently applied tariff rates;
- tariff escalation;
- a recent increase in tariffs on imports of live animals and bovine meat;
- the effects on trade of monopolies and State corporations and plans for further divestment; and
- any plans to deregulate the petroleum sector and privatize PEMEX.

**TPRM**

**Council reviews trade régimes of Mexico and the EC**

Many members of the Council welcomed the proposed North American Free Trade Agreement (NAFTA). It was recognized that this meeting was not the forum for a full discussion of NAFTA, which was not yet ratified; in this context, participants looked forward to a complete examination of the Agreement under Article XXIV of the GATT. Some members noted that NAFTA offered the chance to reinforce Mexico’s integration into the global economy, and consolidate its autonomous liberalization efforts. Others expressed concern about the possible diversion of trade from external trading partners and the length of the transitional period for the abolition of tariffs.

**Mexico’s reply**

In his reply, the representative of Mexico (said that) with respect to tariffs, the differential between bound and applied rates was a reflection of the pace of liberalization; tariff escalation was being progressively reduced and the tariff structure simplified. The customs charge of 0.8 per cent was being used to finance the modernization process.

Turning to questions on specific sectors, the representative described plans for the deregulation and liberalization of the automotive and pharmaceutical sectors; it was expected that prior import licensing in pharmaceuticals would disappear very soon. The Automotive Decree was justified under Mexico’s Protocol of Accession; Mexico was committed to, and carrying out, a gradual liberalization in the sector. Aspects of the sugar régime were explained; it was stressed that no
disruption to m.f.n. supplies had occurred. With respect to beef and live animals, tariffs had recently been increased within the framework of Mexico’s GATT bindings, because of difficulties in the sector stemming from oversupply on world markets. Concerning tariffication in agriculture, Mexico had offered in the framework of the Uruguay Round to convert virtually all its non-tariff measures into tariffs; there were, however, a limited number of exceptions on which Mexico could not agree to tariffication and for which it sought an equitable, pragmatic solution in the negotiations. In this connection, he regretted that the Draft Final Act proposals on internal and export subsidies for agriculture were so weak. The Mexican representative gave a detailed description of procedures for the establishment of sanitary and phytosanitary regulations and their implementation, as well as for other standards. He noted that while in 1986, all farm, forestry and fishery products were subject to such regulations, these now applied only to high-risk products. The representative gave detailed replies to questions on Mexico’s anti-dumping laws and procedures. The time limit for responses to questionnaires went beyond limits fixed under the Code, and extensions were granted if justified. Mexico intended to establish an International Trade Tribunal to hear appeals in relation to anti-dumping cases. In conclusion, he noted that Mexico was now one of the most open economies. It was thus also vulnerable to cases of unfair competition. This was why anti-dumping investigations had increased, although their trade coverage was still small. The general liberalization of the economy was the best guarantee against abuse of the anti-dumping system.

Conclusion
The Council recognized Mexico’s commitment to an open multilateral trading system, and its active participation in the Uruguay Round negotiations. It also noted that the continuation of the liberalization and reform process in Mexico would be greatly facilitated by a supportive external economic environment, and particularly by a successful and prompt conclusion to the Round.

THE EUROPEAN COMMUNITIES

As the largest trading entity, the important influence of the European Communities on the multilateral trading system is acknowledged. Indeed, this makes it imperative for the Communities’ trading partners to continue monitoring the direction in which EC policies are moving.

The Council identified five major themes for its discussion:

Internal developments
It was widely accepted that the implementation of the Single Market programme has enhanced market flexibility and improved business opportunities for internal and external suppliers alike. Many longstanding trade barriers among member States have been removed and internal border controls have disappeared. Though concerns were expressed that the legal provisions of Article 115 of the EEC Treaty remained on the statute books, the EC representative confirmed that the Single European Act provided no scope for any internal trade measures against imports from external sources. Previous regional quotas on textiles and clothing have ceased to exist.

Some members stated, however, that the harmonization of national measures through Community-wide instruments in respect of motor vehicles, canned fish and bananas had created new restrictions in member States which were previously open. The “communitarization” of previous national measures in these areas appeared at odds with the generally liberal and deregulatory thrust of the Single Market programme.

Questions were asked regarding new reciprocity provisions, in particular relating to public utilities and intellectual property. Concerns were also expressed about possible discriminatory aspects of the agreement recently reached between the EC and the US on public procurement for heavy electrical equipment.

The EC representative said that the distinction between liberalization and harmonization was artificial. In the EC harmonization process, the accent was on liberalization; the aim was to achieve a uniform régime by reducing and finally dismantling previously existing barriers. Thus, EC harmonization policy had gone in parallel with the opening of the whole EC market to economic operators from the Community and third countries.

In the automobile sector, national restrictions had been eliminated and no previously open market was subject to restraints; an export monitoring system would apply for a clearly defined transition period. The common market organization for bananas was based on the principle of tariffication of pre-existing régimes and foresaw the establishment of a tariff rate quota bound in the GATT.

EC’s external trade relations
Several participants viewed the Communities’ trade relations as a series of concentric circles, radiating from the twelve member States through diminishing levels of preferential treatment, with complex interactions among different preferential groupings. It was recognized that regional economic integration, if coupled with trade liberalization, contributed positively to the multilateral trading system. GATT provisions would, however, require free trade agreements to be comprehensive and to discourage the creation of trade barriers.

Several delegations expressed concern that the Communities’ agreements varied considerably in sectoral coverage, particularly as regards agriculture and other “sensitive” areas. The GATT consistency of special safeguard and dispute settlement provisions contained in certain individual agreements was questioned. It was emphasized that the enlargement of the Communities should not result in the extension of trade restrictions, for example in textiles and clothing, to new member States which had previously accorded more liberal treatment.

The EC representative said that the Europe Agreements set out a clear timetable for moving towards total liberalization of customs duties and restrictions on industrial trade between the partners and the EC in all sectors within a specified period. For agriculture, significant market opening was foreseen, based on major reductions in duties and the abolition of quotas on all items subject to GSP concessions; further moves would await the Uruguay Round and the process of tariffication.

The EC had consistently supported the idea that disputes between preferential partners, which arose primarily out of their bilateral obligations or out of differences in interpretation of bilateral agreements, were best settled under the mechanisms of those agreements. Similarly, safeguard questions arising out of bilateral relationships should first be addressed between the partners directly concerned. Neither party would lose its GATT rights as a result.

He also noted that trade outside the European zone, excluding oil, accounted for some 65% of the EC’s total trade. In practice, nearly 70% of imports entered either duty free or under m.f.n. duties.
Trad policy instruments

Council members recognized that EC tariffs on manufactures were generally bound at low levels and that the market for industrial products was, by and large, open. Tariff peaks and escalation were, however, evident in such areas as non-ferrous metals, textiles and clothing, and electronics as well as in processed food-stuffs, including fish.

Several participants saw a worrying tendency towards using import surveillance and licensing procedures (for example, on apples from Latin America) and modifications in rules of origin for trade restrictive purposes.

Members noted that the number of anti-dumping initiations had fallen and recognized that a sunset clause had proved effective in phasing out old measures. Nevertheless, concern was expressed about lack of transparency in the EC mechanisms, lengthy investigations and methodological problems which appeared biased in favour of findings of dumping.

The EC representative replied that anti-dumping measures covered less than 0.5 per cent of EC total imports. The average number of cases resulting in definitive measures over the last decade was only 19 per year; and the Community's very strict interpretation of "like product" meant that the impact of any measure was limited to precise items. The use of VRAs had fallen markedly, with the Single Market process and structural adjustment.

The EC's automatic import licensing system for agricultural products coming under common market organizations aimed to monitor the volume of imports.

Sectoral issues

Recent reforms in the Common Agricultural Policy were considered as encouraging. It was noted that the fundamental structure of the CAP remained unchanged and that variable levies and export restitutions continued to apply. Participants said, however, that steps taken in the cereals and beef sector should be extended to other highly protected areas such as dairy products. Moreover, offsetting agri-monetary changes might reduce the effect of the reforms.

Disappointment was voiced at recent developments in the EC fisheries sector, in particular the introduction of minimum prices on white fish and, more generally, the restrictive application of standards and health regulations. Reference was also made in the fact that important areas of EC industry - steel, shipbuilding and, in certain member States, coal - continued to enjoy high levels of subsidization.

The EC representative replied that the new decisions on far-reaching changes to the common Agricultural Policy would be gradually put into effect in the marketing years 1993/94, 1994/95 and 1995/96.

Community policy concerning subsidies in sectors such as steel, shipbuilding or coal mining was to introduce a greater discipline on assistance granted by member States.

The EC and the trading system

The effect of EC enlargement on access to new members could not be prejudged.

Council members recognized that, given its size and focal position in a changing trade environment, the EC shared a heavy responsibility for the health of the multilateral system. The liberalization and harmonization measures over the past few years are evidence of the Communities' support for the system. Many members also appreciated its commitment to the Uruguay Round process. It was noted that the EC had used its New Commercial Policy Instrument only sparingly; under the Instrument, it was committed to respect international rules and dispute settlement procedures. Members noted, however, that the EC continued to prefer solutions outside Article XIX safeguard procedures; this preference accentuated the tendency towards management of trade. The EC had also experienced difficulties in implementing GATT Panel recommendations.

The EC representative replied that management of trade relations - as in free-trade agreements - should not be confused with management of trade flows. The Communities' overriding aim in external trade policy was to strengthen the multilateral trading system. A successful conclusion to the Round, including the introduction of an appeals procedure, would help overcome problems relating to implementation of Panel recommendations.

My overall appreciation as Chairman is that first the EC deserves to be complimented for the positive achievements of the Single Market Process. This is creating a unified market based on the principle that goods produced within the Communities and imported products should circulate freely. We look forward to the completion of this process. Concerns however remain that the unification of markets has, in some important cases, led to external trading conditions which, overall, seem more restrictive than those previously in force.

It is evident that, within the network of European trading arrangements the European Economic Area and free-trade agreements with central and eastern European countries are contributing to the development of trade. However, in the GATT context, contracting parties should be assured that regional integration does not create obstacles for third parties.

The EC, as the world's largest trading entity, has a strong responsibility for ensuring that the multilateral system remains healthy. In this connection, it is imperative to ensure that relations among major trading partners, and between them and smaller trading partners are both conducted on a harmonious basis, consistent with multilateral rules and disciplines. In this context, successful conclusion of the Uruguay Round and the injection of a new impetus into multilateral trading relations appears crucial; and the Communities' role in bringing about such a successful conclusion is vital.
Dunkel

(Continued from page 1)

...Even before the Round is concluded, the trade significance of policies in other areas, such as the environment, labour standards and social policies is being considered. Here the danger is that legitimate and widely-shared concerns in these areas are being misapplied to trade policy, where they all too often translate into a belief that trade is somehow "environmentally hostile" or "anti-people". And all of the old protectionist interests are still out there as well, waiting for their chance at a comeback and all too happy to borrow some respectable new clothes.

Furthermore some of the politicians and officials who should be fighting for the open trading system that has made their societies more prosperous and more secure do not, because of the seductiveness of ideas of "level playing fields", "fair trade" or "managed trade".

We see, for example, attempts to impose domestic environmental or labour standards on other countries through trade measures, and attempts to open markets through bilateral pressure rather than in multilateral negotiation.

This bilateralism is a threat to open regional arrangements as much as it is to the open multilateral system.

What can be done about it? Everyone who has an interest in an open economy should join in resisting the closing-in of minds and of trade.

We need a vigorous defence of the open multilateral system. We need to recognize the threat to the open trading system in the idea of "managed trade". It is fundamentally anti-multilateral, since it is inherently discriminatory. Political leaders need encouragement to pursue environmental, social goals through specific, targeted domestic policies and through negotiation in appropriate existing international fora (e.g. ILO, UN agencies) - not through the unilateral imposition of standards, or the use of trade policy as a weapon. They need encouragement to act more in consistency with multilateral rules and principles (e.g. implement panel findings); and to renounce bilateralism.

Most of all, the open trading system needs - all our economies, all our businesses need - a conclusion to the Uruguay Round. This is the single most significant way in which the world's leaders could reaffirm their commitment to multilateralism and do us all some economic good at the same time.

There is no technical reason why the negotiations could not be finalized in a short time. It is a series of obstacles at the political level that has blocked progress for more than a year now.

After the inevitable period of adjustment which took place at the beginning of this year, it is encouraging to hear expressions of commitment to a rapid result and to see these reflected in an intensified rhythm of bilateral contacts. It is particularly encouraging that President Clinton has requested extension of his Administration's fast-track negotiating authority to 15 December this year and that this new deadline is widely supported. This is a time-frame which is long enough to be realistic but not so long as to engender further unnecessary delays.

I earnestly hope that the 7th July Tokyo Summit will bring to this deadline the credibility which is indispensable.

But we also need renewed commitment from other participants.

Those who are apprehensive about the changes which the Round involves need to recall that change is usually inevitable whether we like it or not, but that gradual programmed adjustment within an agreed framework of rules - and dispute settlement procedures - is surely preferable to sudden shocks.

The great majority of countries involved in the negotiation are ready - more than ready - to conclude. Developing countries trying to trade their way out of the debt trap, developed countries suffering low growth and high unemployment, former centrally-planned economies painfully opening up, efficient agricultural producers or exporters threatened by dumpsure surpluses - all these problems need substantial solutions now. Many countries have undertaken unilateral programs of economic restructuring with some degree of trade liberalization. By doing so they have invested heavily in the expectation that a successful Uruguay Round will produce a multilateral reinforcement for their individual efforts.

The will to rise out of our present morass can only come from capitals, but it must be translated into multilateral action in Geneva, and soon. In practical terms what we still have to do is finalize the market access and services negotiations and agree on the Final Act once any multilaterally accepted changes - and they cannot be major ones - have been absorbed. The precise order in which this is done remains to be settled. It is less important where the breakdown comes than that we have a breakthrough.

After so many setbacks I am wary of using expressions like "window of opportunity". Nonetheless I will take the risk of saying that there is a clear sequence of possibilities in the near future for giving the Round the political push it needs. There is now a chance to put the Round at the top of the international economic agenda. If the world misses this chance we cannot be sure of another..."