# DEVELOPMENTS IN THE TRADING SYSTEM

**OCTOBER 1985 - MARCH 1986**

**Note by the Secretariat**

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INTRODUCTION

1. The present note covers developments in trade policies and related matters in the period 1 October 1985 - 31 March 1986, and is a revision of the secretariat note (C/W/494) prepared as a basis for the review of developments in the trading system by the Council at its special meeting held on 17 June 1986. Its aim is to focus on substantive developments in policies and measures during the period under review, whether of a liberalizing nature or not, and whether or not these have been notified to the CONTRACTING PARTIES. Inclusion of a measure in this document should not be taken to imply any judgement on its legal status under the General Agreement.

2. The document follows the pattern set by its immediate predecessors. First comes an extended overview of major developments for the six months in question. Section A provides a broad survey of information on measures affecting certain important sectors of trade, and also draws attention to other actual or potential developments of relevance to the trading environment. Section B contains a more comprehensive and detailed enumeration of tariff and non-tariff measures. Section C focuses on arrangements affecting trade that are not specifically referred to in the General Agreement. Some introductory remarks on bilateral trade agreements have been added to this section so as to give focus to the listing that appears in the related Appendix IV. Appendices I and II provide a systematic review of the status of notifications; Appendix II also reviews major developments under the MTN agreements and arrangements and the MFA. Appendix III records developments in the area of dispute settlement. Appendix IV details bilateral trade agreements reported during the period, and Appendix V(a) lists restraint arrangements that have been recently concluded or that remained in force during the period under review, as well as (b) all other measures of a trade-limitative nature which, to the best of the secretariat's knowledge, are currently in effect. Appendix VI provides detailed information on anti-dumping and countervailing developments.

Since 1980, the Council has held periodic special meetings to review developments in the trading system. Initially, such meetings were related exclusively to the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210). They were concerned primarily with reviewing developments covered by paragraphs 2 and 3 of the Understanding, which deal with the notification of trade measures, and by paragraph 24, which concerns surveillance of developments in the trading system.

In July 1983, the Council agreed to extend the scope of its special meetings to include monitoring of paragraph 7(1) of the Ministerial Declaration (BISD 29S/11) adopted in November 1982. The Council also agreed that such special meetings should preferably be held twice a year. In paragraph 7(1) contracting parties undertook: "to make determined efforts to ensure that trade policies and measures are consistent with GATT principles and rules and to resist protectionist pressures in the formulation and implementation of national trade policy and in proposing legislation; and also to refrain from taking or maintaining any measures inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade".
3. The information given in this note is based as far as possible on notifications made to the GATT. In addition, use has been made of official sources and of the economic press; in a number of cases, clarification has been sought from the delegation of the country concerned. The responsibility for the document remains, however, that of the secretariat.

4. Notification and surveillance. If, as is often claimed, it is easier to adjust and to negotiate when economic conditions are less difficult, then the recent improvements in the economic climate offer governments a valuable opportunity for assessing and reviewing their policies. This is a basic purpose of surveillance, towards which transparency is only a first - but necessary - step. For both surveillance and transparency, however, the fullest possible information is the essential tool. These are doubtless the reasons that so many governments in the Senior Officials Group and the Preparatory Committee have stressed the need for effective surveillance and adequate notification. With this in mind, the present document contains a considerably larger number of non-notified measures than any of its predecessors. It is not and cannot reasonably aspire to be exhaustive, but in order to make it an increasingly effective tool for surveillance, it would be helpful if governments could be encouraged to supplement the secretariat's efforts by contributing information on all measures and developments which they consider relevant to the purpose of surveillance whether or not they are directly affected by them.

OVERVIEW OF DEVELOPMENTS

5. The present report covers trade policy actions during the period 1 October 1985 to 31 March 1986. A number of encouraging developments have taken place in that time in the underlying economic context. In many countries, the rate of inflation has come down and is generally expected to decline further. Interest rates also declined, substantially in nominal terms, less so in real terms. Unemployment, though remaining high, fell slightly in OECD countries. There was a new appreciation in the United States of the need to reduce budgetary deficits so as to achieve domestic and external balance. Exchange rates have moved towards levels which are widely considered as better reflecting economic fundamentals and away from levels that tended to generate protectionist pressures.

6. The major event in the world economy in recent months was the sharp drop in petroleum prices. Although it will have negative effects on some energy exporting countries, with possible repercussions on some of their trading partners, it represents an important potential contribution to the favourable overall situation and prospects for the future. Against this has to be set the decline in commodity earnings of primary producers in general, the relative slowing down of growth in a number of fast-growing developing countries, and the continuing difficulties in dealing with the debt problems of the heavily indebted countries in a manner consistent with the objective of the maintenance and resumption of economic growth in these countries.

7. These developments (which are analysed in "International Trade in 1985 and Current Prospects - First Assessment by the GATT Secretariat", GATT/1382) are thus widely recognized as challenges and opportunities to be seized by appropriately adjusting to them.
8. Protectionist pressures - as often as not the result of past failures to adjust and continued reluctance to do so - have shown no signs of abating since the last report (see L/5915). There has been no notable slackening of pressures for additional measures of protection for uncompetitive industries in developed countries. Paradoxically, many protectionist pressures and actions are directed against the products of the very same countries from whom a better servicing of debt is expected. This could be serving to reinforce a trend in the efforts of many developing countries to adjust to the debt problem through policies that emphasize import substitution at the expense of export expansion.

9. On the brighter side, there were significant instances of successful opposition to protectionist pressures, especially in the United States where pressures remain more intense than any time since the 1930's. Moreover, there were instances of liberalization, not only in the form of advance implementation of tariff cuts resulting from Tokyo Round commitments but also from autonomous decisions of a number of countries, including developing countries. Japan has introduced a series of market-opening actions and has indicated that others are being planned. In certain major trading countries significant policy re-orientations are being contemplated, away from administrative restrictions and distortions, and towards systems allowing a greater play of market forces. In this context the report notes market-opening measures or at least efforts in that direction in a number of countries, both developed and developing.

10. Other positive aspects are the growing consciousness of the interdependence between trade, money and finance including in particular the role of appropriate monetary and exchange rate policies in containing pressures for protectionism; and the increased public awareness of the costs of protectionism. At inter-governmental level, these were reflected in the statements adopted by Ministers in April 1986 at the meetings, respectively, of the International Monetary Fund's Interim Committee, the IMF/World Bank Development Committee, the OECD Council at Ministerial level and by the Economic Summit of Industrialized Countries, all of which expressed support for an open multilateral trading system and further liberalization. Efforts in this direction moved into a new phase in the GATT where a Preparatory Committee, established by the CONTRACTING PARTIES in November 1985, is presently preparing a basis for launching a new round of multilateral trade negotiations.

11. The following are among the major issues referred to in the present report:

12. So-called "Grey" Area. Information for the period under review indicates that governments have continued to resort to bilateral and sectoral arrangements in the hope of solving trade problems. No fewer than seventeen export restraint arrangements were introduced, renewed or modified during the six months under review. Not counting the MFA - a multilateral negotiated derogation from the GATT principle of non-discrimination - there are some 120 such arrangements known to the secretariat to be in existence today, by and large inconsistent with various provisions of the General Agreement and in particular Articles XI, XIII and XIX. Their trade coverage has on the whole remained unchanged in the period under review, semi-conductors being the most notable category added. However, over the years more and more sectors appear to have come under voluntary and involuntary quotas, written or tacit gentleman's understandings, intra-industry association agreements, as well as unilateral restraints or bilaterally negotiated agreements as a way of avoiding threatened anti-dumping or countervailing duty investigations or actions.
13. Countertrade seemed on the wane where it involved petroleum, but continued unabated in commodities other than oil.

14. Regional arrangements. Probably one of the most significant single trade policy events of the period under review was the enlargement of the European Communities to twelve member-States by the accession of Portugal and Spain. In consequence, the enlarged Communities renegotiated their trade arrangements with the European Free Trade Association (EFTA) and intended to do so with certain Mediterranean countries. Some of the changes in the trade régimes of the two Iberian countries following their accession led to serious differences of view, including differences as regards the requirements of Article XXIV, between the United States and the Communities which were still under discussion at the time of writing. In North America, there was renewed interest for a free-trade arrangement between the US and Canada. Over this period Canada has also notified a series of trade measures in favour of the Caribbean basin countries. As regards the US, it should be noted that a recent reference by the President pointed to the possibility of promoting bilateral and regional trade agreements under the Trade Act of 1984 as an additional arm to US policy.

15. Agriculture. Policies in the agricultural sector continued to generate serious problems for the trading system. Moves designed to influence trade patterns in certain temperate zone products - largely cereals and dairy - have given rise to increasing concern. Policies of selling at subsidized prices to certain markets continued to be pursued while export assistance programmes were introduced even by a number of developing countries. Bilateral agreements of varying degrees of transparency remained a major vehicle for conducting trade against a background of depressed prices and uncertain market access. However, a few signs that can be viewed positively also became apparent. Certain provisions both in the United States new Farm Act, and the EEC Commission's recent proposals on agricultural policy, show moves towards making farm support prices more responsive to market forces. Awareness has also grown of the financial implications of farm support policies, the consequences of continued shrinkage in traditional food import markets, and of the increasing difficulties in arranging for the disposal of growing surpluses.

16. Textiles and clothing. In this sector, attention is almost entirely focused on the negotiations with respect to the trade régime that would apply to textiles and clothing when the current MFA expires in July. The EC has given its Commission a negotiating mandate aimed at a more liberal application of the new Arrangement. In the US, the Administration continues to be subject to severe protectionist pressures and threats of Congressional action to legislate protection. The Administration's stated main aims are to ensure orderly import growth, prevent destabilizing import increases, and to extend the product coverage of the Arrangement. The developing country exporters have stated that they seek the progressive liberalization of the present régime through the removal of restraints and a phase-out programme under strengthened GATT disciplines, in line with the objectives of the new round. In the meantime, evidence points to a tightening of many existing bilateral agreements under the current Arrangement. It is to be hoped that the results of the negotiation of the future régime for textiles and clothing will make a positive contribution to a successful launching of the forthcoming round of multilateral negotiations.

17. Trade problems of the heavily indebted countries. The Press Release GATT/1382 emphasised the importance of both more liberal trade policies on the part of debtor countries and improved access to the export markets of their
trading partners. Over the period under review many trade restrictions continued to affect the exports of some of the major debtor countries (as well as others, particularly the developing countries). For example, steel exports from Korea, Brazil and a number of other indebted countries are restricted under bilateral export restraint arrangements limiting access to markets in the United States and the European Communities (see Appendix V(a)). Trade barriers on beef and veal maintained by the Communities and Japan continued to limit export earnings of countries such as Argentina and Brazil. Trade policies on sugar pursued by the US, EC and Japan continued to affect the exports of sugar from a number of debtor countries. The World Bank's World Development Report 1985, provides a relative order of magnitude in its estimates which indicate that in 1983 the loss in export revenues incurred by the developing countries due to trade barriers in sugar and beef alone amounted to more than half of the aid programmes of all industrial countries. There is little reason to think that the situation has improved since. Improved market access for products from the indebted as well as other countries is clearly an element in the success of any initiative for an international debt strategy, and notably the "Baker Plan".

A. MAJOR DEVELOPMENTS IN TRADE POLICY

I Regional developments

18. EC: as of 1 January 1986 Portugal and Spain became members of the European Communities bringing the total membership up to twelve.

19. Consequent on the Act of Accession, the economic operational measures marking the start of the transitional period entered into application as of 1 March 1986. As of this date both Spain and Portugal implemented the first tranche of tariff cuts (first reduction of 10 per cent; second, of 12.5 per cent for Spain and 10 per cent for Portugal, commencing 1 January 1987; most tariffs on intra-EC trade to be abolished in the two countries by the beginning of 1993). In the automobile sector, Spain has opened tariff quotas at 17.4 per cent for 32,000 motor cars in 1986 (rising to 36,000 in 1987 and 40,000 in 1988); for two years Portugal will be allowed to maintain quantitative restrictions. Spain has also been permitted to maintain certain provisional quantitative restrictions on colour TV sets, tractors, sewing machines and a few other products. Details of other arrangements consequent upon the two countries' accession to the Community were referred to in the last secretariat report (see L/5915, paragraph 16).

20. The enlargement of the Community can be expected to have implications both for countries with which the EC has preferential arrangements and for other third countries. Certain specific issues have already been raised in this connection and are referred to in the sections Overview and Sectoral developments.

21. On 4 December, the EC Heads of State and Government agreed on amendments to the Treaty of Rome on ten subjects, including, inter alia, a new article on monetary co-operation and a proposal to apply majority voting on certain questions such as the co-ordination of exchange rate policies, changes in the Common External Tariff, reductions of trade barriers within the Community. All amendments are subject to ratification by each Member State.
22. The Danish Parliament adopted, on 21 January, a resolution calling on the Government to reopen negotiations on reforming the EEC Treaty and to submit any new agreement to Parliament. In consequence, on 22 January, the Presidency of the Communities postponed the signing of the reform agreement planned for 27 January. On 27 February, the Danish electorate voted in favour of the Single European Act reforming the EEC Treaty. In response, Greece and Italy also dropped their objections thus paving the way for the ratification of the Act by all national parliaments.

23. **EC/EFTA:** agreement has been reached between the two groupings regarding the modifications necessary to the free-trade agreements between the EC Member States and the EFTA countries consequent upon the enlargement of the Community, 1 January 1986, to include Spain and Portugal. For industrial products EFTA tariffs will be reduced at the same rate (over seven years) as that agreed between the EC and the two Iberian countries. Spanish and Portuguese farm products will now benefit from the same concessions as those granted previously by EFTA to the ten Community states. Textiles exports from Portugal to EFTA will be monitored in the six-monthly Co-operation Council meetings between the two groupings. In view of the fact that the new agreement does not deal with Spanish fishing rights in Norwegian waters, the proposed concessions for the Norwegian fishing industry were cut back by some 25 per cent. The new arrangements between the enlarged EC and EFTA will be applied as from 1 March 1986.

24. **EC/Mediterranean countries:** to take account of Spain and Portugal's accession the Commission, following the negotiating mandate given it last November, is currently negotiating changes to the twelve Mediterranean countries' agreements with the EC. The main changes proposed involve the setting of preferential tariff limits on exports of key agricultural produce in line with their traditional trade flows. Tariffs under this régime will be progressively reduced over ten years in line with those applied to Iberian produce, provided certain national quotas are respected. To make up for stricter access to the Community, the Mediterranean countries will be offered increased levels of development aid.

25. **EC/Gulf Co-operation Council:** the Community and the Gulf Co-operation Council - the only Arab countries (with the exception of Iraq and Libya) not to have established special arrangements with the EC - are currently exploring avenues towards the conclusion of an agreement.

26. **EC/Council of Mutual Economic Assistance (CMEA, also referred to as COMECON):** during January, the Community responded positively to a proposal for formalizing links between the two groupings which it saw as a parallel process to the normalization of relations between the Community and the member states of the CMEA. No date has been set as yet for the proposed talks that could lead to a joint declaration establishing official relations.

27. **EC/Central America:** in October, the EC concluded its first economic co-operation agreement with a group of six Central American countries for a period of five years. The agreement grants MFN status to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, and commits the EC to make a substantial increase in its current aid of ECU 40 million.

28. **EC/Lomé:** the EC Council of Ministers decided to extend, effective 1 March 1986, the commercial preferences accorded to the 66 ACP states under the
second ACP/EEC convention which expired on 28 February 1985. The decision again to extend transitional measures until the entry into force of the third Lomé Convention, or until June 1986, whichever is earlier, was taken because the new agreement, signed in December 1984, had yet to be fully ratified. It subsequently entered into force on 1 April 1986.

29. EC/Cyprus: on 11 December, the Commission submitted a draft proposal providing for post-enlargement modifications to the existing Association Agreement with Cyprus as well as the terms for a ten-year transition period leading to a customs union. A further round of discussions thereon was held in February.

30. EFTA/Finland: effective 1 January 1986, Finland formally acceded to the EFTA. The agreement of association between Finland and the EFTA of 1961 has accordingly expired.

31. EFTA/Portugal: effective 31 December 1985, Portugal withdrew from the EFTA.

32. United States: President Reagan's request for authority to launch free-trade negotiations with Canada was granted on 23 April 1986 when the US Senate Finance Committee registered a tied vote (10-10); a tied vote does not disapprove the request for the 'fast-track' approach (see C/W/448/Rev.1, paragraph 44). Canada-US trade is already larger than that between any other two countries. Last year it was worth well over US$160 billion; Canada had an $18 billion surplus.

33. United States: President Reagan announced in February that a special programme would be established within the context of the American Caribbean Basin Economic Recovery Act, so as to enable the twenty-one Caribbean beneficiaries to increase their exports of textiles and clothing to the US market particularly when American-made and -cut fabrics are used (see Section A/II). The US Government also announced, effective 1 January 1986, that Aruba had been designated a "beneficiary country" under the Act.

34. Caribbean/Canada: Canada has decided to set up a one-way free-trade facility so that goods from the Caribbean can enter the Canadian market duty free (CARIBCAN). Canada has recently submitted a proposal for extending such preferential treatment to eighteen Commonwealth Caribbean countries. All products would benefit from duty-free treatment with the exception of textiles and clothing, footwear, methanol and lubricating oils and certain leather goods (luggage, garments and handbags). Canada is currently seeking a waiver from Article I of the General Agreement (see L/5948).

35. Central American Common Market: effective 1 January, the Central American Common Market introduced a new customs tariff. The new schedule is based on the Customs Co-operation Council nomenclature; the original, based on a variant of the SITC, has been abandoned. The schedule is in three parts: the first is the common external tariff; the second, headings which are in the process of being harmonized; the third part consists of a small number of headings which will not be harmonized and which are free to be adapted by each country as it sees fit. At present only Costa Rica has declared duties for such headings.
36. **OAU**: African Ministers of Trade held their eighth Conference in October 1985. In a final communiqué the Ministers committed themselves to "progressively reducing and in the long run, eliminating all barriers, both in forms of tariffs and other obstacles, to intra-African trade, particularly as far as trade in foodstuffs is concerned".

37. **South Asian Association for Regional Co-operation**: in December the Heads of State of seven South Asian countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) launched a new stage of co-operation among themselves. Among the issues agreed was that Ministers would try to form a common view with respect to the North-South dialogue and on policy with respect to the GATT.

38. **Gulf Co-operation Council**: in February, the GCC which is in the process of moving towards the creation of a free-trade area and a customs union requested observer status in the GATT. This was granted in March. (One member of the GCC, Kuwait, is a contracting party; Bahrain, the United Arab Emirates and Qatar apply the General Agreement on a *de facto* basis, while Saudi Arabia already enjoys observer status.)

II **Sectoral developments**

39. Market-sharing trends continued to characterize sectors seen to be politically sensitive to import pressure. New arrangements of an export restraint-type, whether of a bilateral or unilateral nature, were made operational, revised or extended in the steel, motor vehicles and textiles sectors. Although there were signs of relaxation in the electronics sector, by and large there was little evidence of any attenuation in the existing trend towards the sectoral management of trade.

(i) **Agriculture**

40. **United States**: on 23 December the President signed legislation on a new four-year farm programme, the 'Food Security Act, 1985' which covers the period 1986 to 1990. The total costs have been estimated at $170 billion, of which $52 billion relates to commodity support over the next three years. The main features of the programme are: (a) a gradual reduction in intervention and target prices; (b) promotion of exports through lower loan rates (loans obtained by farmers in return for grain withheld from the market), export subsidies amounting to $375 million per year and a $2 billion fund for the allocation of government stocks; (c) wider discretionary powers for the Administration in respect of general and specific production targets, subsidies and the setting of loan rates. More particularly, the international trade aspects focus on the following specifics: $2 billion worth of GCC-owned commodities to promote, during Fiscal Year 1986-88, US agricultural exports (especially poultry meat and beef or pork or their products); for FY 1986-90, $325 million provided annually in cash or surplus commodities to counter foreign subsidies, import quotas, or unfair trade practices; a pilot barter programme to be operational in 1986/87 to obtain commodities for the US strategic stockpile; in addition, consultations with other major agricultural producers are to be pursued vigorously so as to obtain a common view on the need to lessen export subsidization.
41. Certain parts of the legislation concerned with individual commodities are of particular interest:

(a) **Rice**: beginning 15 April 1986, the Administration will offer direct payments to farmers to make up the difference between low world prices and the support price. The change from previous practices is intended to make US exports more competitive.

(b) **Cotton**: exporters will be given subsidies in the form of "marketing certificates" to enable them to match world prices no matter how much lower the latter may be.

(c) **Sugar**: the Department of Agriculture (USDA) is required under the Act to operate the sugar-support programme without any cost to the government. This means that domestic prices must be kept high enough, e.g. by restricting imports, to prevent the USDA from having to take over sugar stocks under federal loans. In this connection, the current quota period has been stretched out by three months. This means that the quota of 1.7 million short tons for the current period will be shipped over thirteen instead of ten months, i.e. an effective 23 per cent decline in the amount that can be imported through the quota year beginning 1 October. The new legislation also provides that, after the 1985/86 quota year, the President will not grant any import quota for sugar (whether beet or cane) if the supplying country cannot guarantee that it is not re-exporting sugar to the US which it has previously imported from Cuba.

(d) **Wheat**: the support price for wheat has been drastically cut from $3.30 per bushel last year to $2.40. As the US is the world’s leading grain exporter, the minimum domestic price has a very direct influence on the world price which according to commentators may end up by having been cut by up to a quarter. Should this happen, the impact will be considerable for other major wheat exporters.

42. The President signed into law, on 20 March, a package of small but significant changes in the Farm Act. They were designed to soften the impact of budget cuts on farmers and to reduce by half the amount to be spent on the Administration’s export enhancement programme. The requirement to spend up to $2 billion over three years on subsidizing commercial exports has now been cut to $1 billion over three years (see L/5915, paragraph 32).

43. **European Communities/Green Paper**: the Commission has recently communicated to the EC Council and Parliament a follow-up ("A Future for Community Agriculture") to the Green Paper it presented last July (see L/5915, paragraph 30). The new document puts forward a number of guidelines reflecting the series of consultations the Commission has conducted with respect to the previous Green Paper. Against the fundamental principles underlying the Common Agricultural Policy (single market, Community preference and financial solidarity), it notes the principal problem: structural imbalance in supply and demand for certain agricultural products due, in large part, to the way in which farmers, through the operation of open-ended guarantees, have become divorced from the discipline imposed by market forces. The report recognizes the need for coherence among policies on prices, markets and structures. The guidelines suggested by the Commission point out the need to develop a restrictive pricing policy, implement production quotas, and firmly establish producer
co-responsibility. The Commission has also given detailed consideration to the rules governing import and export policy. With respect to its view that the international agricultural market needs to be better organized, it notes that "the effort demanded by Community producers to adapt to present market conditions must be matched by similar sacrifices from the Community's trading partners".

44. European Commission Agricultural Price Proposals: the Commission published, in February, its farm price package for consideration by the EC's Agricultural Ministers. The proposals amount to a nominal price freeze for most products coupled with a tax on producers and consumers of cereals to contribute towards the disposal of surpluses. The Commission's strategy of trying to contain the costs of over-production by bringing in a more market-related pricing system has been made more urgent by the decline in the US dollar, the effect of which has been to widen the gap between guaranteed internal prices and prices prevailing on world markets where the Community surplus is sold.

45. In April the EC Agricultural Ministers agreed to what amounts to a farm price freeze with new curbs on milk and cereals production. The package agreed amounts to an ECU 1.5 billion increase. The main features include a standstill on prices of most farm products for the third year in a row, a new 3 per cent tax on cereal harvests and a 3 per cent cut in milk production quotas spread over three years. The package also includes a devaluation in the "green rates" (used for converting the common EC farm prices into national currencies for all of the original ten Member States with the exception of West Germany and the Netherlands.

46. EC/Enlargement: on 1 March, Spain and Portugal started the process of phasing in the mechanism of the Community's Common Agricultural Policy. To provide the legislative framework for applying the agricultural clauses of the Act of Accession the Council of Ministers adopted, on 25 February, some sixty different regulations. Also adopted was a Supplementary Trade Mechanism which has been set up to monitor trade in certain "sensitive" products (especially fruit and vegetables) between the EEC of Ten and the two new Member States. "Green rate" levels for the Spanish peseta and the Portuguese escudo - so as to translate agricultural prices fixed in ECUs into national currencies - were also set (from 1 March, 1 ECU equals 144.382 pesetas and 150.355 escudos).

47. The changes in Spain and Portugal's agricultural import régimes affect imports of maize, sorghum and soybeans, among others. Effective 1 March there is to be a system of temporary quotas for oilseeds imported into Portugal replacing the previous discretionary import licensing system and the state monopoly. There is also a commitment to purchase 15.5 per cent of its grain needs from EC suppliers while Portugal's state grain monopoly is dismantled. Consequent upon its accession to the Communities, Spain had to adapt its levies (which had been in existence before its accession to the GATT in 1963) to the level of the levies currently applied in the Community. The new levels could be higher than the previously bound duties of 20 per cent ad valorem appearing in Schedule XLV of Spain's list depending on production, market and price conditions and on exchange rate fluctuations. The United States has stated that it will retaliate against these adjustments by taking a series of measures (tariffs and quotas) designed to reduce EC exports to the US market by an amount equal to what it estimates it will lose in agricultural trade (circa $580 million a year) from the implementation of these changes. The EC,
equally, has also threatened to counter-react should the US Administration go ahead, as of 1 May, with its announced plan of retaliation. At the time of writing, discussions were being pursued. The United States claims it will implement its measures in such a way that there will be no negative effect on the EC until such time as the EC enlargement measures begin to have an adverse effect on US trade. The EC has also prepared contingency plans. The GATT Working Party on enlargement has been set up (see also paragraph 145).

48. In May the United States announced, in response to measures introduced in Portugal on 1 March, that it would set quotas on a group of EC products. According to report the quotas, effective 19 May and relating to imports into the US of wine, fruit juice, beer and chocolate, set ceilings above levels of trade. However, should the Portuguese measures complained of begin to restrict US exports then the quotas will be adjusted to have a comparable effect, or the President may substitute tariff increases for the quotas. The United States has stated that it is willing to suspend its "mirror actions" if the whole question is submitted to a GATT panel. At the same time, as regards the modification of measures in Spain, the United States stated that it would suspend certain tariff concessions under the GATT, effective in thirty days after 20 May. These concern, inter alia, cheese, olives, endives, brandy and gin imports from the EC. The action does not lead to an increase in tariffs; however, if the question of compensation for the imposition of the variable levy on Spanish imports of maize and sorghum is not settled by 1 July, the US will consider the possibility of duty increases. The EC Commission, for its part, has proposed a Regulation containing firstly a list of products which would be subject to import surveillance and, secondly, granting it the authority to act to curb imports from the US if judged necessary. The proposal is at present subject to approval by the EC Council of Ministers.

49. EC/Sugar: according to a decision taken by the EC’s farm ministers on 25 March, the Community will raise by 1.3 per cent the price to be paid for ACP's sugar export quota to the Common Market of 1.3 million tonnes. The increase, which is effective until July 1986, is the first time that ACP exporters have achieved parity with the EC price for cane sugar and beet.

50. EC/Manioc: negotiations are taking place on the 1982 co-operation agreement which regulates manioc trade between Thailand and the EC. It is reported that the allowable quantities are to be increased to 21 million tonnes over four years (instead of 18,9 million tonnes over three) at a reduced 6 per cent ad valorem tariff; the maximum quantity per year will be limited to 5,5 million tonnes. The proposal has yet to be accepted by Thailand. The export restraint arrangements concluded in 1982 with Indonesia and Brazil remain in force. An autonomous tariff quota for other countries has been suggested at 200,000 tonnes for non-GATT members. These measures are within the Commission's objective of holding manioc imports to a yearly ceiling of 6 million tonnes.

51. EC/Meat: on 10 January the Commission adopted a new regulation on sales of intervention beef and veal at prices some 20 per cent below normal selling prices. The move is designed to encourage exports from stocks. It appears that there is an understanding that no EC beef will be off-loaded on Australia's traditional markets in South East Asia and the Pacific Basin, nor in the five countries for which the EC does not grant export refunds (Japan, Malaysia, Singapore, Korea and Taiwan).
52. **EC/Dairy**: at the end of February 1986, the EC changed the procedures for fixing export refunds for certain dairy products. The refunds were differentiated according to destination and the amounts of refunds granted were no longer to be published. Other dairy exporters, notably Australia and New Zealand, have seen this new "unpublished tender" system for export refunds as a destabilizing element for the market and expressed concern that the higher levels of the refunds could lead to a breach of the International Dairy Arrangement minimum prices for milk fat. It may be noted that international prices for skimmed milk powder fell in March 1986 against a backdrop of unsettling rumours.

53. On 14 March 1986, the EC adopted a Regulation (EEC) No. 765/86 laying down detailed rules for the sale of butter from intervention stocks for export to certain destinations, i.e. Zone C.2 (mainly the USSR, India and Pakistan). Such sales may be made at prices below the GATT minimum export prices but in that case account should be taken of the obligations arising under the International Dairy Arrangement, in particular those provided for in the decision adopted on 31 May 1985 by the Committee of the Protocol Regarding Milk Fat (concerning fat and concerning minimum quantities, prices, countries of destination and delivery periods for butter and butteroil exported at a price below the minimum floor price). The quantity in question involves a minimum of 100,000 tonnes of more than eighteen-month old butter. Later the Commission confirmed that a sale of EC butter to the Soviet Union was to take place. The Commission also announced plans to almost double the subsidy level on sales of cheap butter to pensioners and people on social security. Official EC figures put stocks of butter held in public intervention stores on 27 February at 1,09 million tonnes compared with 835 thousand tonnes at the end of February last year.

54. **EC/Canada**: EC exports of beef to Canada have been made subject to countervailing duties following a preliminary determination of subsidization by Revenue Canada on 27 March. The matter has been referred to the Canadian Import Tribunal for a ruling on injury. The EC had agreed, in February, to voluntarily restrain their exports to 10,668 tonnes in 1986.

55. **India**: has suspended restrictions on tea exports for 1986; the first time in two years that no such limit has been set.

56. **Philippines**: late March the Philippines Government announced that it had lifted its previous export ban on copra with immediate effect. The ban was originally imposed in 1982 when copra output was falling.

57. **Sri Lanka**: in order to help sell a projected surplus in production this year, the Sri Lankan authorities have cut, end March, export duties on desiccated coconut and copra and removed export taxes on other products so as to boost exports.

58. **Australia**: an Australian company has signed a contract to supply 7,000 tonnes of frozen lamb and 14,000 tonnes of mutton to Iran. This follows an earlier 1985 barter deal for 15,000 tonnes of mutton valued at $15 million which was not pursued.

59. **Argentina**: Argentina and the USSR renewed their five year grain agreement in January whereby the Soviet Union will buy 4,5 million tonnes a year until 1990 of Argentinian fodder grain and soybeans. In exchange, Argentina will buy $500 million-worth of Soviet heavy machinery and other industrial equipment.
60. Argentina has sharply reduced its tax on wheat exports (from 26.5 to 15 per cent). The decision, last October, was seen as an attempt to make Argentinian wheat more competitive against other countries' subsidized cereals.

61. **Australia**: Australia is to supply the Yemen Arab Republic (North Yemen) with a minimum of 400,000 tonnes of wheat in 1986 under a long-term agreement. The estimated value of the contract is around US$60 million.

62. **Canada**: Canada has reached an agreement to sell 2.5 to 4.5 million tonnes of wheat to Brazil over the period 1986-1988. Canada also initialled an important new Five-year cereals accord with the USSR, its principal wheat export outlet, and the Canadian Wheat Board renewed its annual cereals agreement with Japan for 1986.

63. **France**: according to reports in February, French export credits to Egypt for wheat, wheat flour, beef, sugar and edible oils have been found to be in breach of EC rules on competition.

(ii) **Steel**

64. EC: on 30 October, the Council of Industry Ministers agreed on a new Community régime for the steel industry to follow the expiry of the aid code and anti-crisis mechanism at the end of 1986. The main points are: the regulations for granting subsidies will be tightened and subsidies authorised will not be payable beyond the end of 1988. Subsidies must meet certain criteria and be confined to certain areas (research and development, adjustments to new environmental protection standards, plant closure and accelerated depreciation); market controls are to be progressively liberalized over two years, subject to review before the end of the first year. Steel products accounting for around 15 per cent of the current production and eligible for the quota system will be exempt as from 1 January 1986; the current reference tonnages and flexibility in applying steel quotas will be maintained and updated, and statistical checks on the flow of steel products between Member States will continue. The minimum price system was also put in abeyance as from the end of 1985.

65. EC: it has been reported that the Commission has been able to sign agreements covering steel imports with the majority of its thirteen traditional suppliers. The 1986 agreements, which are designed to try and keep outside supplies to roughly 10 per cent of internal consumption and which are renegotiated each year, are to show a 3 per cent increase in volume over the preceding year. In this context, Venezuela has also requested the EC to conclude a similar type of restraint arrangement with it as has been done with the other exporters.

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According to report, Greece was partially exempted from the subsidy provision.

Eastern Europe (Bulgaria, Czechoslovakia, Hungary, Poland, Romania); Brazil and South Africa; Australia and Republic of Korea have both, in recent years, had arrangements with the Commission under which a ceiling was agreed for export volume in exchange for concessionary prices. However, as only a small part of their quotas have been used there is a possibility that their trade restraint agreements may not be renewed for 1986. The latest available report indicates, however, that the agreements with Australia and the Republic of Korea have been renewed at the request of these two countries.
66. EC/EFTA: steel exports from certain EFTA countries (Austria, Finland, Norway and Sweden) to the Community are covered by an exchange of letters between the parties and the EC. The letters of understanding - which have been aligned with the EC's free-trade agreements with the EFTA - continue to contain no ceilings for export volumes; volumes and prices of shipments to the EC are subject to a purely voluntary monitoring system not based on any sort of mutual understanding.

67. EC/Spain: in March, the Commission approved a Spanish demand for the application of the safeguard clause provided in Article 379 of the Accession Treaty. From 6 March, imports of three key steel products from the ten Member States (hot-rolled coils, cold-rolled sheets and heavy plates') will be restricted to 505,000 tonnes until the end of the year.

68. At the same time, Spain's export quota under the Treaty was raised slightly from 827,500 to 850,000 tonnes; the Portuguese quota was lifted to 90,000 from 80,000 tonnes.

69. US: all told the United States has concluded voluntary restraint agreements on imports of steel from fourteen third country steel suppliers (see also L/5915, paragraph 50).

70. US/EC: new steel arrangements were agreed between the two sides on 11 December. The new arrangement to run from January 1986 through end September 1989 replaces the 1982-85 Carbon Steels Accord and the ad hoc Pipes and Tubes Accord, 1985-86 (see L/5915, paragraph 48). Under the four-year arrangement, the ten categories of products covered by the 1982 accord are to have their overall limits increased by 125,000 tonnes, whilst the so-called "consultation" products, which have been limited since August 1985, are to be allowed an extra 25,000 tonnes in the quantity which may be exported. Some new products, such as fabricated structurals, have been included within these extended quota limits. It has been agreed that semi-finished steels are to be treated as "consultation products", i.e. while not subject to limitation, the US reserves the right to review the situation should there be any surge in imports. Under the arrangement stainless steel products are to become subject to quotas once the US lifts its unilateral safeguard measures and the EC its retaliatory measures which followed (see below). The existing pipes and tubes arrangement will continue to be separate but will be extended to end at the same time as the other steel accords on 30 September 1989. (See section C/I)

71. US/EC: on 1 January 1986, the US Administration limited EC sales of semi-finished steel to the American market to 600,000 tonnes for the duration of the steel arrangement, unless a mutually satisfactory solution is achieved. The US took this measure consistent with the procedures outlined in the US-EC steel arrangement for dealing with trade diversion. The limit established greatly exceeded the benchmark level of 125,000 tons contemplated by the 1982 arrangement. On 27 January 1986 the EC announced that, as from 15 February, it would retaliate and restrict $43 million worth of US shipments outside the steel sector, including fertilizers, beef fat, paper and paperboard products, for a period of nine months.

72. EC: import restrictions on some US products, first imposed two years ago in retaliation for US safeguard action against EC steel exports, have been eliminated. Five kinds of goods - styrene, polyethylene, sporting guns, skis and athletics equipment - formerly restricted by quota can now be imported freely.
73. **US/Austria**: according to an exchange of letters signed 19 December 1985, Austria has agreed to an export ceiling limitation so as to regulate its steel shipments to the United States for the period 1 October 1984 to 30 September 1989.

74. **US/Sweden**: in March it was reported that the US Administration would seek talks with the Swedish Government on a possible voluntary restraint agreement to cover Swedish stainless steel exports. The Swedish Government's reported response was to suggest that informative talks be held so as to clear up any misunderstandings with respect to Swedish steel shipments to the American market. On 17 March, on the understanding that discussions would soon begin, the US steel industry agreed to drop its Section 301 case against Swedish subsidies. (See section C/I).

75. **US/Japan**: the Japanese Ministry of International Trade and Industry (MITI) has set Japan's quota for steel exports to the US at 4.646 million tonnes for 1986 (under their 1984 agreement) to restrict steel shipments to approximately 5.8 per cent of apparent American consumption. The 1986 quota will be revised quarterly **pari passu** with revisions in US apparent consumption forecasts.

76. MITI, after requests from American officials, has also stated that Japanese steel shippers will limit the new business portion of their exports of oil country tubular goods to the US market until May of this year.

77. **Canada**: as previously noted (see L/5915, paragraph 52) Canada requires all imports of iron or steel pipes and tubes to be clearly marked with their country of origin. The measure became operational from 30 October 1985.

78. **New Zealand/Australia**: it is reported that, in the context of New Zealand's December announcement of a global protection régime for domestically produced steel products, talks would begin with Australia to incorporate these items within their existing CER (Closer Economic Relations) Agreement.

(iii) **Petroleum**

79. The last six months have seen this sector shaken by a number of changes whose impact has yet to work itself out fully. The OPEC again failed to set up a new production sharing agreement when it could not reconcile the two issues of a realistic production ceiling and the allocation of output quotas to individual OPEC members.

80. Over a period of four months the price of crude oil has more than halved, from around $28-$30 in November 1985 to $11-$13 in March; contract prices for crude oil and oil products followed the development of spot prices with some delay. According to press reports some contract prices fell below $15 in April.

81. **OPEC**: at their 75th extraordinary meeting, on 4 October, OPEC oil ministers unanimously agreed to maintain the OPEC crude oil production ceiling of 16 million barrels a day and to postpone a redistribution of the output ceiling among their member countries. However, the production-sharing agreements were not implemented.
82. OPEC ministers finally abandoned, on 9 December, their four-year old policy of attempting to stabilize oil prices through output ceilings. They accordingly decided on a strategy aimed at securing and expanding OPEC's share of oil markets. (Since 1979 OPEC's share of oil consumption in industrialized countries has fallen from about 60 per cent to less than one-third in 1985.) In response to the new announcement, spot market oil prices fluctuated sharply, at one point touching a six-year low.

83. In March 1986, meeting in Geneva, the OPEC ministers plus five non-OPEC oil producers again failed to agree on a proposed new ceiling and on the consequent parcelling out of production shares. As a result, net-back arrangements (see L/5915, paragraph 57) are to continue as before and so are attempts to defend what is considered to be a "fair share" of the oil market. At a later meeting in April a majority of OPEC members (10/13) agreed to limit overall output to 16.7 million barrels a day. The new output ceiling will not take effect before 1 July 1986 and then only if production quotas are in place about which, as yet, there is still no agreement.

84. China: on 4 February China announced that, in a bid to help stabilize the world oil market, Chinese oil exports will not increase in volume this year. Last year Chinese crude oil exports were worth close to $5 billion or close to one-fifth of total export income.

85. Japan: the bill to facilitate the importation of petrol, kerosene and gas oil (see L/5915, paragraph 58) passed the Diet on 13 December 1985. As of 6 January 1986, Japan accordingly opened its market to the importation of petroleum products. There were no formal indications of the probable quantities. (Japan was the largest importer of crude oil in 1984 and 1985. It ranks third in the world after the United States and West Germany as an importer of refined petroleum products, but has not imported petrol, kerosene or gas oil.)

86. According to report the Japanese private sector signed a trade pact calling for higher imports of crude oil and coal from China over the next five years. The pact calls for Japan to import 64-68 million barrels of crude (up 10 per cent on 1985), plus 1,4-1,6 million tons of coking coal and 2,3 to 2,5 million tons of steam coal.

87. Japan/Saudi Arabia: Japanese companies have agreed with Saudi Arabia to buy crude oil on a net-back basis - related to market prices for refined products minus the cost of refining and freight. Saudi Arabia began to sell oil on its net-back formula last October; Japan, however, had earlier been excluded from buying on this basis.

88. UK/Israel: in February, the European Court of Justice upheld the United Kingdom's right to ban North Sea oil exports to Israel. The ban, instituted in 1979, was held to be valid in the context of a seventeen-year old EEC regulation exempting certain products from the principle of freedom of export to third countries.

89. EC: the European Commission has decided to reimplement, starting on 13 January 1986, and until the end of the year, MFN customs duties (13 per cent) on methanol imported from Saudi Arabia. This was done because on 10 January Saudi Arabia had reached the ceiling level of 3.3 million ECUs fixed in the
Generalized System of Preferences (GSP) for its duty-free exports of methanol to the European Community. On 6 January the EC also reimplemented a 12.5 per cent duty on imports of linear and high density polyethylene after the current 6.6 million ECU ceiling was exceeded on 3 January 1986. On 18 March, the Commission also re-established MFN tariffs on diethylene-glycol and ethylene-glycol.

(iv) Motor Vehicles

90. Canada/Japan: Japanese passenger car shipments to Canada continued to be subject to a monitoring system as was agreed to under the "Understanding" which governed Japanese motor car exports to Canada for the fiscal year ending March 1986 (see L/5915, paragraph 60).

91. EC/Japan: since the undertakings to moderate exports of certain sensitive products from Japan expired end 1985, the Commission has decided to extend, until end 1986, its prior surveillance of imports from Japan. Among the items to be monitored are motor vehicles, motor cycles and trucks (see paragraph 102 and following in (vi) Electronics).

92. Japan: Japan decided voluntarily to restrain Japanese car exports to the United States after 31 March 1986 for a sixth year and to limit the total to 2.3 million units, the same ceiling as applied in the preceding fiscal year (see L/5915, paragraph 62). In 1985, Japan's exports of motor vehicles to the United States rose by 25 per cent to $20 billion. The share of the US in the total of Japanese motor vehicle exports rose to 58 per cent. Trade in motor vehicles accounted for roughly half of Japan's trade surplus with the US. Japanese "voluntary" controls on shipments were first implemented by the Japanese authorities in 1981.

93. Portugal/Japan: under a bilateral agreement in force between Portugal and Japan which was notified late December, Portugal has stated that it may subject certain sensitive items (including motor cycles, and vehicles other than railway and tramway rolling stock) to quantitative restrictions. According to the Japanese authorities the trade agreement expired in 1972 and, as it was not replaced, there is no such agreement regulating commerce between the two countries.

94. China: according to reports, the Chinese authorities have indicated that motor vehicle imports will be strictly controlled for at least the next two years following the flood of imports in 1985. Japan's exports of road motor vehicles to China tripled from $540 million in 1984 to $1.706 million in 1985. China has already introduced an import regulatory tax, raising import duties on cars by 80 per cent and obliging government departments to curtail vehicle purchases. These existing measures are now to be reinforced by the need to obtain special permission before passenger cars may be imported over the next two years.

95. UK and Japanese motor industry representatives exchanged views on the forecasts of the UK market for 1986 and agreed in April that Japanese exports will continue to abide by the "gentleman's agreement" (in operation since 1980) that restricts the Japanese volume share of the new-car market to 11 per cent of estimated UK car sales (see L/5915, paragraph 61). J.A.M.A. (Japanese Automobile Manufacturers Association) also stated to their UK counterparts that
they had no intention at present of seeking to export heavy commercial vehicles (over 3 1/2 tonnes) to the UK. Under the informal industry-to-industry agreement, now in its eleventh year, imports can only be made of vehicles under 3 1/2 tonnes; their share of the UK market is limited to a percentage similar to that for passenger cars referred to above.

(v) Footwear

96. EC/Canada: the EC and Canada have come to an agreement on the compensation due to the Community because of the Canadian decision to extend its restrictions on imports of shoes for women and girls - for another 3 years until November 1988. The Canadian Government has agreed to a) make the restrictions more flexible by reducing the price level from $35.00 to $28.00 in the case of leather shoes and sandals and from $60.00 to $55.00 for leather boots. No corresponding reduction will be made in the quota levels to reflect additional quantities of footwear exempted from quota coverage by the reduction in price levels; b) cut tariffs on eight items (kid gloves, silk handkerchiefs, silk ties and scarves, knitted and woven wool ties and two chemicals: oxazepam and flurazepam). Imports of men’s shoes are already totally unrestricted (see L/5915, paragraph 67). The main beneficiary will be Italy, the country most seriously affected by the cuts in shipments of quality ladies shoes. The value of the deal has been estimated at C$60 million against a Community estimate that the cost of the Canadian restrictions through to November 1988 would be C$70 million.

97. Republic of Korea: according to report, Korea has decided to restrain, on a unilateral basis, its shipments of men’s shoes to the Canadian market. This VER was decided upon in January of this year.

98. Japan: effective 1 April 1986, Japan eliminated all quantitative restrictions on leather imports; such restrictions were also rescinded for all imports of leather footwear. A tariff quota system, based on a global volume limit operated on an MFN basis, will replace the previous restrictive measures. The primary tariff quota for footwear as from the aforementioned date will be not less than 2.453 million pairs - which is almost twice as large as the volume of imports in FY 1985.

99. United States: the vetoed Jenkins Bill also contained a provision providing for restrictions on footwear imports (see L/5915, paragraph 90). Since then, a US/ITC finding late March showed that footwear imports captured 77 per cent of the US domestic market in 1985 and were, in volume terms, at a record high. Domestic manufacturers are said to be marshalling support to override the textile-footwear-copper bill on 6 August next (see paragraph 111 in section (vii) Textiles below).

100. United States/Japan: in January, as a result of a Section 301 case against Japan, a settlement was reached between the two sides providing for both compensation and withdrawal of concessions. Under the package the US Administration accepted $236 million in compensation from Japan while withdrawing $24 million worth of trade concessions - this was to make up for the estimated damage incurred by US leather exporters from Japanese import restrictions.
(vi) Electronics

101. Austria/Japan: the Austrian authorities have announced that the previous quota restrictions on imports of VTRs produced in Japan was ended as of 31 December 1985. The measure was originally imposed in February 1981 (see L/5915, Appendix VI, p.73).

102. Japan: the Japanese authorities have made certain changes in the system they have used to monitor a variety of products exported to the European Community (see C/W/470/Rev.1, paragraph 52). First, they have decided to bring to an end, as from 31 December 1985, their three-year old system of "export forecasts" for certain products shipped to the EC. Secondly, for a number of specific products (video tape recorders, colour TV sets and tubes, NC lathes and machining centres, passenger cars, light commercial vehicles and forklift trucks), the Japanese authorities have stated they will monitor their exports and, if necessary, their price throughout 1986.

103. EC: effective 1 January 1986, the EC increased the Common Customs Tariff applicable to video receivers and players from 8 to 14 per cent (see L/5915, paragraph 68). This was partly because the previous voluntary restraint agreement on exports with Japan had expired, and partly because the Community was anxious to prevent an influx of the new 8mm standard VTRs. In return, the EC cut tariffs on semi-conductors from 17 to 14 per cent. In addition, it abolished tariffs on pocket calculators, portable cassette recorders, portable and clock radios. In line with the definitive agreement reached with Japan, these tariff cuts are now to be modified. Tariffs will be reapplied on pocket calculators at 12 per cent. Moreover, portable radios that include a tape recorder will be subject to a tariff of 14 per cent, and portable cassette recorders that are classified as dictating machines or telephone answering machines will be subject to a 7 per cent tariff.

104. The higher duties on VTRs will also affect the Republic of Korea, a new entrant in this field; equally Korea will also benefit from the duty reductions in the products referred to above. In this connection the Commission has also decided, in February, to establish a prior surveillance mechanism (similar to the one it has for Japan) with respect to Korea's exports of VTRs to the Community.

105. US/Japan/Canada: in November, the Governments of the United States, Canada and Japan decided to eliminate their customs tariffs on computer parts as soon as possible in 1986. Under the accord, the US eliminated tariffs on all computer parts, except for those incorporating a cathode-ray tube; Japan's elimination covers computer parts, peripheral and central processing units, while Canada has eliminated all tariffs on electronic data processing machine parts and semi-conductors.

106. US/Japan: according to earlier reports, the long-standing talks to resolve various semi-conductor trade issues between the two industries were close to an accord. The main issues include market access and the prevention of dumping. The US and Japanese manufacturers alone supply more than 90 per cent of the world's micro chips. Some press commentators have seen the proposed agreement as containing elements of a cartel. The United States does not concur in this view, arguing instead that its objective is in accordance with relevant
provisions of the GATT to prevent dumping. The two governments have reached agreement in principle (a) for the Government of Japan to monitor, as appropriate, costs and export prices on products exported by Japanese semi-conductor firms from Japan, and (b) improving American semi-conductor makers' access to the Japanese market. However, as of the printing of this document, negotiations between the two governments on specifics continue. Uncertainty exists whether the negotiations will be successfully concluded.

107. In the dispute between the US and Japan over semi-conductors, in March 1986, the United States Department of Commerce concluded its investigations on dumping charges against Japan's semi-conductor exports to the United States with a positive finding for two types of semi-conductors (256k with DRAMS and EPROMS). A preliminary finding asked for deposits varying according to the dumping margin found; a final finding of dumping was made in early May. A definite decision to apply anti-dumping duties depends on the investigation of the United States International Trade Commission which has to find that the domestic industry was injured by the imports. (In 1985 the value of Japan's semi-conductor exports to the United States fell by about 35 per cent to $1406 million while Japan's imports from the United States fell by 23 per cent to $520 million. The volume decline was considerably smaller due to the steep price declines.)

108. Republic of Korea: effective 1 January, the Korean Government has eliminated restrictions on domestic sales of industrial electronic goods produced in Korea by foreign companies. Previously, domestic sales were tied to a percentage of a company's export volume. The lifting of the restrictions is designed to broaden potential markets of foreign companies and thereby create a more attractive environment for foreign investment.

109. Brazil: in October 1985, President Sarney instructed the Special Secretariat for Information (SEI) to place restrictions on multinational suppliers of digital telephone exchanges (central-office switches). The agency will permit the local subsidiaries of a Swedish, Japanese and a West German company to import components for three such switches but only if they disclose enough technical details so as to allow other companies' equipment to be connected with them.

110. France: pursuant to Article 115 of the Treaty of Rome, the Commission authorized France not to apply Community treatment to TV receivers originating in Japan and in free circulation in the other Member States for the period 26 March through to 30 June 1986.

(vii) Textiles

111. Over the last six months focus on the textiles sector has continued to be high. The enlargement of the Community has seen the extension of the EC's textile régime to Spain and Portugal as of 1 January, Turkey's industry has accepted its first textile VER with the EC, while the Republic of Korea's industry has extended its restraint to the Japanese market for a further year. Although the US President vetoed the highly-publicized Jenkins Bill, evidence of American protectionist pressure remained strong, with the textile lobby mobilizing support for a possible override vote next August. With the treatment of international trade in textiles and clothing coming up for negotiation before the present MFA ends in July 1986, several of the major protagonists have indicated their current positions.
112. EC/MFA: in March the EC Foreign Ministers gave the Commission a negotiating mandate with respect to the expiry of the current MFA. The main points are: the new MFA should run 4-5 years; the GATT's liberal-trading principles should ultimately apply to textiles trade; the number of country-specific product quotas (circa 600) to be cut by a quarter; the existing agreements with Colombia, Guatemala, Haiti and Mexico to be replaced by a simplified agreement in the form of an exchange of letters on possible consultations in case of difficulties; those from Bangladesh and Uruguay will not contain quantitative limits while products from Peru and Sri Lanka will be accorded treatment comparable to those from the least developed countries; suppliers other than dominant ones to have higher growth rates than those applicable in current Article 4 agreements; the global ceilings for the most sensitive items are to be maintained; individual quotas will be negotiated on the basis of 1986 levels; flexibility provisions will be improved; the provisions relating to outward processing traffic will be made more flexible; and, higher basket-exit triggers will be put into operation.

113. The EC's MFA agreement with Egypt is to be transformed into a so-called preferential arrangement, similar to those governing imports from Malta, Morocco and Tunisia.

114. US/MFA: The President has stated in the Jenkins Bill veto message: "I am directing the Office of the US Special Trade Representative to most aggressively renegotiate on terms no less favourable than the present". The Economic Policy Council (EPC) has given the Administration's chief textile negotiator authority to negotiate renewal of the MFA. According to report there are two main US objectives: the rate of growth of imports as a whole must be kept reasonable, with anti-surge mechanisms to prevent a sudden influx of imports from particular suppliers; and the coverage of the MFA to be extended to textiles and clothing made of fibres not presently covered: silk, linen, and ramie have been suggested for inclusion. Since 1973, the MFA's coverage has been confined to textiles and clothing of cotton, wool, man-made fibres, and blends of these.

115. Developing Textile Exporting Countries/MFA: the large majority of the principal textile and apparel producing countries recently reached a common understanding on the main parameters for negotiating a fourth MFA. In the context of achieving progressive liberalization of what they feel should be regarded as a last temporary extension - before textiles and clothing come under the GATT process - the developing exporters called particular attention to a number of issues. Among the main points were: non-discriminatory treatment of developing countries, progressively higher growth rates, and reduction of restraints and coverage over an agreed time-frame. Other specifics included clarifying ambiguities in the text of the Arrangement, more effective surveillance, better measures to protect the interests of the small producers, a "phase-out system", and more liberal access for the least developed countries without prejudice to the trade interests of established developing suppliers.

1Under the MFA, the Community has concluded agreements with 27 supplier countries which expire on 31 December 1986; that with China expires December 1988. In addition, the Community has concluded administrative co-operation agreements with six Mediterranean countries.
Other developments in textiles and clothing

116. Hong Kong: beginning 1 April 1986, the Hong Kong Trade Department will enforce more rigorously an existing requirement that all textiles entering the Colony carry import licenses; post-arrival licenses will only be issued in exceptional circumstances. In addition, new licensing requirements are also to be imposed on imports of garments, garment parts and certain knitted fabrics 1 April. The rule-tightening is in the context of US country-of-origin rules which, in turn, were introduced last April largely to address the issue of quota circumvention.

117. Republic of Korea/Japan: the Korean industry has informed its counterparts in Japan of its decision to extend voluntary export restraints on Korean cotton yarn exports to Japan for one year until April 1987. Korean shipments of this category will be limited to 285,000 bales p.a. as provided for by a 3-year agreement between the Spinners and Weavers Association of Korea and the Japanese Spinners Association which was due to expire end April (see L/5915, paragraph 77).

118. The All Pakistan Textile Mills Association (APTMA) and the Japanese Spinners Association (JSA) have agreed to an extension of their 'Export Price Check' (EPC) system. The EPC, which was put into operation in October 1985, sets a floor price for Pakistani yarn exports to Japan so as to avoid disruption of the Japanese market. Pakistan, despite the Japanese request, has said that it has no intention of applying quantitative limits to its cotton yarn exports (see L/5915, paragraphs 76 and 79).

119. India: the Government is to allow private traders to export raw cotton for the first time in 15 years thereby ending the monopoly of the government-owned Cotton Corporation of India and the provincial co-operative marketing associations.

120. United States: the US Customs Service has revised a directive (3500-06) issued 9 January which would have drastically changed entry procedures for imports of textile and apparel products. The revision now requires as of 9 March, that shipments from countries under quota be reviewed by import specialists in all ports. Portugal is the only EC country included in the directive.

121. United States/Hong Kong/Korea: the US recently requested Hong Kong and Korea, even though the current bilateral restraint agreements still have a year to run, to consider an export standstill at 1985 levels over the next three years. The proposed freeze, which would also apply to non-MFA categories (silk, ramie and linen blends with cotton and wool), has been turned down by both countries. Subsequent information indicated that discussions were still underway.

122. United States/Israel: outside the framework of the free-trade arrangement between the United States and Israel (see L/5915, paragraph 21) that went into effect 1 September, a four-year textile agreement was negotiated between the two countries in November. According to report, Israel held up its signature because it was not satisfied with the modalities of the agreement. Prior to the agreement, the US had imposed, last November, a short-term quota on Israeli exports of flannel sheets, imports of which grew rapidly because of their duty-free entry under the free-trade agreement. The restraint has not been replaced.
123. **US/Nepal:** in January the US and Nepal held consultations on import levels in certain categories. According to report certain Indian manufacturers had shifted operations to Nepal and were selling garments with a Nepal label. The US and Nepal (which does not participate in the MFA) have recently signed an agreement.

124. **US/Japan:** the US has requested Japan, in talks on a new agreement to replace the one that expired on 31 December, to freeze exports on a variety of textile products, to begin curtailing shipments on about a dozen categories of goods that are currently free of quotas and to include items made from fibres not covered by the MFA.

125. **United States:** according to report at the end of March, requests for quotas have been made by the US on textiles and apparel from five countries (Bulgaria, China, India, South Africa and Thailand); quotas will be permanently established if agreed shipment levels cannot be reached with the parties in question. The quotas on China and Thailand were taken in the context of their bilateral agreements; the remainder under the relevant provisions of the US Agricultural Adjustment Act of 1956.

126. The United States, under a new garments policy for the region announced by the President in March, will allow Caribbean Basin Initiative beneficiaries to re-export garments assembled in their countries from cloth woven and parts cut in the US, up to a guaranteed amount for the next nine years. The leading regional exporters to the US are Costa Rica, Dominican Republic, Haiti and Jamaica.

127. **EC/Article 115 of the Treaty of Rome:** under this Article the Commission may grant authorization to a certain region of the Community to exclude from Community treatment (i.e. not to apply the principle of free movement of goods within the EEC) a given product emanating from a particular export supplier. The following member countries have been granted such permission: France: dresses from Turkey (21 September 1985 until 31 July 1986); cotton fabrics from Korea (to 31 May); and certain products from Romania (up to September 1986). Ireland received a similar authorization with respect to certain products from India and Hong Kong (until 31 August 1986).

128. **EC/Enlargement:** under Articles 183 and 370 of the Act of Accession of Spain and Portugal, the EC has negotiated additional protocols to its existing bilateral agreements thereby making the importation, by the two Iberian countries, of textile products originating in certain third countries, subject to quantitative limits (Bulgaria, Czechoslovakia, Egypt, Guatemala, Haiti, Hungary, Hong Kong, Indonesia, Macao, Malaysia, Peru, the Philippines, Poland, Romania, Singapore, Korea, Sri Lanka, Thailand and Uruguay).

129. **US/Bangladesh:** Bangladesh signed a two-year textiles trade agreement with the United States, effective 1 February 1986.

130. **US/Netherlands:** a dispute between the American company Du Pont and the Dutch company Akzo over an aramid fibre trade-marked "Kevlar" has reached government levels. The European Commission has decided to examine (under Regulation EEC No. 2641/84 concerning illicit commercial practices) the US International Trade Commission's decision, subsequently upheld by the President, to exclude from the US market the unlicensed importation of such aramid fibres manufactured by Akzo NV (see section A/V below).
131. **EC/Turkey:** a new arrangement between the Community and the Turkish clothing industry was agreed early April setting limits on a range of apparel items until the end of 1988. Turkish clothing exports had been previously restricted on 21 September last (see L/5915, paragraph 83); such unilateral action will expire at the end of June when the arrangement enters into force. A pact limiting Turkish sales of five textile products in the 1986/87 period was concluded in December 1985.

132. **Japan/China:** according to report in January, Japanese textile producers' concern at the growth of Chinese textiles (see L/5915, paragraph 78) has now led to MITI giving Japanese importers of such items "administrative guidance". China has refused to self-impose restraints on its cotton textile shipments to Japan.

133. **Portugal:** on 27 December Portugal notified the existence of a bilateral agreement permitting sensitive imports from Japan (including textiles) to be restricted (see preceding disclaimer by Japan, paragraph 93). Although Portugal had requested consultations with the United States under Article XXIII of the General Agreement (see L/5915, paragraph 80) the American authorities unilaterally adopted, on 27 November 1985, restrictive measures against imports of certain items of woven cotton shirts (category 340) coming from Portugal. Since then, Portugal has become a Member State of the Community and EC exports of textiles and clothing have not been restrained by the US. (Under a long-standing but unwritten gentleman's agreement with the European Economic Community neither the US nor the EC will impose restraints or quotas on their exports to each other's domestic market.)

134. **Canada:** in December 1984, the Canadian Textile and Clothing Board, an independent agency, was directed by the Government to undertake a comprehensive inquiry on the textile and clothing sectors. The Board presented its report in October 1985, and concluded that imports of textiles and clothing products have caused a major disruption of Canadian markets and serious injury to Canadian producers. The Board recommended that Canada seek an extension of the MFA and negotiate more comprehensive and rigid bilateral agreements than in the past. In releasing the report, the Government noted that the report would form an important input into the deliberations on a long-term policy for the textiles and clothing sectors: the Government is not, however, bound by recommendations from the Textile and Clothing Board.

**III Other trade policy developments**

135. Changes both of a protectionist and of a liberalizing nature with respect to tariffs, quotas and other specific trade regulations are itemized in Section B later in the report while a listing of new bilateral agreements appears in Appendix IV.

136. As regards the General System of Preferences (referred to in Section B/III) some modest improvements have been made in the product coverage and in tariff cuts in the various schemes. However, a continued tendency to limit the preferential benefits for more advanced developing countries on certain categories of products under the major schemes may be noted.

137. The number of anti-dumping and countervailing duty investigations initiated during the period under consideration has increased. Products in the iron and
steel sector have continued to be particularly subject to more investigations and action than in any other sector. A wide range of products imported from developing countries have also come under investigations. The following items complement these sections as they relate to changes in policies which have a somewhat broader effect with respect to trade.

138. The main features in this and the following two sections, Developments Relevant to Trade Policy and Prospective Developments and Current Discussion, and section B/V show a large number of devaluations against the US dollar together with Japanese measures to attenuate, domestically, the effect of the sharp rise in the yen; and an escalation of tensions between the United States and the Community.

139. A number of countries in Europe, the United States, Japan and New Zealand have taken or are discussing measures to limit certain types of trade with South Africa. A Commonwealth statement on South Africa, issued in Nassau on 21 October, contained, in its programme of action, a series of economic measures which the leaders put forward for adoption and implementation by member countries.

140. United States: the President, under the International Emergency Economic Powers Act, signed an Executive Order on 7 January promulgating a trade embargo and requiring all American firms to sever contacts with Libya by 1 February 1986. On 8 January, he ordered a freeze on all Libya's assets in the United States.

141. OECD/Mixed Credits: according to report late January, member countries of the OECD have agreed to abolish the use of mixed credits for financing exports of small and medium-sized aircraft; the agreement was to take effect 10 March subject to individual ratification. The OECD group has also agreed to prohibit mixed credits and set financing terms for large aircraft in July this year.

142. United States: on 25 November 1985, the International Trade Commission (ITC) upheld, in answer to a complaint by Du Pont, that the unauthorized importation into the United States of certain aramid fibres made by Akzo of the Netherlands violated Section 337 of the Tariff Act of 1930, because it infringed upon a patent held by Du Pont. The ITC accordingly ruled that such imports should be banned from entry into the United States for the remaining life of the patent. The US President confirmed this decision on 27 January 1986.

143. Since then, Akzo has complained to the European Commission contending that the ITC proceeding and order amount to an illicit trade practice by the US Government which damages European industry. In early February the Commission announced that it would open an investigation into these charges under the new EEC Commercial Policy instrument (see C/W/448/Rev.1, paragraph 42), the first time that this directive will have been used.

144. European Communities: on 17 December, the European Commission published a list of 23 items which, it said, constituted barriers to trade with the US. The list, which is not claimed to be exhaustive, has been presented to the US Trade Representative.

145. United States: on 2 April, the United States released a list of around 30 different types of products that are exported by the EC to the US, for possible retaliatory action. The listing is a follow-up to the President's statement of
31 March that unless the EC withdrew the trade restrictions it imposed on 1 March 1986, consequent upon the accession of Spain and Portugal to the Community, the US would retaliate through additional tariffs and quotas as of 1 May, 1986.

146. The US Trade Representative has also drawn up, in mid-January, a new set of cases susceptible for action under Section 301 of the US Trade Act of 1974 (as revised in the Trade Act of 1984). This section allows the US Government to take retaliatory action against proven unfair or unreasonable practices in operation against American export products by US trading partners. (A previous catalogue was released in November 1985.)

147. Hong Kong became, with effect from 23 April 1986, a contracting party to the GATT by virtue of a declaration made by the UK under Article XXVI:5. Hong Kong's new situation is in accord with the Joint Declaration signed by the UK and China on December 1984 whereby Hong Kong as a "Special Administrative Region of the People's Republic of China" will retain the status of a separate customs territory after it reverts to China's sovereignty on 1 July 1997.

148. Switzerland: in December, the Swiss Federal Council decided to revoke its agreements on trade in agricultural products with Spain and Portugal replacing them by the arrangements concluded between the EC and the EFTA (see paragraph 23, Regional developments). Similar action was also carried out by all other EFTA countries.

149. New Zealand: the Finance Minister announced in December that New Zealand will eliminate customs and import charges on about 500 product items as from 1 January 1986 as a step to reduce import costs for farmers and manufacturers. The intention was also to phase out import licensing for steel products. Proposals to bring about an end to the country's import-licensing system were announced last September (see L/5915, paragraph 116).

150. China/EC: in the framework of the trade and economic co-operation agreement signed 1 October 1985, the Commission announced a number of new products to be included in the liberalization list together with the enlargement of certain quotas. Among the products concerned are certain shoes (Benelux), screws and nails (Benelux and Denmark), silk materials (France) and heaters (Greece), etc.

151. Mexico: on 26 November 1985, Mexico applied to accede to the General Agreement.

IV Other developments relevant to trade policy

152. Australia: on 15 January the Australian authorities announced that they were tightening their "offsets" policy. From March this year suppliers of government contracts worth at least A$2.5 million or cumulative orders for functionally similar items over a financial year period which exceed this value, must provide offset work equivalent to 30 per cent of the imported value of the contract. Purchases with an imported contract of less than 30 per cent are exempted from this requirement.
153. Brazil: at the end of February, the Brazilian President announced the introduction of a new currency (the 'cruzado' worth 1,000 old cruzeiros); there would be no immediate devaluation against the dollar. Supportive actions included a one-year price freeze and a package of measures to combat the country's soaring inflation rate.

154. Canada: in view of the record low Canadian dollar exchange rate, the Government launched, on 5 February, a US$1 billion 10-year bond issue on the international market (the largest fixed rate Euro-bond ever), intervened for the first time through an international foreign exchange broker rather than through the Canadian Bankers' Association's brokerage service as hitherto, and started to sell large amounts of Treasury bills in order to drive up short-term interest rates.

155. EC: in October 1985, adopted a resolution to make it easier for the US to sell more wine in the Common Market. The regulation simplifies certification procedures and is reportedly the latest step to implement the 1983 agreement between the EC and the US (to synchronize regulations regarding common rules for wine).

156. Ireland: in view of unabated speculation against the Irish pound, and further to the rise in its short-term facility rate, the Central Bank of Ireland required, as of 4 February, the four clearing banks to raise their prime lending rates and deposit rates for large overdrafts by 3 percentage points as from the close of business (thus ending almost one year during which interest rates could be freely set); it further deliberately limited the amount of sterling that banks could raise through exchange swaps with the Central Bank.

157. Italy: on 17 October the Government announced a further liberalization of exchange controls comprising, inter alia: the abolition of the foreign currency financing requirement in respect of exports with delayed settlement terms (with loans received to be repaid within 360 days), currently equivalent to 25 per cent of exports; plus a number of discretionary steps to be taken by the Italian Exchange Office to broaden the range of operations for banks, firms and individuals.

158. United Kingdom: on 13 November the Government presented a new scheme aimed at boosting exports by offering subsidised long-term loans for projects in developing countries (to make up for the lower interest rates, banks will be offered "top-up" grants).

159. India: the Government announced, 19 December, part of the country's first long-term fiscal policy. With respect to imports, the basic change is to bring about increasing reliance on customs tariffs and to progressively reduce the role of quantitative restrictions in the regulation of imports. Non-essential consumer goods imports will stay prohibited while essential consumer goods will face low duties; project imports are to have preferential duties while raw material and capital goods imports will face tariffs lower, in general, than the basic duties set for components.

160. In February, in order to keep India's trade deficit within manageable proportions in the fiscal year ending next March, it was decided that big cuts would be made in the importation of certain bulk goods (petroleum, edible oils, fertilizers, steel and sugar, are among the items that have been suggested for action under this decision).
161. **Japan**: on 29 November, the Government launched a yen 100 billion loan programme (for the period December 1985 to March 1986) in favour of small to medium-sized firms exporting at least 20 per cent of their output and which have suffered output losses of at least 10 per cent due to the recent appreciation of the yen. The loans were reported to carry an interest rate of 6.8 per cent (compared with a current long-term prime rate of 7.5 per cent) and are repayable over five years.

162. With effect from 4 March 1986, a total of yen 300 billion was made available for subsidized loans (thereby changing the number of eligible industrial categories from 50 to 128 - these categories are specifically drawn from 183 designated industrial categories which are faced by structural difficulties) as well as the re-scheduling of loans used for equipment modernization. These loans are to be granted to companies with a view to facilitating business conversion and switching from exports to domestic-related business. Again, on 28 February, in a further effort to help firms adversely affected by the yen's rise, the Ministry of Labour announced that eligible firms will be paid up to half their employees' salaries (to a maximum of two-thirds in the case of small and medium-sized firms) as their lay-off allowance or as their business training expenses, with the funding to be drawn from firms' employment insurance contributions. The subsidy for the loan measure is expected to total about yen 1 billion in the first year of operation. Details were notified by the Government of Japan pursuant to Article XVI:1 (see L/5947/Add.3).

163. **New Zealand**: according to reports in early March, the French authorities have, without warning, refused import licences for certain New Zealand products (lamb brain products in particular). New Zealand has subsequently requested consultations with the EC under Article XXII:1 (see L/5970). Under more recent reports the New Zealand Government announced that under the terms of an agreement concluded with France in July (after consultations which included certain non-trade issues), France had agreed to drop the restrictions on imports from New Zealand and gave a commitment not to obstruct New Zealand's butter and lamb exports to the EC (see also L/5970/Add.1).

164. **Sweden**: in view of the waning role of gold as a means of payment and further to recommendations made by a government committee, the Central Bank abolished, 22 November, restrictions on imports of unfabricated gold, certain gold products and gold coins (except for the Krugerrands), with effect from 1 December. In April, the Swedish Central Bank recommended a gradual relaxation of the country's stringent foreign exchange regulations, which have been in force since 1939.

165. **United States**: the President signed into law, on 12 December, a reform of the congressional budget process (the Gramm-Rudman-Hollings Act) setting statutory deficit ceilings of US$171.9 and 144 billion for the fiscal years (October-September) 1986 and 1987, respectively, and for reducing the ceilings by US$36 billion for each of the following four years, thus eliminating the deficit by 1991. On 7 February, however, a Federal District Court in Washington ruled that a provision in the Gramm-Rudman-Hollings Act whereby the President might, in certain circumstances, have to implement spending cuts prescribed by Congress's General Accounting Office, was unconstitutional and that a presidential order in the previous week implementing automatic cuts of
US$11.7 billion for the current fiscal year was "without legal force and effect". The District Court stayed its ruling, however, pending an appeal to the Supreme Court, so the automatic budget cuts of US$11.7 billion, as provided for under the Act, will still go ahead in March 1986.

166. United States/Japan: on 10 January, Japan and the US formally concluded their long drawn-out M.O.S.S talks (market-oriented sector-selective). Broad agreement was reached on the telecommunications, pharmaceuticals, medical equipment, forestry products and electronics sectors. Among the main features were agreements to: abolish Japanese tariffs on imports of computer peripherals and parts and computer-related equipment; and US tariffs on computer parts; reduce Japanese tariffs on veneer (including plywood, reconstituted wood, etc.) from 15 per cent to 5 per cent (by 1987); and Japanese acceptance of foreign test data and the simplification of standards by which telecommunications equipment is certified for sale in Japan.

167. International Tin Council (ITC): responding to a request by the ITC, the London Metal Exchange suspended, 24 October 1985, its tin trading. Beforehand, the ITC had used up all its bank credit lines in an attempt to prevent prices from falling below the ITC's floor price. The suspension was subsequently prolonged so as to allow the UK Government time to find ways of honouring the ITC's debts. According to report, in early March, the talks on finding a solution had collapsed; for the foreseeable future, the market will remain shut.

V Prospective developments and current discussion on trade policy matters

168. International Cocoa Agreement: subsequent to the breakdown in talks on a new international cocoa agreement in early March, recent reports suggest that preliminary discussions could be held in June followed by a full resumption of negotiations next July. The current pact expires in September 1986.

169. International Coffee Agreement: the US Administration has decided to request Congress to renew its three-yearly legislation permitting the United States to continue membership of the Agreement (ICA), after 30 September 1986. In February, the ICA was obliged to suspend export quotas consequent upon a steep rise in coffee prices.

170. International Wheat Agreement: negotiations for a new convention to replace the current wheat pact, which will end 30 June this year, were concluded successfully 14 March. The new Agreement, broadened to include other cereals including barley and maize, is subject to ratification by its members. Once in force, it will remain in effect until 30 June 1991.

171. Civil Aviation: in late March, representatives of West Germany, France and the UK had talks with their American counterparts regarding state support for the Airbus Industrie. The discussions, according to report, essentially concerned with what represented fair competition in the civil aircraft business, were inconclusive and are expected to be reconvened in June. All parties are subscribers to the the GATT Civil Aircraft Code as well as to the Code on Subsidies.
172. United States: on 19 February, the US Administration, prompted in part by concern about the large trade deficit, sent Congress five bills linking the relaxation of anti-trust enforcement with increased trade protection while, at the same time, moderating the extra-territorial application of US anti-trust laws. The proposals were aimed at prohibiting only those mergers which are likely to reduce competition in the United States (without improving competitiveness in international markets) and aiding industries threatened by foreign competition. According to the existing law (which has been considerably softened by Department of Justice guidelines issued in 1982 and 1984), mergers are illegal when they might substantially lessen competition in the relevant market.

173. United States: in May the President announced in a written statement the Administration’s intention to seek five-year voluntary restraint agreements limiting sales to the US by the Federal Republic of Germany, Japan, Switzerland and Taiwan of six main categories of machine tools. Such action is designed to reduce overall machine tool imports to around one-half of the US market compared to some 70 per cent at present.

174. China: according to official statements made in connection with the presentation of the 1986 Budget, China intends to curb imports below last year’s mark while controls on foreign exchange are to be tightened in an effort to conserve reserves. Last year China posted a large trade deficit.

175. Egypt: the Economy and Foreign Trade Minister stated, early February, that the Government was committed to dealing with the country’s balance-of-payments problem by carrying out some carefully planned measures. These would include curbs on imports, price reform in the energy sector and the rationalization of the country’s exchange rate régime.

176. The Egyptian Government further declared that it was aiming to move towards a new system of import controls based on graded tariffs. A list of four categories of goods was reported to be under consideration by the Ministry of Economy and Foreign Trade: items to be banned entirely, goods subject to prohibitive tariffs, items on which normal duties will be charged and essential imports that would be subject to normal tariffs.

177. Republic of Korea: according to report, the Korean authorities plan to rescind their ban on some 302 import items, though imports of most agricultural products will remain restricted. Copying machines, cargo trucks, nylon carpets, automobile parts and buses are some of the goods that are to be allowed into the country by the end of 1986. The embargo, however, will remain effective on precious metals, liquors and such agricultural products as ham, bacon, mutton, pork, soybean oil, etc.

178. United States: according to report, the United States has concluded a series of agreements with five countries (France, Italy, West Germany, the Netherlands and Japan) whereby the countries concerned have agreed not to export any products containing nickel obtained from Cuba to the United States.

179. Brazil: early March, the Brazilian Coffee Institute announced that all contracts for Group I fine coffee (arabica) will be cut by 25 per cent in volume for the remainder of the year in order to reduce the country’s total export volume from 17 million to 14 million bags (60 kg. each).
180. **Bangladesh**: according to reports in March, the EC is in the process of finalizing a scheme to provide benefits similar to those of STABEX (an export-earnings stabilization scheme under the Lomé Agreement) for Bangladesh. The proposed extension will cover the three principal exports (jute, tea and leather). Bangladesh, thereby, will become the first Asian country to benefit from aid under a STABEX-type facility (see L/5915, page 22, paragraph 111).

181. **United States**: legislation has recently been tabled in Congress both to make permanent, and expand the coverage, of the US Manufacturing Clause once it expires 30 June 1986. The existing Clause (Section 601 of Title 17 of the United States Code, as extended by Public Law 97-215 of 13 July 1982) prohibits, with certain exceptions, the importation into or public distribution in the United States of a copyrighted work consisting preponderantly of non-dramatic literary material in the English language, the author of which is a United States domiciliary, unless the portions consisting of such material have been manufactured in the United States or Canada. Under the law the United States Customs Service may seize materials imported in violation of the Section. The Manufacturing Clause was held to be inconsistent with the General Agreement according to a previous Panel report adopted by the GATT Council in May 1984. The US Administration has opposed the implementation of the proposed new legislation. The Manufacturing Clause formally expired on 1 July 1986.

182. **Japan**: the Ministry of International Trade and Industry announced, in early April, that it would take a series of measures to expand the import of manufactured goods and to spread among the country the benefits of lower import prices resulting from the appreciation of the yen. Among the measures that have been taken are: the preparation by each major department store of "appreciated yen utilization" plans; the holding of import fairs and the instigation of a public campaign designed to promote the import of manufactured goods.

183. **United States**: on 22 May the House of Representatives voted (295-115) an omnibus trade bill to overhaul existing legislation. Among its clauses was a provision requiring the President to enter negotiations with those countries that run "excessive" trade surpluses with the United States while making it difficult for American enterprises to exploit their markets; should there be no satisfactory settlement, the President would be required to impose penalties (such as import quotas) on the offending countries. Other provisions would create a system to stabilize currency rates; remove export controls over some militarily sensitive products; and establish a fund that would help workers and industries damaged by foreign competition. A proposal to create a $300 million war chest to help exporters counter foreign subsidies was eliminated. The Bill, which has been strongly opposed by the Administration, has been sent to the US Senate where similar proposals have been discussed.
B. NEW TARIFF AND NON-TARIFF MEASURES AND MOVEMENTS
IN EXCHANGE RATES

184. The following section provides details of specific measures falling within
the ambit of the General Agreement, of which the secretariat became aware for
the period of October 1985 to March 1986.

I Tariffs and related matters

185. Austria and the EC implemented on 1 January 1986 - one year ahead of the
date foreseen originally - the remaining tariff reductions agreed to in the
Tokyo Round of negotiations (see TAR/124, TAR/123).

186. Under the Action Programme announced in July 1985 to open Japan's market to
imports, tariff rates on 1,849 agricultural and industrial products have been
eliminated or reduced as from 1 January 1986. Import duty on champagne and
other sparkling wine, sherry, port, bottled wine, etc. will be reduced as from
1 April 1986, one year in advance of the date foreseen originally. Tariff
elimination on nine computer-related items, already agreed upon in the context
of the Japan-US sectoral discussions, has also been implemented as from
17 January 1986 (see L/5858/Add.1 and 2). As a result of GATT Article XXVIII
negotiations with the US and the EC, Japan reduced or eliminated import tariffs
on 88 industrial products.

187. Quantitative restrictions applied by Japan on imports of leather and
leather footwear have been eliminated as from 1 April 1986, and a global tariff
quota system based on quantity has been established (see L/5978).

188. In the context of New Zealand's structural adjustment and trade
liberalization programme, the Government, as from 19 December 1985, reduced or
eliminated import duties on around 450 products (or product areas) including
inputs for the manufacturing and service industries and a large number of
consumer goods (see L/5990).

189. Effective 23 September 1985, South Africa has introduced a tariff surcharge
of 10 per cent on all imported goods that are not bound in terms of GATT. The
measure taken in order to forestall an imminent threat of a serious decline in
the country's monetary reserves, applies to a wide range of products including
live animals, animal products, vegetable products, animal and vegetable fats and
oils, prepared foodstuffs, mineral products, products of the chemical and allied
industries, rubber, hides and skins, leather and leather articles, wood and
articles of wood, paper and paperboard, textile and textile articles, footwear,
base metals and articles of base metal, machinery, etc. (see L/5898).

190. Decree 2290/85 of 4 December 1985 modified the structure of the customs
tariff nomenclature of Spain, and established new customs duties to be applied
nominally, eliminating the temporary export duties. Thus, as from
1 January 1986, the date of its entry into the European Community, a single
value-added tax system has been established replacing a number of indirect taxes
applied formerly (see TAR/122).

191. With effect from 27 February 1986, revenue duties of Switzerland on heating
oil, and gas and other hydrocarbon fuels in gas form have been increased from
SWF0.30 to 4.00 per 100 kg. gross and SWF0.10 to 1.00 per 100 kg. gross
respectively. As from 1 April 1986, the general sales tax has been extended to
the existing revenue duty on gasoline. The measures which are applied
identically to imported as well as domestically produced goods are subject to
approval by Parliament (see L/5975).

The following non-notified tariff measures have also come to the attention of
the secretariat

192. On the basis of the information available, which may not be complete, the
secretariat has noted far more non-notified tariff measures and measures with a
similar effect than during any other recent reporting period.

193. **Argentina**: Resolution No. 286/86 extended the 10 per cent surtax imposed
on all imports (Resolution No. 476 of 11 June 1985) until 31 December 1986.

194. Resolution No. 978 of 10 December 1985 introduced import tariff increases
between 5 and 40 per cent for selected industrial products until 1988 and 1989.
Affected are 200 tariff positions of chapters 28 (chemical products), 74 (iron
and steel products), 84 (machines), 90 (electrical goods) and 92 (audio and
video equipment).

195. Following a report of the Industries Assistance Commission of Australia on
telecommunications and related equipment and parts, tariff alterations were made
to items falling within the following tariff numbers: 70.18, 85.13, 85.15,
85.16, 85.18, 85.19, 85.22, 90.13, 97.03. The new rates of duty came into force
on 10 October 1985.

196. **Brazil** made a large number of import tariff amendments under resolutions
published in the Diario Oficial da Uniao of 16 August, 18 September, 18 October,
12 November and 18 December 1985. Most of the amendments introduce temporary
import tariff reductions for goods which are not produced in sufficient
quantities by national industries, import quotas, and measures on products
intended as inputs for certain types of manufacturing.

197. Brazil reduced import tariffs for a number of types of airplanes from
50 per cent to 20 per cent. Furthermore, the import surcharge was abolished on
maize (10.05 TAB, Resolution 05-900) and beef (02.01.01 TAB, Resolution
05-0901), until the end of 1986 (Diario Oficial of 3 February 1986).

198. At the beginning of 1986, **Bulgaria** increased import tariffs for technical
consumer goods by 20 to 30 per cent.

199. **Canada/United States**: in May the United States imposed a tariff on imports
of Canadian cedar shingles and shakes effective 6 June. The five-year
degressive tariff beginning at 35 per cent and declining to 8 per cent for the
last six months, was imposed after the US International Trade Commission found
that such imports were undermining the American industry. Canada has reacted
by increasing tariff rates on a number of products up to their bound GATT rate.

200. **China** increased import duties on automobiles by 80 per cent.

201. Under Decree No. 2166 DE 1985, **Colombia** imposes a higher rate of stamp duty
on imported records, cassettes and video cassettes than on domestically produced
goods of this type. The measure was subsequently suspended.
202. The Côte d'Ivoire exempted certain materials from import duty. They include certain synthetic fibres (CCCN. 39.02.81, 39.07.41), artificial incubators, and other machinery and equipment used in poultry farming (see CCCN. 84.28.02).


204. As of 6 January 1986, the EEC has reimposed a 12.5 per cent duty on imports of a key petrochemical product from Saudi Arabia - linear polyethylene, after the current ECU 6.6 million ceiling set under the GSP was exceeded.

205. Under its budget for 1986, Fiji increased import duties and excise duties on many items, including food products, fuel, alcohol, tobacco and building materials. Import duty decreases were introduced for items purchased by tourists.

206. As of 1 January 1986, Finland will apply the system of variable levies applicable to meat, to imports of live animals for slaughtering in order to eliminate the difference between prices in Finland and on the world market.

207. Gambia increased import duties on petroleum products, cigarettes, pipe tobacco, sugar, cement, building materials, office equipment, machinery, transport equipment, textiles and alcoholic beverages.

208. Under a series of Customs Notifications, India introduced a number of customs duty changes. Some products have been exempted from export duty, such as groundnut oil-cake, silimanite, kyanite, bridge mica, manganese ore, lumpy iron ore, iron ore fines, chromite ore and concentrates, manganese dioxide, raw wool, raw cotton, cotton waste, animal feed. Some chemical products were exempted from import duty and the additional customs import duty. A large number of goods were exempted from the whole of the auxiliary customs import duty. As announced in the GATT Council, the auxiliary customs duty was abolished on all GATT-bound items (see also under "Waivers", Appendix II).

209. Indonesia introduced import duty exemptions and reductions to the Customs Tariff Book 1985. Under tariff heading 25.32 (Kieserite as material for fertilizer): tariff exemption; tariff headings 48.01 and 48.07 (kraft paper): exemption and reductions; tariff heading 84.45 (certain machine tools): import duty increase from 10 to 15 per cent.

210. Israel introduced a minimum duty of $440 on imported video recorders. In addition video recorders continue to be subject to a 2 per cent special tariff, 50 per cent purchase tax and 15 per cent value-added-tax. The import deposit requirement is 15 per cent of the c.i.f. value up to the end of July 1986.

211. Japan announced, on 10 January 1986, tariff reductions to take effect in stages in 1987, and 1988 for veneer, plywood, reconstituted wood, unfinished pine lumber, fibre building board, finished lumber, laminated lumber and wooden beading and mouldings.

212. Under the Finance Act No. 8, adopted on 23 August 1985, Kenya introduced substantial amendments both to its customs tariffs and to the sales tax imposed on imported products.
213. By Law No. 85.020, published in the Official Journal on 21 December 1985, Madagascar introduced changes to its customs tariff and also to the taxes applicable to imported goods.


216. As of 24 January 1986, Mauritius reduced the fiscal duty applicable to tyres, vehicles and their spare parts.

217. Mauritius also increased the import tariff rates for peanut butter from 20 per cent to 50 per cent, and for construction iron from 10 per cent to 20 per cent.

218. Morocco reduced the special tax on imports from 10 per cent to 7.5 per cent, the maximum rate of customs duties from 100 per cent to 60 per cent, and also abolished the preliminary deposit for exports.

219. In connection with New Zealand's industry assistance reform, tariffs currently above 25 per cent will be reduced on 1 July 1986 and 1 July 1987 as follows:

<table>
<thead>
<tr>
<th>Existing tariff at 1 September 1985 (per cent)</th>
<th>Rate at 1 July 1986 (per cent)</th>
<th>Rate at 1 July 1987 (per cent)</th>
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<tr>
<td>30</td>
<td>28.5</td>
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<tr>
<td>60</td>
<td>55.0</td>
<td>49.5</td>
</tr>
</tbody>
</table>

220. Tariffs above 60 per cent and specific tariffs will be adjusted along the same lines.

221. Nigeria introduced, on 1 January, a 30 per cent import levy on all goods being imported into the country. The levy is based on the c.i.f. value and must be paid at the time of arrival of the goods. The import levy is in addition to all current duties.

222. Norway will impose, on 1 July 1986, a revised price compensation scheme for certain processed agricultural products. The revised scheme is based on variable import levies.

223. Peru reduced the import duty for soybean meal from 11 to 1 per cent of the c.i.f. value.
224. Portugal: the rate of import duty payable on palm oil from third countries was reduced to 10 per cent if used for the manufacture of margarine.

225. The 10 per cent import surcharge imposed on the c.i.f. value of certain goods was allowed to lapse on 31 December 1985.

226. Singapore abolished the excise duty on imports of beet sugar and cane sugar (tariff No. 17.01) and the import and excise duty on fuel oils (27.10.500).

227. Many amendments to customs duties, whether increases or decreases, have been published in the South African Government Gazette from 6 September 1985 through to the end of the present period.

228. All goods imported into Tunisia are made subject to a 1 per cent tax for the benefit of the Export Promotion Fund. Excluded are certain types of milk, butter, soya oil, sunflower oil, raw sugar, mineral oil products, fertilizers, paper, books and various types of machines, etc.

229. By Decree No. 85/10023, Turkey has reduced to zero import tariffs for pulses and leguminous vegetables (tariff Nos. 07.05-41/69). Previously, the import tariff rate was 25 per cent.

230. In connection with its 1985/86 budget, Uganda introduced a large number of changes to its customs tariff. The following goods can be imported duty-free: cement, gypsum, certain iron and steel and wire products. The duty rate on packing material for milk containers was increased from 30 to 40 per cent. The duty rate on salt was reduced from 20 to 10 per cent, certain soaps from 30 to 20 per cent, sugar from 20 to 10 per cent, beer from 250 to 200 per cent, buses from 20 to 15 per cent and kraft paper from 30 to 10 per cent.

231. Effective 20 January 1986 Canada joined with the United States and Japan in eliminating its remaining tariffs on certain computer parts (previously 3.9 per cent) and on certain semi-conductors (previously 5.4 per cent).

232. By Government Notification No. 170 of 20 November 1985, Zambia introduced import tariff changes for a number of items contained in chapter 87 of the tariff schedule.

233. By Customs and Excise (Amendments Act, NAB 1, 1986, of 31 January 1986, the Zambian authorities also altered the tariffs for many products contained in import tariff chapters 01 to 06, 09, 10 to 15, 17 to 19, 21 to 23, 25 to 42, 44, 45, 47 to 57, 59, 65, 68 to 71, 73 to 85, 87, 89 to 93, 95. Most of the products in question are subject to an import duty of 15 per cent.

234. In the framework of its 1985/86 budget, Zimbabwe set new import tariff rates, at 20 per cent, for lubrication oil, grease and computers.

II Generalized System of Preferences

235. The following section describes changes in GSP schemes that have come to the attention of the secretariat.
236. Following a thorough review of its GSP scheme, the Australian Government announced in January 1986, a revised system of preferential tariffs which would be put into force on 1 July. The new system under which the preferential tariff rate for developing countries will be set at 5 per cent below the general tariff rate, where the general rate exceeds 5 per cent, has no provision for graduating either products or countries out of the scheme. The scheme will apply to products covered by the textile, clothing and footwear industries plan from the end of the current plan on 1 January 1989, and to steel and motor vehicles from 1 July 1986. The current exclusions of certain countries for some cold-rolled steel products will continue until January 1989 and quotas already allocated for importation of motor vehicles will be continued at the existing margin of preference (see L/3982/Add.21 and Add.22). The Australian scheme covers 78 per cent of tariff lines - about $A2 billion worth of trade in 1985.

237. With the advance implementation on 1 January 1986 of the eighth and last stage of the tariff reductions agreed to in the Tokyo Round of negotiations, on 1 January 1986, the Austrian preferential duty rates on around 1,900 tariff lines were also reduced. Effective on the same date, Vanuatu was added to the Austrian list of least developed countries, and St. Christopher and Nevis and Brunei Darussalam (which were formerly dependent territories) were added to the list of beneficiaries as preference-receiving countries. The rule on cumulative acquisition of origin has been amended to reflect the membership of the latter in the ASEAN (see L/4108/Add.23).

238. European Communities' Generalized System of Preferences for 1986 was approved by the EEC Council of Ministers on 17 December 1985 and entered into force on 1 January 1986. The scheme covers imports of industrial, agricultural and textile products. The European Coal and Steel Community decision on its 1986 GSP scheme covering steel products originating in certain developing countries was also published. A significant change in the EC scheme concerned the accession of Portugal and Spain on 1 January 1986, who would apply the Community scheme as of 1 March and cease to be beneficiaries in various other schemes. Under the new scheme the quotas for some 26 industrial products from Brazil, Hong Kong, the Republic of Korea and Singapore have been reduced to 50 per cent of the 1985 level; the preferential amounts have been increased by 9.5 per cent in order to take account of Portugal and Spain's accession. In the agricultural sector, five preferential margins have been improved and eight additional products brought into the scheme. The ceilings for imports of petrochemical products from countries of the Gulf Co-operation Council have also been considerably increased for 1986 (see L/5116/Add.6).

239. The Government of Finland has temporarily suspended the GSP treatment for tents (ex CCCN 62.04) for the period of 1 November 1985 to 31 October 1986 (see L/3694/Add.17). The German Democratic Republic and the Republic of Korea are the major suppliers of this product.

240. Effective 1 January 1986, Hungary has reduced preferential duty rates on several tariff headings, including hemp yarn, hand-made tapestries, felt and felt articles, tarpaulins, tents, camping goods, interchangeable tools of base metal, machines for extruding textiles and processing textile fibres, structures and parts of structures of iron and steel, etc. (see L/5141/Add.4).

241. Within the framework of the "Action Programme for Improved Market Access" announced last July, Japan has extended the GSP coverage to five more agricultural products and reduced GSP rates on nineteen items with effect from
1 January 1986. In addition, the GSP rates on 115 items have been reduced in line with the across-the-board MFN rate tariff reductions. GSP rates on certain types of wine will be reduced and cotton batiks will be added to the scheme on 1 April. Furthermore, Angola, Canary Islands, Ceuta and Melilla, Mozambique and Hungary have become eligible to receive preferential tariff treatment. (See L/4531/Add.12)

242. Effective 19 December 1985 imports into New Zealand falling under some 450 tariff lines, including imported inputs for the manufacturing and service industries plus a large number of consumer goods from GSP beneficiary countries, have been accorded duty-free treatment (see L/5990).

243. The United States removed GSP privileges from a wide range of products under the scheme which will take effect on 1 July 1986. The action removed $839 million worth of products from the duty-free list because they had accounted for more than half the US imports of the products concerned. As part of its "graduation policy" the US did not reinstate another $2.4 billion in goods. On the other hand, following from the de minimis provision, 241 products when imported from individual beneficiary countries will be exempted from the 50 per cent "competitive need" rule; the value of trade that will benefit from this is estimated at $233 million. In addition, Argentina, Hong Kong and Malaysia have had their preferential eligibility reinstated for five products valued at around $167 million.

III Quantitative restrictions and other non-tariff measures

(a) Changes notified in licensing arrangements


245. New Zealand will transfer 340 product categories currently subject to import licensing to licence on demand status effective 1 July 1986. Products affected include coffee, cocoa, preserved fruits and vegetables, fruit and vegetable juices, milk and cream, soap, plywood, paper and paper products, articles of iron and steel, etc. Imports of these products will not be subject to any restriction as regards value or volume. The licence on demand will last for one year to be followed by complete exemption (see L/5640/Add.18/Suppl.).

246. As of 1 January 1986, Norway has liberalized a number of products which were previously subject to import licensing requirements. The measure covers imports falling under 45 tariff sub-headings, nine of which are from all countries (satchels and rucksacks, tents, boys' and men's other under garments and ties, bow ties and cravats) and the rest from Japan and the Republic of Korea (including table linen, toilet linen, kitchen linen, ski-boots, protective

1See also import restrictions notified as being applied for balance-of-payments purposes in the following sub-section (c).
footwear, motorcycles with internal combustion piston engines and slide fasteners and parts thereof from Japan, woven fabrics of man-made fibres from the Republic of Korea, and footwear with uppers of rubber and plastic material and tableware and other articles of a kind commonly used for domestic and toilet purposes from both countries). (See NTM/W/6/Rev.2/Add.5.)

247. Effective 2 September 1985, Singapore has exempted refined sugar from import and export licensing requirements (see LIC/1/Add.36).

248. As from 1 January 1986, Turkey has exempted 356 tariff headings from import licensing, thus bringing the total number of headings subject to permits to 245 - reduced from 601 headings in 1985 (see L/5640/Add.29/ Suppl.1).

249. Under the United States Food Security Act approved by the President in December 1985, as from the quota period beginning after the 1985/86 quota year, any country exporting sugar to the United States has to certify that it does not import sugar produced in Cuba for re-export to the United States (see L/5980).

(b) Non-notified changes in licensing arrangements

250. The following information on import licensing measures is drawn from sources other than notifications to the GATT. The information available suggests that fewer licensing measures have been taken by governments during the period under review than in the same period one year earlier.

251. Burkina Faso has made imports exceeding CFAF250,000 per shipment (about $750) subject to an import authorization.

252. Under Resolution No. 85.083, the Central African Republic authorities have made imports of goods from the franc-zone subject to an administrative import authorization and imports of products from other countries subject to an import licence.

253. In early 1986, Colombia transferred 425 tariff positions from the licence list to the free list.

254. The authorities of the Côte d'Ivoire stipulated under Decree No. 85-426 that products under CCCN sub-headings 08.01.09 (fresh bananas) and 08.01.20 (fresh pineapples) are now subject to export licensing.

255. European Commission Decision No. 85/486/EEC permitted F.R.Germany, the United Kingdom, France and the Netherlands to issue, on 21 October 1985, import licences in respect of certain quantities of beef and veal products emanating from Botswana, Kenya, Madagascar, Swaziland and Zimbabwe.

256. Gabon has decided to make imports of all products of a value exceeding CFAF500,000 (about $1,500) subject to an import authorization. Previously the minimum was CFAF100,000.

257. India has introduced changes in its import policy. For its textile industry two types of machines can now be imported under the Open General Licence (OGL). Some products, which previously were listed as Limited Permissible Items, have been transferred to the list of Restricted Items (the goods include audio magnetic tapes in reels, cassettes, jumbo rolls, hubs,
cartridges and pancakes and in any other form, excluding 35mm and 16mm and sprocket tapes; complete electronic modules/electronic circuit blocks for electronic watches and clocks of all types and integrated circuits/devices/chips of all types for use in watches and clocks). Certain chemical products were also taken off the list of Open General Licence and put on the list of Limited Permissible Items.

258. Under the amendment of 28 January 1986 to the Decree regulating imports, Israel added twelve goods to the list of products requiring an import authorization. The goods include certain types of paper, cement, aluminium panels, compressed air containers and cocoa butter substitutes. As of 1 March 1986, imports of computer paper, polyester-cotton yarn, fertilizer and rubber tubes are subject to import permits.

259. Mexico published in the "Diario Oficial" (of 18 September 1985) a list of 106 tariff items which can be imported without an import permit. The items concerned are chemical and pharmaceutical products and products for the automobile sector.

(c) Import restrictions notified as being applied for balance-of-payments purposes

260. As of 28 June, initially for a period of 30 days and subsequently until 31 December 1985, Argentina has made all goods previously on the prohibited import list subject to prior examination of Sworn Declarations of Import Needs. Some 200 tariff lines - mainly machinery and equipment - were subsequently liberalized from the prior study requirement. Furthermore, imports of small quantities of goods falling under some 570 tariff lines, which had previously been limited to agencies authorized to engage in foreign-exchange operations, have been liberalized (see L/5687/Add.2). Argentina consulted in the Committee on Balance-of-Payments Restrictions in April 1986 (see BOP/R/159).

261. The Ministry of Economy Resolution No. 476/85 of 11 June 1985 increased, as an emergency fiscal measure, all import duties by 10 percentage points for a period of 180 days. This measure was extended in December 1985, until 31 March 1986. A few items such as printed books, pamphlets and similar printed matter, and motor vehicles for the handicapped, are exempted from the increased duties (see L/5941 and Add.1).

262. The improvement in the balance-of-payments situation during the first half of 1985 had made it possible for Colombia to further liberalize the import licensing régime, reduce the number of products subject to import prohibition and simplify the trading system. As from October 1985, it has eliminated the suspended export régime and simplified export formalities. While prepared and preserved fruits are no longer subject to the import prohibition, several other imports (including vanilla, certain products of the chemical and allied industries, natural cork, wood pulp, certain live animals, cocoa beans, aluminium and manganese ores and concentrates, machinery and mechanical appliances, unwrought aluminium, roller bearings, rubber, hides and skins, photographic and cinematographic goods, silk-worm cocoons, rawsilk, silk yarn, tractors, parts of airships and gliders, certain hydrocarbons and their derivatives and a wide range of organic chemicals) have been transferred from the prior-licensing list to the free-import list. The list of freely importable
products now covers 23 per cent of the total tariff lines (55 per cent of imports in value terms by the end of 1985 compared with about 25 per cent in September 1984). Only 69 tariff lines (1.4 per cent of the total) remain prohibited as compared with 828 lines in December 1984. The barter system was abolished in July 1985. (See BOP/R/156, L/5542/Add.6,7 and 8, L/5806/Add.1)

263. In the context of an economic stabilization programme and measures designed to reduce balance-of-payments disequilibrium, adopted by Greece in October 1985, the Government has introduced a six-month cash non-interest-bearing deposit on many imports. The deposit, which is 40 or 80 per cent of the c.i.f. value of goods according to the products concerned, covers about 646 tariff lines and applies to many food products, mineral fuels and oils, miscellaneous chemical products, articles of rubber, leather products, wood and articles of wood, a wide variety of textiles and textile articles, paper and paperboard, vehicles, metals and metal products, and many items of machinery and electrical equipment. These measures have been authorized under Article 108 of the Treaty of Rome by the European Community authorities (see L/5945). Greece consulted in the Committee on Balance-of-Payments restrictions in April 1986 (see BOP/R/160 and Rev.1).

264. The special import deposit - a replacement of the previous temporary import ban - introduced by Israel in February 1985 at 60 per cent, reducing by 3 percentage points per month, was frozen in December 1985 at 18 per cent, and from February 1986 to end-July 1986 fixed at 15 per cent. Goods falling under about 100 tariff headings, mainly consumer luxury goods, continue to be subject to the deposit. These include perfumery, cosmetics and toilet preparations, footwear, articles of furskin, air conditioners, household appliances such as refrigerators and dishwashers, certain categories of radio, television and hi-fi equipment, some types of motor vehicles and furniture. The measure covered less than 6 per cent of Israel's total imports in 1985. The temporary import levy on all imports which are subject to the Value Added Tax, introduced in September 1982 at the rate of 3 per cent ad valorem and originally intended to lapse in April 1983, has been maintained at the rate of 2 per cent since then. The future of both measures will be subject to review in the light of developments in the balance of payments as well as the stabilization of the domestic economy (see BOP/R/155 and 257, L/5855/Add.1 and Suppl.1).

265. Products falling under some 220 tariff lines have been made subject to an import prohibition by the Peruvian authorities as from 4 October 1985. The measure, adopted in the context of the policy of rationalization of the use of foreign exchange, applies to certain dairy products, vegetables, fruits and nuts, fruit juices, tea, coffee, cereal flours, prepared or preserved meat or fish, sugar confectionery, cocoa butter and paste, cocoa powder, chocolate, wine, malt beer, cigarettes, tyre cases and inner tubes, leather travel goods, shoes, articles of apparel, paper and paperboard, certain electrical machinery, and certain motor vehicles and parts thereof (see L/5889/Add.1 and BOP/R/161).

266. Due to the favourable development of the external balance in 1984 and the outlook for 1985, import restrictions taken by Portugal during 1975-1977 to safeguard its balance of payments (import surcharges and quotas) have been abolished with effect from 1 January 1986, thus disinvoking the balance-of-payments provisions of the General Agreement. Other restrictions remaining in force after that date are those maintained under the terms of
Portugal's Protocol of Accession to the General Agreement. A value-added tax replacing the 60 per cent import surcharge was introduced on the same date upon its accession to the European Economic Community; it is applied to all domestic and imported goods in a non-discriminatory manner (see L/5958, BOP/R/152).

(d) Notifications on emergency action

267. The global import quotas maintained by Australia since July 1977 on imports of assembled passenger motor vehicles have been terminated with effect from 1 January 1985. These restrictions were intended to prevent serious disruption to the domestic industry from increased imports which resulted in a reduction in employment and in large-scale retrenchments in the local motor vehicle manufacturing and associated industries (see L/4526/Add.25).

268. Following the advice of the Canadian Anti-Dumping Tribunal which investigated the local footwear industry, the Government, effective 30 November 1985, has ended import quotas on all categories of shoes, except women's and girls' dress and casual footwear (where the Tribunal found that existing quotas should be continued because small producers would still be vulnerable to competition from imports). The quotas on women's and girls' leather and non-leather footwear will be completely phased out over a three-year period from 1 December 1985, by increasing the quota level respectively by 6, 8 and 10 per cent each year. The exact level of quotas will be fixed once importers submit documentary evidence of actual imports in the period 1 December 1984 to 30 November 1985 (see L/5263/Add.25). The current quota system on non-leather footwear and leather footwear was imposed in December 1981 and July 1982 respectively, on the basis of a finding by the Anti-dumping Tribunal that increased imports were causing or threatening serious injury to local producers. The restrictions were intended to provide local manufacturers with a reasonable period to develop and implement the necessary restructuring plans. It may be noted that Canadian footwear manufacturers have been operating under a similar form of protection since December 1977. The EEC (Italy, Spain), Brazil, the Republic of Korea and Taiwan would be affected by restricted access to the Canadian market. (It is reported that a bilateral settlement has been reached between Canada and the EEC on compensation for the new footwear curbs which it was claimed would otherwise have cost the Community C$70 million in terms of lost sales.)

269. In Chile, Decree No. 748 of 28 September 1985 has provided for a specific duty (in addition to the prevailing ad valorem duty of 20 per cent) or ad valorem duty reduction in respect of imports of edible vegetable oils. The specific duties are applied as from an import price of not more than US$289.09 per ton f.o.b. The specific duty increases to a maximum of US$458.8 per ton if the international price falls to US$250 per ton f.o.b. Similarly, the 20 per cent customs duty decreases progressively, starting with an international price of not less than US$550 per ton f.o.b. The import duty on this product being bound in Schedule VII (Chile) at a level of 35 per cent, the application of the specific duty means that the level of protection will be in excess of the bound amount as current prices are below the "starting price" of US$431 per ton. Hence, Chile invoked the provisions of Article XIX of the General Agreement (see L/5935 and Add.1).

270. Specific duties applicable to imports of wheat into Chile have been modified with effect from 1 November 1985 and until 31 October 1986, to take
account of the reduction in the levels of minimum and maximum prices. The specific duties (in addition to the prevailing ad valorem duty of 20 per cent) are now applied starting from an international price equal to or less than US$156 per ton f.o.b. The duty on wheat being bound in Schedule VII (Chile) at a level of 35 per cent, the application of the specific duty, at certain import prices, means that the level of protection will be in excess of the bound amount. Therefore, the Chilean authorities have invoked the provisions of Article XIX and the obligations deriving from Schedule VII (see L/5861/Add.2 and 3).

271. Decree No. 1114 of 8 January 1986 modifies the specific duties applied by Chile on imports of raw and refined sugar, (for earlier reference to this measure, see C/W/448/Rev.1, paragraph 108). The new mechanism, which is to be in force until 31 March 1987, provides for a tariff surcharge, in addition to the prevailing tariff rate of 20 per cent ad valorem, or reduction of import duty depending on the import price of sugar. The specific duties (ranging from US$1.26 to US$239.40 per ton f.o.b.) apply as from an import price equal to or lower than US$249 per ton f.o.b. Similarly, the import duty is reduced progressively starting from an import price equal to or higher than US$492 per ton. As from an international price of approximately US$223 the applicable duty on sugar exceeds the level of 35 per cent bound in the Tokyo Round. The tariff surcharge was originally introduced in July 1984 (see L/5672/Add.2).

272. All the above measures are intended to prevent further injury to domestic producers from increased imports due to depressed international prices.

273. Effective 17 January to 30 June 1986, imports from non-member countries into the EEC of provisionally preserved raspberries (CCT heading ex 08.11 E) below the minimum price of ECU 56.9 per 100 kg. are subject to a countervailing charge. The measure was taken in order to protect Community production (see L/5957).

274. Under the steel arrangement concluded with the EEC in October 1985, the United States has replaced with more generous bilateral import quotas, with effect from 1 March 1986, the unilateral safeguard restrictions (tariff increases and import quotas) it imposed on EEC specialty steel. In return, effective the same date, the European Community has lifted its retaliatory measures introduced in March 1984 in respect of certain imports originating in the United States (including tariff increases on imports of methanol, vinyl acetate and electrical signalling apparatus and quotas on imports of polyethylene, styrene and sports equipment) (see L/5524/Add.74).

(e) Other quantitative restrictions

275. Effective 31 December, Austria has terminated its import restrictions introduced in 1981 on Japanese video tape recorders (see L/5985).

276. Austria has notified that, following the consequences of the accident in the nuclear power station Chernobyl in the Soviet Union, it has, in accordance with Article XX(b) of the General Agreement, temporarily prohibited the import of certain agricultural products including milk, dairy products, fresh vegetables and fruits originating in Albania, Bulgaria, Czechoslovakia, Greece, Italy, Poland, Romania, Turkey, USSR and Yugoslavia (see L/5998).
277. After the accident to the nuclear reactor at Chernobyl the EC Council adopted on 12 May a temporary ban on certain food and agricultural imports coming from the Soviet Union and six East European countries (Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia). The import suspension which expired 31 May 1986 was discussed in the GATT Council.

278. The arrangement of 10 January 1985 between the US Government and the EC which provides for a limitation, under certain conditions, of exports of steel pipes and tubes from the EC to 7.6 per cent of US consumption, has been extended until 30 September 1989. The EC will require export licences to enforce the limits during this period. A similar arrangement with the US Government concluded in December 1985 extends, until 30 September 1989, with certain modifications, the Arrangement of October 1982 concerning trade in certain steel products. The arrangement, concluded with the objective of facilitating a restructuring of the EC steel industry and creating trade stability, establishes export ceilings on 31 Community products, increased from 10 in the 1982 arrangement (see L/5773/Add.1, L/5413/Add.1 and L/5448/Add.2).

279. As from 1 January 1986, quantitative restrictions applied by France on imports of petroleum jelly, paraffin wax, lubricating preparations, vessels of a kind used for sport or pleasure and jute sacks and bags from all sources, other tiles and paving (except from the Eastern Trading Area), tiles and paving, ferrochromium, knives and low-grade measuring apparatus (except from Japan), and synthetic organic dyestuffs and insulators (except from the Eastern Trading Area and Japan) have been superseded by a régime without quantitative limitation (see NTM/W/12/Rev.1).

280. By Supreme Decree No. 015-86-ICTI/CO of 24 April 1986 Peru removed from the list of prohibited imports certain products contained in tariff chapters 08, 21, 33, 46, 58, 59, 60, 64, 85, 87 and 92 (see L/5889/Add.2).

281. Imports into Portugal of several products from all sources are subject, on a temporary basis, to quantitative restrictions. The products covered include fresh fruits, jams, prepared or preserved fruit, fruit juices and vegetable juices, lard and other pig fat, vegetable oils and fats, certain fish, crustaceans and molluscs, fresh cut flowers and foliage, vegetables, bottled wine, fishing nets and netting, footwear with outer soles and uppers of rubber or plastic material, parts of footwear, glass containers and other articles of glass, tubes and pipes of iron or steel, motor vehicles, chassis fitted with engines, bodies for motor vehicles, electrical circuit-breakers and cut-outs, resistors and printed circuits, etc. (see L/5949).

282. Portugal has notified that under a bilateral agreement with Japan, several products are considered to be sensitive products for import into Portugal and are therefore liable to be subject to quantitative restrictions. The "sensitive" list comprises, inter alia, certain artificial resins and plastic materials, rubber tyres and tyre cases, certain woven fabrics and yarn, internal combustion piston engines, machine tools for working metal, metal handtools and implements, watches and clocks and certain articles of iron and steel, copper and alluminium (see L/5950). According to the Japanese authorities the quantitative restrictions are discriminatory, and no bilateral trade agreement has been concluded after the said Agreement expired in 1972 (see L/5979).
(f) Other non-notified import control and non-tariff measures noted by the secretariat

283. The following information on other trade restricting measures taken in the non-tariff field in the period under review is drawn from sources other than official notifications to the GATT. Based on the information available, it appears that a larger number of such import measures were taken than during the corresponding period of last year.

284. As of 20 November 1985 Australia prohibited the following imports - in terms of Item 18 in the Second Schedule to the Customs (Prohibited Imports) Regulations:

- fish, crustaceans and molluscs with a mean level of mercury (calculated as the metal) greater than 0.5 mg/kg.

- products containing fish, crustaceans and molluscs where the mean level of mercury (calculated as the metal) in the fish, crustacean, and mollusc content, is greater than 0.5 mg/kg.


286. China imposed a two-year ban on imports of motor vehicles in addition to an 80 per cent increase in import duties. (See also section A/II (iv))

287. By Notice No. 001 of 13 January 1986, Côte d'Ivoire introduced new rates for its import surtax. The surtax is based on the c.i.f. value of imported goods and affects items in a number of chapters of the customs schedule.

288. By Decree No. 3575 of 30 December 1985, the Dominican Republic liberalized imports of tariff item 07.04.00.02 (dried and dehydrated mushrooms).

289. The Dominican Republic also abolished the import prohibition for wine which had existed since 1982.

290. The Egyptian authorities prohibited imports of optical materials.

291. The European Economic Community published a large number of Council Regulations during the period under consideration which opened Community tariff quotas for petroleum products, woven cotton fabrics, dried figs, dried grapes and wine from Spain; for prepared and preserved sardines and apricot pulp from Tunisia; for apricot pulp, prepared and preserved sardines from Morocco; for apricot pulp from Israel; for plum spirit and tobacco from Yugoslavia; for wine of fresh grapes, liqueur wines, dried grapes, salad beetroot, sweet peppers from Cyprus; for tomatoes, cucumbers, aubergines, new potatoes, avocados, live plants, beans, fresh flowers from the Canary Islands.

292. Furthermore, Community tariff quotas were opened for 2-tert-pentylanthraquinone, certain grades of ferro-chromium, sweet cherries in alcohol, boysenberries, polyvinylpyrrolidone, certain polyethylene terephthalate films, rosin including 'brais resineux', raw silk, silk yarn, yarn spun entirely of waste silk other than noil, frozen buffalo meat, frozen beef and veal,
silverhake, frozen cod fillets, cod dried, salted or in brine, fillets of cod, salted, plywood, newsprint from Canada and newsprint from third countries, ferro-silicon, ferro-silico-manganese, ferro-chromium; certain handmade products.

293. Fiji prohibited imports of roofing iron and cyclone screwfasteners, washers and seals for roof and wall cladding except for those manufactured to a standard approved by the Fiji Building Standards Committee. An import licence is required for the latter goods.

294. Gabon increased, on 1 January 1986, the customs clearance processing tax (taxe informatique de dédouanement) from 0.8 to 1.6 per cent. Gabon also prohibited imports of mineral water (Decree No. 0001/MICO CO/DGC of 11 November 1985) and of sterilized liquid milk.

295. Ghana: the law on the importation of vehicles has been amended with retrospective effect from 2 March 1986 as follows: no person shall import any petrol engine motor vehicles exceeding 2.000 c.c.; for diesel engines the limit remains at 2.500 c.c.

296. Indonesian Decree No. 993/Kp/X/85 of 5 October 1985 requires that the import of milk basic materials for non-milk industries are to be linked to a proportionate usage of domestically produced milk. Imports of milk-basic materials can only be made by State trading companies.

297. As concerns imports of polystyrol (CCCN. No. 39.02.411, 39.02.412, 39.02.414, 39.02.419, 39.02.439 and 39.02.440), imports can only be made by three State owned trading companies.

298. Indonesian Decree No. 1066/Kp/XII/85 sets a ratio between purchases of domestically produced and imported cotton fibre under tariff headings 55.01.000, 55.02.000, 55.03.000, 55.04.000, 55.04.900. The ratio between purchases of domestically produced cotton fibres and imports shall be one to ten, i.e. for every purchase of one ton of domestic cotton fibres there will be an entitlement to the import of ten tons of cotton fibres.

299. Israel decided that the ban on prepayment of imports is to be extended until 1 August 1986.

300. The Association of Motor Vehicle Importers of Israel agreed on a buy-back regulation with representatives of foreign automobile producers. Under this regulation foreign automobile producers have to purchase from Israeli producers component parts equal to 10 per cent of the value of foreign automobile sales in Israel during 1986, and 15 per cent during 1987. It was also agreed to reduce automobile imports in 1986 by 10 per cent, as compared to the previous year.

301. As of 14 February 1986, the Israeli authorities imposed an import fee of US$0.45/kg on imports of cotton yarn (tariff No. 5503/3).

302. The Korean Government's list of import items, which are subject to surveillance from 1 July 1985 to 30 June 1986, covers products in 56 tariff headings.
303. New Zealand will introduce, from 1 October 1986, a Goods and Services Tax which will have a direct impact on customs procedures. It is estimated that 40 per cent of the net GST revenue will be represented by tax paid at importation.

304. As of 1 October 1985, Nigeria prohibited all imports of rice and maize.

305. The Philippines has removed import restrictions on dairy products, asbestos vinyl tiles, containers and stoppers of glass and a group of 46 non-essential and unclassified consumer items. Subsequently, except for asbestos vinyl tiles, import restrictions on the other products have been removed. In addition, wheat and wheat flour, soybean and soybean meal, feed grains and feed substitutes, wines and liquors have been deregulated, as of 31 March 1986; and the additional 5 per cent import duty levied on all imported articles was rescinded by Executive Order No. 1062 (7 November 1985).

306. The new Government of the Philippines is currently reviewing the import control régime with a view to its early liberalization. A decision thereon is to be taken by 1 May 1986.

307. Under its 1986 Foreign Trade Plan, it is projected that Poland will cut imports in convertible currencies by 5.8 per cent to 6.6 per cent as compared with 1985. Polish foreign trade enterprises, moreover, will only be allocated hard currency funds for about half of the 1986 imports (or about $2.4 billion). The Foreign Trade Plan for 1986 requires that the other half should be financed from funds accumulated by exporting enterprises.

308. Under Decree law 524/85 of 31 December 1985, Portugal introduced a number of changes to its import registration procedures. These new procedures will remain operative until 31 December 1988.

309. By Circular No. 00008/MCOM/DCEXT of 6 January 1986, Senegal liberalized imports of a number of items contained in various tariff chapters of the customs schedule.

310. Togo imposed a 5 per cent monopoly tax on imported soap (excluding powdered and medical soaps).

311. The Tunisian Government imposed import restrictions on a number of products, except pharmaceutical goods, in order to conserve foreign exchange.

312. By a decree published in the Official Journal on 26 December 1985, Turkey set up the following import régime for 1986: the régime consists of two lists. The first list contains the products which can be imported with import permits, such as food products, textiles, aluminium goods, furniture etc. The second list contains products which can be imported freely but upon payment of a surcharge. All products not listed in either of these lists can be imported freely and without surcharge, except for narcotics, weapons, their ammunition and spare parts, and coins made of silver and other metals, whose import is prohibited.

313. Turkey reduced the number of products requiring import permits from 601 to 245. Importers now have to deposit in advance only 3 per cent of the import cost as opposed to 15 per cent previously. In the case of industrialists
importing for their own requirements, public sector companies, export-trading companies, imports benefiting from a promotion certificate or fuel, wheat, sugar, coal, fertilizers, and their inputs, and X-ray films, the deposit rate is one per cent.

IV Subsidies, anti-dumping and countervailing actions

314. Four notifications have been received so far (from Japan, South Africa, the United Kingdom for Hong Kong and Uruguay) in response to L/5947 which invited contracting parties to submit notifications of the changes which have occurred in their subsidy measures since their last full notifications in 1984 and their supplementary notifications in 1985. As for the new and complete notifications that were requested in 1984, notifications have been received only from twenty-six contracting parties, as indicated in the tabulation in Annex I to Appendix I. Information at present available to the secretariat is insufficient to identify recent trends in the use of subsidies affecting trade. For the reasons given in paragraph 246 of L/5915, interpretation of trends in the use of anti-dumping and countervailing action is difficult.

315. Appendix VI provides a summary of cases where anti-dumping and subsidy investigations have been opened, and provisional and final anti-dumping and countervailing actions taken, during the period under review.

316. The total number of anti-dumping and countervailing duty investigations opened by all countries has increased from 71 in April - September 1985 to 91 in the period October 1985 - March 1986. The number of investigations opened by the United States has more than doubled in the period covered by this review (from 26 to 57). A higher level of preliminary and final affirmative findings of dumping/subsidization may also be noted in the United States. In Canada, the number of investigations opened, "provisional duty" cases and "definitive duty" cases show an increase over the previous period (from 7 to 13, 11 to 14 and 1 to 14 respectively). In contrast, the number of cases initiated by Australia and the EEC has fallen compared with the previous period (from 17 to 2 and 20 to 16 respectively). The number of cases in the iron and steel sector shows a slight decrease (from 39 to 32). However, iron and steel products have continued to be subject to more investigations, provisional duties and preliminary affirmative determinations of dumping/subsidization than any other single sector. As in the previous period, the United States has opened the highest number of cases in this sector (31 out of 32 cases involving iron and steel products).

317. The number of investigations on products from developing countries has increased from 45 to 54 in the present period, of which 36 have been in the United States and 14 in the EEC. Taiwan (with 8 cases) figures highest in the list of alleged cases of dumping/subsidization, and is followed by Brazil, Italy and France (6 cases each) and China, Japan, Federal Republic of Germany and Mexico (5 cases each).
V Movements in exchange rates

318. **Exchange rates**: there has been a marked increase in the number of reported devaluations as compared to the previous six months period (16 versus 9). The most significant development in the foreign exchange market has been the depreciation in the US dollar (a counterpart of a strengthening in some other currencies). The dollar peaked in nominal terms against major foreign currencies on 28 February 1985 and fell thereafter by 9 per cent (in real effective terms) before the 22 September communiqué of the Group of Five. (See L/5915, footnote to paragraph 108.) Since then the US dollar has declined by a further 10.8 per cent (and by about 19 per cent against the yen and 14 per cent against the DM).

319. The sharp decline in the dollar has yet to have a positive impact on the American trade picture. This may be partly because a year to two-year time-lag is generally recognized as the span before the devaluation boosts export volumes sufficiently to offset the higher costs of imports; partly because the value of the dollar - when adjusted for inflation differentials and weighted trade flows - is only around 2.5 per cent below its 1984 average. Measured in this way, the currency is well above its pre-1984 value. These figures put into perspective the current decline of the dollar against the yen (30 per cent) and the DM (35 per cent) since last March. More details are given in Section B/V.

320. It should be noted that the rest of this section refers only to officially announced changes in rates where the currency in question is either pegged to a specific currency (US dollar, £ sterling, etc) or tied to a trade-weighted basket of specific currencies. Currencies which are subject to some form of managed floating are obviously not included.

321. **Argentina**: early in April, Argentina announced the first changes to its nine-month old austerity package, the "Austral Plan". The changes include a 3 per cent devaluation of the currency making the new official rate one US dollar equal to 0.82 Australs.

322. **China**: according to reports late October China has devalued the rennimbi - the new rate has been set at 3.2015 RMB/US$.

323. **Ecuador**: as of 14 November 1985, Ecuador has devalued the sucre from 66.5 to 95 to the US dollar with respect to the official foreign exchange market. The free market rate at that time ranged from 120.75 to 123.75 sucres to the US dollar. In January 1986, the Government announced a further 14 per cent devaluation to bring the sucre to 108.5 from the earlier 95 to the dollar.

324. **Gambia**: the Gambian authorities have decided to introduce a flexible exchange rate system with effect from 20 January 1986. In this regard, the fixed peg of Dalasi 5 = £1 no longer exists. Banks are now free to deal in foreign exchange among themselves and with the public at rates freely negotiated between the parties to the transactions. Restrictions on external payments under the Exchange Control Act have also been lifted.

325. **Ghana**: with effect from 10 January 1986, the Bank of Ghana announced that the exchange rate for the cedi in terms of the US dollar was adjusted from C60 = US$1 to C90 = US$1. This adjustment represented a depreciation of 33.3 per cent in the value of the cedi against the US dollar to which the cedi is pegged. This was the fourth devaluation to be announced after the three in 1985.
326. **Greece:** the Greek Government announced 11 October an immediate 15 per cent devaluation of the drachma against all convertible currencies supported by, *inter alia,* the temporary requirement for importers, subject to EEC approval, to introduce a 6 month non-interest-bearing advance deposit with the Bank of Greece equal to 40 or 80 per cent of the value of imports, depending on the product (the measure is designed to affect, according to the Greek Central Bank, about 20 per cent of Greek imports and to reduce bank liquidity in 1985 by at least Dr. 50 billion).

327. **Mexico:** the authorities were reported, in March, to have stated their commitment to maintain a "competitive" exchange rate. Since November, the controlled rate has depreciated 8 per cent a month through the daily fixing mechanism. An announcement was also made regarding the introduction of a free market for the peso against the dollar (in which four-fifths of Mexico's trade is carried out).

328. **Nicaragua:** in February, Nicaragua modified its exchange system. Most exchange transactions are now to be conducted at an official exchange rate of C$70 per US dollar (previously between 10 and 50 per dollar depending on the category of exports or imports). Under the new system, petroleum imports are to continue to be paid for at the rate of 28 to the dollar and payments on foreign debt disbursed before 8 February 1985 at 10 to the dollar. A new concession to promote non-traditional exports permits a quarter of their value to be exchanged at the "free" rate, and the balance at the new unified rate of C$70 per US dollar.

329. **Nigeria:** in December 1985, the President announced that the Nigerian Government would continue its policy of "realistic adjustment of the external value of the naira". The naira, at the time of the public statement, had reached $1.004 representing a fall, as compared to April 1985, of some 35 per cent against the US dollar.

330. **Oman:** for the first time since February 1973, Oman adjusted the exchange rate for the rial with effect from 25 January 1986. The new rate, one rial equals $2.60 is equivalent to a 10.2 per cent devaluation against the dollar to which the rial is pegged.

331. **Peru:** in an announcement made on 9 February, the President extended the freeze on the official rate of the currency (the inti) against the dollar for the payment of essential imports until the end of 1986. The rate, 13.91-13.98 inti/dollar set on 1 August 1985, was originally frozen until 30 June 1986.

332. **Poland:** beginning February, Poland effectively devalued the zloty to 170/US dollar as compared to 147/US dollar, or by 13.5 per cent. The zloty's devaluation, last done in July 1985, and the seventh devaluation since 1982, was made to boost hard currency export earnings.

333. **Romania:** by publishing, with effect from 1 March 1986, new rates applying at the National Bank, the authorities effected a 13.7 per cent devaluation against the US dollar. There was no official announcement. The new tourist rate was quoted at leu 12.50/$ and the new commercial rate is now leu 17.50. In November 1984, the leu had been revalued by over 20 per cent.

334. **Spain:** the Spanish authorities were reported to have said that they are prepared to join the European Monetary System, before 1989, but on the condition that the peseta will be allowed the same margin of fluctuation as the lira.
335. **Thailand:** on 3 December Thailand devalued the baht by 2 per cent against a basket of currencies.

336. **Trinidad and Tobago:** on 18 December, the Authorities devalued the local currency from TT$ 2.40 to a fixed rate of TT$3.60 per one US$. According to the announcement, the old rate will still apply, however, to imports of food, drugs, schoolbooks and certain agricultural inputs.

337. **Turkey:** mid March, the Turkish Central Bank devalued the lira by 5.3 per cent against the dollar and by 7 per cent against the DM besides halting several key currency liberalization measures introduced over the last two years. The Central Bank also trimmed, to one per cent on either side of its official exchange rate, the band within which the commercial banks may set their prices for foreign exchange.

338. **Zambia:** With effect from 4 October 1985, the Zambian currency was de-linked from the basket of currencies and was allowed to float freely. For the purposes of the allocation of foreign exchange, the freeing of the kwacha meant that a new system of determining the exchange rate of the kwacha had to be introduced. The system is called "auctioning of foreign exchange" in which importers will bid periodically for foreign exchange quoted in US dollars. A new rate was thus set for the kwacha at the first of the new weekly foreign exchange auctions (the value of the kwacha dropped to 5.01 as opposed to 2.2 against the dollar; an effective devaluation of 86 per cent).

339. **EMS:** the European Monetary System, an exchange rate mechanism which groups eight currencies, was realigned for the ninth time on 6 April, the first full EMS reshuffle in three years. The new central rates which have been established represented revaluations for the DM and the guilder (+3 per cent) while the French franc was devalued by 3 per cent against its central rate. As the central rates of the Italian lira and the Irish pound were left unchanged in the new parity grid, it meant they were effectively revalued against the French franc and devalued against the DM. In net terms, France was devalued by 5.8 per cent against the DM and guilder, through the adjustments in the central rates. The move was expected to favour the way towards lower interest rates among the member countries.

340. At that time it was agreed that there would be no changes in monetary compensation rates, i.e. the border levies which are meant to iron out the effects of currency fluctuations on the common farm price system. In April, however, all the "green rates" were devalued with the exception of those applying to the Federal Republic of Germany and the Netherlands (see section A/II, paragraph 46). Spain and Portugal were not affected.
C. NEW TRADE ARRANGEMENTS

I. Export restraint arrangements

341. The following section provides a brief description of the various forms of export restraint arrangements which have been notified to the secretariat or noted by it during the period under review. Many are also discussed in section A and, in particular, under Sectoral developments (A/II).

342. There was no marked change in trade coverage of the type of restrictions reported on. The most significant developments were the decision by Japan to continue its unilateral "voluntary" restrictions on exports of Japanese cars to the United States and to the EEC, and the EEC's accord with the US to introduce new as well as to maintain the existing restrictions on exports of certain finished steel products and steel pipes and tubes to the United States market. During 1985, export restraint arrangements limited steel exports from 27 countries to the United States and resulted in a 4.2 per cent decrease in overall steel shipments to that market. Similar type arrangements, designed to limit imports to 10 per cent of internal consumption, are maintained by the Community with its traditional third country suppliers on an annual basis. Some 15 countries were involved in 1985; current negotiations to extend these restraint agreements through 1986 are reported to include a 3 per cent increase over last year's volume of permitted shipments (see section A/II (i)). There were also reports about mounting pressure for the United States to insist on obtaining export restraint arrangements covering Japanese exports to the US of semi-conductors and machine tools.

343. United States/European Economic Community: in December 1985, the two parties concluded an arrangement amending their 1982 finished steel pact and extending it until 30 September 1989. Under this arrangement, the European Communities will restrain their exports of certain steel products to the United States (see L/5413/Add.1 and L/5448/Add.2).

344. United States/European Economic Community: the arrangements of January 1985 between the United States and the European Communities concerning trade in steel pipes and tubes have been extended until 30 September 1989. The arrangement, in the form of an exchange of letters, provides for a limitation, under certain conditions, of exports of steel pipes and tubes from the European Communities to the United States. It limits ten carbon steel products to 5.57 per cent of the United States' market and restrains eleven so-called "consultation products" to 3.77 per cent of the market. It also restrains ten new products, five of which are stainless steel products covered by quotas and tariffs imposed as a result of a section 201 case in 1983 (see L/5773/Add.1 and L/5448/Add.2).

345. United States/Japan: the Japanese Ministry of International Trade and Industry (MITI) has set Japan's quota for steel exports to the United States at 4,646 million tonnes for 1986 under the existing agreement to restrict steel shipments to approximately 5.8 per cent of apparent United States consumption.

346. The above agreement went into effect on 1 October 1984. Steel exports to the United States for the first 15 months were set at 5,991 million tonnes.
The new quota is based on United States estimates that apparent consumption of steel will decline by 5.3 per cent from the 1985 total to 87,697 million tonnes in 1986. The 1986 quota will be revised quarterly as United States apparent consumption estimates are revised.

347. Japan: the Ministry of International Trade and Industry (MITI) decided to continue its unilateral voluntary restrictions on exports of Japanese cars to the United States market for another year starting 1 April 1986. The exports will be held down to 2.3 million vehicles, the same as in the preceding year. The quotas to be allotted to each of the eight car exporters in Japan is also expected to remain the same as in fiscal year 1985.

348. Japan exported 2.18 million cars to the United States in 1985 and held 20.1 per cent of the US auto market, compared with 18.4 per cent in 1984.

349. European Economic Community/Japan: the European Economic Community and Japan agreed that from 1 January through to 31 December 1986, the Japanese authorities will monitor the quantity and, if necessary, the prices of the following products exported to the Community: video tape recorders, colour television tubes, colour television sets, NC lathes and machining centres, passenger cars, light commercial vehicles and forklift trucks. The restraint on Japan's exports of quartz watches to the Community will not be maintained. In 1985, 98 per cent of video tape recorders imported by the EEC came from Japan.

350. European Economic Community/Republic of Korea: in February 1986, the EEC introduced a monitoring system for imports of video tape recorders from Korea. A similar system is already in existence for imports of video tape recorders from Japan.


352. European Economic Community/Turkey: Turkish industry representatives and the European Economic Community held talks to reach a wide-ranging voluntary restraint agreement on Turkey's garment exports to the Community. An agreement already exists to cover cotton cloth and yarn. Although the Turkish Government did not take part in the talks, it had agreed to back an accord to be negotiated by the chairman of the Turkish Employers Confederation. Turkey has grown to be the EC's biggest foreign supplier of cotton yarn and textiles from sixth place in 1977.

353. United States/Israel: in November 1985, the United States and Israel negotiated a draft agreement curbing Israeli textile and apparel exports until 1989, intended to become effective immediately. The draft memorandum was "an independent agreement that stands in and of itself" and not part of the Free Trade Area (FTA). It covered all Israeli textile and apparel exports except nylon yarn and divided exports into three main groups: (a) apparel; (b) yarn and fabric; and (c) textiles. The memorandum established quotas for each of the groups and specified the percentage by which certain imports can increase within a certain main group. On flannel sheets, the agreement allowed exports of 4 million units in 1986. This would increase by 1 million sheets each year, reaching 8 million units in 1989. The agreement was to run until 1989, with an option to renew until 1995. According to report (see A/II (vii)) Israel did not sign the final agreement.
354. Canada/European Economic Community: the EC had been ready to make an arrangement in February 1986 with Canada concerning exports of Community beef and veal. It was to be valid until the end of 1988 and would have set a ceiling of 10,668 tonnes on such exports to Canada for each of the three coming years. The arrangement is not in operation; EC exports of beef to Canada have been made subject to countervailing duties. (See also paragraph 54).

355. Canada/Bulgaria: Canada modified its bilateral export restraint agreement with Bulgaria. The consultation level for winter outerwear was converted to specific limit for the period 1 October 1985 - 31 December 1986.

356. European Economic Community/Brazil and Indonesia: the voluntary restraint arrangements on exports of manioc from Brazil and Indonesia to the Community have been extended for another three-year period as from 1 January 1986.

357. European Economic Community/Thailand: the proposed new bilateral arrangement between the EEC and Thailand on exports of manioc to the EEC market is expected to enter into force in January 1987 for a period of four years since it has been accepted by Thailand. The total volume of exports is limited to 21 million tons for four years with annual export quotas not exceeding 5.5 million tons.

358. Japan/Republic of Korea: The Spinners and Weavers Association of Korea decided to extend voluntary restraints on Korean cotton yarn exports to Japan for one year until April 1987. Korean cotton yarn exports to Japan will be limited to 285,000 bales a year.

II Compensation trade

359. There seems to have been no growth in the overall volume of countertrade during the period September 1985 to March 1986. Whereas countertrade arrangements seemed to increase in several commodity markets, such as bauxite, phosphate and a number of agricultural commodities, there was a marked decrease in countertrade of oil as a result of the significant drop in oil price. Moreover, although a large number of governments continued to stimulate countertrade deals, several others preferred to follow a more cautious line.

360. Policy reappraisals: a number of countries were reported to have reconsidered their countertrade policy during the period under review. In several cases, countertrade has been officially discouraged by governments.

361. The United States Administration has reaffirmed its opposition to barter programmes meant to provide materials for the national stockpile or oil for the Strategic Petroleum Reserve (SPR). A report sent to Congress in December 1985 identified operational and practical problems the Administration had encountered in actual and planned barter transactions for strategic minerals. It also pointed out that the legal authority to barter oil for the SPR was curbed by other United States laws. The report noted that it was hard to ensure that barter transactions did not displace commercial sales of a specific agricultural commodity. It was "difficult" to assure that barter transactions really provided an additional way to dispose of commodities held by the Commodity Credit Corporation (CCC), according to the Administration. Barter transactions also tended to have a "negative budgetary impact" on the CCC, unless funds were
made available to reimburse it for the commodities it bartered; otherwise, CCC had to hold title to the materials received in exchange for agricultural commodities "for long periods of time" before they were transferred to the National Defence Stockpile, the report said.

362. Nigeria's new Government has conducted a general review of its countertrade policy as it had become more sceptical as to the advantages to be obtained from countertrade arrangements. The exchange of oil for consumer goods has, accordingly, been banned. In the future, it was decided that countertrade will be encouraged only "selectively", especially as a means of obtaining project financing.

363. The OPEC member countries previously took a decision (in July 1985) to phase out countertrade in oil by the end of 1985. Since then countertrade in oil has in fact diminished but this appears mainly due to a qualitative change in the structure of the oil market and the price volatility of oil rather than OPEC's decision per se.

364. A number of governments in Latin America, although not opposing countertrade, have insisted that countertrade should only take place as a means to increase trade in a country's non-traditional products. The policy of refusing to allow countertrade deals in traditional products had, in their opinion, been vindicated by the sudden sharp rise in the price of coffee, in early January 1986.

365. Continuation of policies: in some other countries, however, countertrade has been encouraged through governmental policy.

366. A number of Southeast Asian governments continued to favour countertrade in order to open up new markets for their exports. Indonesia, for example, has increased its sales of raw materials such as rubber and coffee under countertrade deals and was reported to be moving towards countertrading of such manufactured goods as tyres, furniture, fruit juices and cigarettes.

367. Malaysia has firmed up its national countertrade policy in order to improve its balance-of-payments and export structure.

368. In Tunisia, the Centre for Export Promotion has recently been promoting countertrade as a means of expanding exports.

369. In 1985, Tanzania announced its formal approval of countertrade and joined a regional countertrade association with Madagascar, Mauritius, Zimbabwe and the Seychelles.

370. Pakistan was reported to have commissioned several trading companies in the developed countries to resort to countertrade specifically in order to improve its trade balance and export performance. In 1985, Pakistan imported goods worth $400-450 million under a countertrade arrangement with the CMEA countries.

371. The Government of Peru has stated that it regarded countertrade as an "innovative way" of promoting trade and economic growth under conditions of budgetary and foreign exchange restrictions.
372. China has become increasingly interested in countertrade in recent months as its trade deficit has grown. China has already offered a wide array of products for counterpurchase. There have also been a number of recent deals in which foreign firms have won orders for construction of factories in return for a promise to buy back the factories' production over a period of years. The decentralization of trading responsibilities in China that is currently underway is likely to stimulate the growth of countertrade.

373. The Government of South Africa appointed a special committee to work with the Board of Trade and Industries to promote countertrade. South Africa has already bartered goods with a number of trading partners.

374. Guyana and Trinidad have found barter arrangements useful in resolving trade problems between them. For example, Guyana had accumulated debts of $217 million under an oil credit facility extended by Trinidad. The oil credit facility has been replaced by an "experimental" barter system in which oil is being exchanged for Guyanese rice. Guyana is shipping to Trinidad and Tobago 3,000 tonnes of rice per month to help pay for oil imports.

375. Turkey concluded a three-year countertrade agreement with Albania.

376. A five-year trade agreement has been signed between Syria and Cuba. It covers imports of Cuban sugar and exports of fertilizers, raw phosphates and cotton from Syria.

377. It should be noted that a number of the new bilateral trade agreements listed in Appendix IV are in fact government-to-government arrangements providing an institutional framework for firm-to-firm countertrade contracts.

378. Countertrade in petroleum: during the period under review, there were a number of indications that the volume of countertrade in oil had dropped. This can be ascribed to several reasons. First, the substantially higher risk of wide fluctuations in oil prices made finding the right bargain-mix under countertrade arrangements even more difficult than before; a number of important countertrade arrangements were not pursued further because of this. Secondly, since OPEC production and pricing rules had been openly breached, the lack of transparency characteristic of countertrade has lost its advantage. Finally, the increasing use of netback arrangements reinforced the producer-user relationship and substantially cut out the middlemen. (Netback arrangements are agreements between an oil producer and a refinery without going through the spot market.) In these circumstances, intermediary oil purchasers operating through countertrade arrangements began to have doubts regarding disposal, particularly of large quantities in the short term.

379. The fall in international oil prices, moreover, brought out the negative nature of bilateralism by demonstrating that the level of bilateral trade flows is determined by the export possibilities of the weaker partners. If the volume of countertrade oil is maintained as planned, the falling oil prices will make the volume of the counterpart exports diminish. If, on the other hand, the volume of the oil is raised to maintain a better bilateral balance, then the oil prices are likely to fall even more.
380. The first three items below suggest a tendency away from oil countertrade. The remaining items would indicate, however, that compensatory trade nevertheless continued to account for an important share of international oil markets and new countertrade arrangements have been concluded during the period under review.

381. Japan's counterpurchase agreement with Iran, under which Japanese exports were tied to the value of oil purchased, has apparently been discontinued following the oil price collapse.

382. Nigeria renegotiated a number of existing oil countertrade contracts. A cautious policy was adopted regarding the resumption of oil swap arrangements with a number of countries, including Austria, Brazil, France and Italy.

383. Algeria was reported to have relaxed its insistence on using countertrade arrangements to promote the sale of its crude oil, the price of which has proved to be uncompetitive. Since mid-1984, standard Algerian practice had been to press for such arrangements.

384. Saudia Arabia, in spite of its preference for netback arrangements, was reported to have used a countertrade deal to equip its Air Force (see L/5915, page 45). According to the most recent reports, the major portion of the $5.6 billion cost of a new fleet of fighter and trainer aircraft—purchased under an agreement with the United Kingdom Government—will be paid for in crude oil, rather than in currency. It is understood that the oil will be lifted over three years and that the basis of the oil deal's valuation will be the North-West Europe netback (the spot price minus the cost of refining).

385. Iran remained a major countertrader, paying its Italian debt obligations of $300 million for 1985 in crude oil. It also reached agreement with Canada on a 50,000 b/d deal, starting in January 1986 and scheduled to last three years. Iran, moreover, concluded several new countertrade arrangements involving oil with Yugoslavia (1.5 million tons) and India (2 million tons) in 1986. It also continued oil countertrading with Turkey under the 1984 $3 billion countertrade agreement.

386. Iraq was reported to have been seeking new countertrade arrangements involving oil with a number of governments including the United States Administration.

387. Mexico and Venezuela continued to supply the Caribbean and Central America with countertrade oil under the debt-related San José Accord.

388. As in previous years, Cuba continued in the exchange of sugar for oil with the Soviet Union under a long-standing countertrade arrangement.

389. Countertrade in other commodities: commodities other than oil, which are equally transportable, storable and of standard quality, have been also extensively countertraded during the period under review.

390. For example, the key to Jamaica's, Guyana's and Surinam's efforts to develop countertrade has been the bauxite industry. Both the United States and the Soviet Union have been party to countertrade agreements involving Jamaican bauxite.

392. Under a countertrade arrangement signed in 1982, Jamaica is supplying the Soviet Union with one million tonnes of ore over seven years. Jamaica was committed to spend 20 per cent of its export receipts for buying Soviet goods; motor vehicles have been the favoured imports from the Soviet Union.

393. Guyana supplied bauxite under a countertrade agreement to several East European countries. It also concluded, in January 1986, a countertrade arrangement with the Soviet Union. For several years there was no indication of the amounts of bauxite which Guyana would ship under the agreement; Guyana is to be paid for the ore with a range of Soviet goods, including agricultural machinery, pharmaceuticals and electronic equipment, light planes and helicopters.

394. Arms-trading departments of various governments have increasingly found that their chance of winning a military sale was seriously diminished unless they signed an "offset" agreement to buy parts from the importing country, to set up local production or to undertake a countertrade commitment.

395. According to a recent US report by the International Trade Commission, some $7.1 billion in 1984 sales agreements concluded by the United States involved countertrade, of which military related offset amounted to $5.8 billion.

396. According to the Canadian Minister of International Trade, $600 million worth of Canadian exports in 1984 involved countertrade and included mainly capital equipment, defence and other high technology products.

III Bilateral trade agreements

397. The bilateral trade agreements noted by the secretariat during the period October 1985 to March 1986 are described in more detail in Appendix IV. The number of agreements listed there, while not exhaustive, is more than twice that listed in the previous report (see L/5915).

398. This may be due to the fact that the period under review covers the end-of-year period when many bilateral agreements are renewed, as well as the beginning of certain national five-year (or similar) plans with which bilateral agreements are sometimes timed to dovetail. Other, longer-term explanations given in the previous report (see L/5915, paragraphs 265 to 267) continue to apply.

399. Whatever the reasons, it nevertheless appears that trade conducted on a bilateral basis and outside the framework of GATT seems to be increasing.

400. In a large number of cases, a major characteristic of the information obtained by the secretariat is the lack of transparency of such bilateral agreements - a factor of concern to many third countries.

401. It should be noted that the agreements listed in Appendix IV are additional to the agreements listed in previous special Council documents many of which continue to be in force for a number of years.
NOTIFICATIONS RELATED TO PARAGRAPH 2 OF THE UNDERSTANDING

In paragraph 2 of the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance, contracting parties "reaffirm their commitment to existing obligations under the General Agreement regarding publication and notification". A comprehensive summary of notification procedures in force, and applicable to contracting parties generally, is provided in document C/lll, Annex I.

The present Appendix reviews the status of notifications under paragraph 2. It provides details of notifications received during the period October 1985 - March 1986 with respect to Articles II, VI, IX, X, XI, XVI, XVII, XVIII:A, C, D, XXII, XXIII, XXIV, XXVIII: 1, 4, and 5, XXXV and XXXVII:2(a) as well as those relating to, border tax adjustments, liquidation of strategic stocks and export of domestically prohibited goods.

Measures covered by notifications under paragraph 3 of the Understanding, which supplements paragraph 2 through an undertaking concerning notification of the adoption of trade measures affecting the operation of the General Agreement, have been included in the main body of the present document, in Section B.

Article II:6(a) - Adjustment of specific duties

No notifications have been received during the period (or, it may be noted, for quite some time).

Any action taken in the period covered by this review that might have come to the knowledge of the secretariat would be included in section B/I.

Article VI:6(c) - Anti-dumping and countervailing duties

No notifications have been received.

Notifications required under the provisions of the Agreement on the Implementation of Article VI (Anti-Dumping Code) and of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII (Code on Subsidies and Countervailing Duties) have been made to the Committees concerned, as required.

Article IX - Marks of origin

No notifications have been received.

Article X - Publication of trade regulations

The Committees set up under most of the MTN Arrangements and Agreements have received information on measures such as laws, regulations and administrative procedures, and on changes in such measures, that have been adopted by the parties concerned in order to comply with the Agreements in question.

\[\text{\textsuperscript{1}}\text{BISD 26S/210.}\]
Article XI - Quantitative restrictions

(For information on quantitative restrictions and licensing, see also section B/III.)

(a) Group on Quantitative Restrictions and Other Non-Tariff Measures

The CONTRACTING PARTIES adopted the Group's 1985 Report (L/5888) which contains, inter alia, recommendations for the updating and improvement of the information base on quantitative restrictions and other non-tariff measures. Accordingly, contracting parties should make a complete notification of the quantitative restrictions by the end of April 1986, and at two-yearly intervals thereafter. Existing notification procedures for updating the Inventory of Non-Tariff Measures (Industrial Products) would be continued. Contracting parties should also make specific written proposals by the end of April 1986 directed towards achieving progress in the elimination of quantitative restrictions which are not in conformity with the General Agreement or their being brought into conformity with the General Agreement and in liberalizing other quantitative restrictions and non-tariff measures.

(b) Licensing

The status of notifications as of 10 March 1986 is contained in document L/5640/Rev.2. Since October 1985, notifications in response to the questionnaire on import licensing procedures have been submitted by Argentina, Australia, Canada, the EEC, Finland, India, Japan, New Zealand, Pakistan, Philippines, Portugal, Romania, Sweden, Turkey, the United States and Zambia.

Article XVI - Subsidies

On 15 January 1986, contracting parties were requested to submit notifications of the changes which have occurred in their subsidy measures since their full notifications in 1984 and their supplementary notifications in 1985. Other contracting parties were invited to submit new and full responses to the questionnaire without further delay (L/5947). As for the new and complete notifications that were requested in 1984, notifications have been received only from twenty-six (out of ninety) contracting parties.

Annex I contains a table showing notifications received since 1978.

Article XVII - State trading

On 3 January 1986, contracting parties were requested to submit notifications of the changes which have occurred in their state-trading measures since their full notifications in 1984 and their supplementary notifications in 1985 (L/5937). As for the new and complete notifications that were requested in 1984, notifications have been received only from thirteen (out of ninety) contracting parties.

Annex II contains a table showing notifications received since 1978.

Article XVIII:A,C,D - Modification of concessions

No notifications have been received.
Article XXII - Consultations

In March 1986, New Zealand requested consultations with the European Communities concerning the import ban of lamb brain, and restrictive action taken by France affecting some other imports from New Zealand (L/5970).

Article XXIII - Nullification or impairment

In December 1985, Canada requested consultations with the European Communities concerning an EC directive whereby Member States were requested to take or maintain an import ban on seal products from pups of harp and hooded seals for two years beginning October 1983, and subsequently until September 1989. Canada considers that the measure is contrary to EC obligations under, inter alia, Articles II and XI (L/5940).

In February 1986, the European Communities, having recourse to Article XXIII:2 of the General Agreement, requested authorization of the CONTRACTING PARTIES to take retaliatory measures in the event the United States adopts further legislation inconsistent with the General Agreement when the present Manufacturing Clause expires on 30 June 1986. The Manufacturing Clause, as re-enacted in 1982, requires that all English-language, non-dramatic, literary works by American authors be printed in the United States or Canada in order for the work to qualify for copyright protection. A Panel, whose report was adopted by the Council in May 1984, found the Clause to be inconsistent with GATT provisions, but permitted the United States to keep the law in place until it expires at the end of June 1986. Legislation has now been tabled in the Congress with a view to extending the Clause and expanding its coverage (L/5968).

Article XXIV - Customs unions and free-trade areas; regional agreements

Israel and the United States distributed to the contracting parties the text of the Agreement on the Establishment of a Free Trade Area which entered into force on 19 August 1985 (L/5862 and Add.1). On 10 October 1985 the Council established a Working Party to examine the Agreement (L/5862/Add.2).

In December 1985, the texts of the treaties on the accession of Portugal and Spain to the European Communities (L/5936) was circulated to the contracting parties. The treaties entered into force on 1 January 1986. In February 1986, the Council established a working party to examine this matter.

In October 1985, the Council took note of a report on the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) (L/5794).

In February 1986, the Council took note of biennial reports on the Agreement between the EFTA Countries and Spain (L/5886), the Agreement between the European Economic Community and Israel (L/5910), the Central American Common Market (L/5938), and the European Free Trade Association and to Finland-EFTA Association (L/5946). Finland acceded to EFTA on 1 January 1986 (L/5960).

1See also matters listed under Dispute Settlement (Appendix III).
Article XXV - Joint action by the CONTRACTING PARTIES

See Appendix II - Waivers.

Article XXVIII:1,4,5 - Modification of schedules

There have been no notifications under Article XXVIII:1 and 4.

For the new three-year period beginning 1 January 1985, notifications of intention to renegotiate under the provisions of Article XXVIII:5 were received from twenty-three contracting parties (Argentina, Australia, Austria, Brazil, Canada, the EEC, Finland, Haiti, Hungary, Iceland, India, Japan, New Zealand, Norway, Poland, Portugal, Romania, South Africa, Spain, Sweden, Switzerland, Turkey and the United States); some of them have also initiated negotiations.

Article XXXV - Non-application of the Agreement between particular Contracting Parties

The Government of Cuba has disinvoked the provisions of Article XXXV with respect to Uruguay (L/5966).

Article XXXVII:2(a) - Non-fulfilment of Article XXXVII:1

No notifications have been received.

Border tax adjustments

No notifications have been received.

Liquidation of strategic stocks

No notifications have been received.

Export of domestically prohibited goods

The CONTRACTING PARTIES at their meeting held at ministerial level in November 1982, decided "that contracting parties shall, to the maximum extent feasible, notify GATT of any goods produced and exported by them but banned by their national authorities for sale on their domestic markets on grounds of human health and safety". They further decided that at their 1984 Session they would "consider in the light of experience gained with this notification procedure, the need for study of problems relevant to the GATT in relation to exports of domestically prohibited goods and of any action that may be appropriate to deal with such problems". Renewed requests for notifications were made in December 1984 and July 1985.

Notifications received so far from thirty-two contracting parties (from Austria, Cameroon, Canada, Chile, Colombia, Congo, Côte d'Ivoire, Cuba, Czechoslovakia, Ghana, Hong Kong, Hungary, India, Indonesia, Ireland, Jamaica, Malawi, Malaysia, Nigeria, Norway, Pakistan, Peru, Poland, Romania, Singapore, Sri Lanka, Spain, South Africa, Thailand, Turkey, Uruguay and Yugoslavia) have referred to the non-existence of such practices. Notifications from Australia, EEC, Japan, Sweden, Switzerland and the United States contain information on relevant legislation in this area.
ANNEX I TO APPENDIX I
NOTIFICATIONS UNDER ARTICLE XVI:1 - SUBSIDIES

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1 No notifications have been received from other contracting parties since 1978.

2 This column does not necessarily reflect the real status of notifications of changes to the full notification, as some of the full notifications due in 1981, and which appear in the 1981 column, have been made in 1982 or even in 1983.

3 Full notification; Indonesia and the Philippines acceded to the Subsidies Code in March 1985, and Israel in August 1985.
ANNEX II TO APPENDIX I

NOTIFICATIONS UNDER ARTICLE XVII:4(a)\(^1\) - STATE TRADING

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\(^1\) No notifications have been received since 1978 from other contracting parties.
APPENDIX II

INFORMATION REQUIRED FROM CERTAIN CONTRACTING PARTIES
AND DEVELOPMENTS UNDER THE MTN AGREEMENTS

This Appendix reviews notifications during the period 1 October 1985 - 31 March 1986 under requirements applying only to certain contracting parties. It also supplements the notes on developments under the MTN Agreements given in the main body of the present document.

(a) Accession Protocols

- Egypt - Consolidation of Economic Development Tax: the CONTRACTING PARTIES' Decision of 25 November 1980 allows the Government of Egypt to maintain in effect on bound duties the temporary "Consolidation of Economic Development Tax" at rates not exceeding those in force on the date of its Protocol of Accession (27 February 1970), until 31 December 1985, by which time, if the tax is still in effect, it shall be reviewed by the CONTRACTING PARTIES. The CONTRACTING PARTIES decided on 26 November 1985 that Egypt may maintain in effect on bound duties the temporary "Consolidation of Economic Development Tax" until 31 December 1990.

- Hungary: Paragraphs 4(c) and 6(b): Paragraph 4(c) of the Protocol of Accession stipulates that contracting parties shall notify, before the consultations between Hungary and the CONTRACTING PARTIES provided for in Paragraph 6 of the Protocol, discriminatory prohibitions and quantitative restrictions still applied to imports from Hungary. Notifications have been received from Austria, Canada, Chile, Czechoslovakia, the EEC, India, Japan, New Zealand, Norway, Poland, Portugal, Romania, South Africa, Sweden and Turkey. Only the EC countries to maintain restrictions (L/5870, Add. 1-3).

- Poland: Paragraphs 3(b) and 5: No notifications have been received.

- Switzerland: Paragraph 4: The report of the Working Party on the sixth triennial review of the application of the provisions of paragraph 4 of the Protocol of Accession has not yet been presented to the Council.

(b) Waivers

- Canada - CARIBCAN: In conformity with Paragraph 4(a) of the Decision of the CONTRACTING PARTIES on Differential and More Favourable Treatment and Reciprocity and Fuller Participation of Developing Countries, Canada notified the CONTRACTING PARTIES of its intention to implement preferential tariff treatment for the Commonwealth Caribbean countries and requested the granting of a waiver (L/5948). At its meeting in February, the Council established a working party to examine this request.
India - Auxiliary duty of customs: On 12 March 1986 India stated in the meeting of the Council that it would not ask for a further extension of the waiver. The waiver expired on 31 March 1986.

Pakistan - Renegotiation of schedule: On 26 November 1985, a further extension of the CONTRACTING PARTIES' Decision of 27 November 1979, which authorized Pakistan to maintain particular rates of duty pending completion of negotiations on certain tariff concessions before 31 December 1979, was granted until 31 December 1986 (L/5920).

Turkey - stamp duty: By Decision of the CONTRACTING PARTIES of 20 July 1963, Turkey was authorized to maintain a stamp duty on imports into Turkey of products included in Schedule XXXVII. The CONTRACTING PARTIES decided on 26 November 1985 to extend the Decision until the removal of the stamp duty or until 31 December 1987, whichever date is earlier (L/5921).

United States: Agricultural Adjustment Act: The draft report of the Working Party (L/5983) that examined the twenty-seventh annual report submitted by the United States (L/5772) under the Decision of the CONTRACTING PARTIES of 5 March 1955, has not yet been presented to the Council.

(c) Committee on Trade and Development - Part IV Consulations

Consultations with respect to Part IV implementation took place in October 1985 with Australia and New Zealand.

(d) Protocol relating to Trade Negotiations among Developing Countries

The twelfth annual report of the Committee of Participating Countries (L/5891 and Addenda) was considered at the November 1985 session of the Committee on Trade and Development.

(e) Committee on Trade and Development - Sub-Committee on Protective Measures

A reverse notification has been received from India (COM.TD/SCPM/W131) concerning protective actions taken against Indian exports by developed countries.

(f) Arrangement Regarding International Trade in Textiles (the Multi-Fibre Arrangement):

The following actions have been notified between October 1985 and March 1986 to the Textiles Surveillance Body:

Austria: A new agreement with China on woven shirts of cotton and man-made fibres and down-quilted outerwear.

Canada: Modifications of existing agreements with Brazil and with Bulgaria, a non-participating country in the MFA.

Norway: Bilateral agreements with India, Korea, Macao and Sri Lanka. Modifications of existing agreements with Czechoslovakia and Hong Kong.
Sweden: A bilateral agreement with Yugoslavia.

United States: Restriction on one category imported from India, referred under Article 11:4, was rescinded; reference to another restricted import category by India has also been made by India under Article 11:4. Actions taken under Article 3:5 on two categories imported from Turkey and on one category imported from China. A new agreement with Turkey to replace unilateral actions taken under Article 3:5 on two categories. Bilateral agreements with Brazil, Indonesia and Malaysia. Modifications of previously existing agreements Colombia, China, Hong Kong, India (including removal of restraints on three categories), Korea, Peru, Singapore, Sri Lanka and Uruguay.

(g) MTN Agreements and Arrangements

The following major developments relating to MTN Codes and falling within the scope of this report took place during the period October 1985 - March 1986.

(1) Agreement on Technical Barriers to Trade

The Committee had a preliminary exchange of views on a possible application to local government bodies of major obligations under the Agreement and the adoption of a code of good practice for non-governmental bodies.

India was granted a further extension of the exception from the obligation to bring into conformity with Article 7.2 the Indian Standards Institution Certification Marks Act.

Portugal accepted the Agreement on 14 October 1985.

(2) Agreement on Government Procurement

In view of Portugal and Spain's accession to the European Economic Communities, the Committee decided that the Agreement shall be considered to apply as between each Party and Portugal and Spain only when such Party has agreed to the list of entities for Portugal and Spain respectively to be included in Annex I of the Agreement. (Annex I comprises a list of entities conducting government procurement.)

(3) Code on Subsidies and Countervailing Duties (Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade)

Israel accepted the Code on 19 August 1985, and the Code entered into force for that country on 18 September 1985.

The Committee on Subsidies and Countervailing Measures adopted Guidelines on Physical Incorporation relating to the calculation of the amount of a subsidy.

In the semi-annual reports to the Committee covering the period July - December 1985, the following countries have notified that no countervailing duty action had been taken by them: Austria, Brazil, European Community, Finland, India, Indonesia, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Spain, Sweden, Switzerland, Turkey, United Kingdom on behalf of Hong Kong, Uruguay and Yugoslavia (SCM/69/Add.1). Notices on countervailing actions have been submitted by Australia, Canada, Chile and the United States. Lists of these actions appear in documents SCM/69/Add.1-4.
(4) **Arrangement Regarding Bovine Meat**

Nigeria accepted the Arrangement on 14 March 1986.

(5) **International Dairy Arrangement**

In March 1986 the International Dairy Products Council expressed concern at the serious situation in the butter market and stressed that close co-operation was absolutely necessary for a solution of the current problems relating to production, trade, stocks and prices of butter and milk fat.

It was noted that the European Communities had recently changed their procedures for fixing refunds for dairy products, and that this could represent an element of uncertainty for the market. It was also feared that any dairy exports by the United States under the Food Security Act of 1985 could further aggravate the situation in the world market, notably for butter.

(6) **Customs Valuation Code (Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade)**

Portugal accepted the Agreement on 14 October 1985. However, as of 1 January 1986 Portugal ceased to be an individual member of the Code in its own right and became a member of the Code within the European Communities.

Spain, as a Member State of the European Communities, applied the provisions of the Agreement as from 1 January 1986.

Turkey accepted the Agreement, subject to ratification, on 5 February 1986.

The Committee on Customs Valuation agreed to extend the period of delay in the application by India of the provisions of the Agreement until 1 July 1987. The Committee also concurred with Argentina's intention to apply the provisions of the Agreement with effect only from 1 January 1988.

(7) **Agreement on Import Licencing Procedures**

Nigeria accepted the Agreement on 14 March 1986.

Norway informed the Committee on Import Licensing that as of 1 January 1986, it had abolished automatic and non-automatic import licence requirements on seven sub-items for all countries and 32 sub-items for individual countries.

New Zealand accelerated its programme to phase out import licensing, which had been referred to in the Committee on previous occasions.

(8) **Agreement on Trade in Civil Aircraft**

The problem of export credits for civil aircraft remained a matter of major interest to the Committee on Trade in Civil Aircraft. The Committee also had a preliminary exchange of views on a possible broadening and improving of the Agreement (under Article 8.3). (See also page 30, paragraph 171)
(9) **Anti-Dumping Code (Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade)**

Korea accepted the Agreement on 24 February 1986.

The Committee on Anti-Dumping Practices continued its discussions on the determination of threat of material injury.

In the semi-annual reports to the Committee covering the period July - December 1985, the following countries have notified that no anti-dumping action had been taken by them: Finland, Hungary, India, Japan, Norway, Pakistan, Poland, Romania, Singapore, Spain, Switzerland, United Kingdom on behalf of Hong Kong and Yugoslavia. Notices on anti-dumping actions have been submitted by Australia, Canada and European Community.
APPENDIX III

DISPUTE SETTLEMENT

The following disputes have been before the Council\(^1\) (A) or other GATT bodies (B) during the period 1 October 1985 - 31 March 1986.

A. Matters taken up under Article XXIII\(^2\)

(i) Canada: import, distribution and sale of alcoholic drinks by provincial marketing agencies: recourse by the European Communities (L/5777)

In March 1985 the Council established a Panel to examine the complaint by the European Communities. The terms of reference of the Panel were communicated to the Council at the February 1986 Council meeting.

(ii) Canada: measures affecting the sale of gold coins: recourse by South Africa

The Council discussed the Panel's report (L/5863) at its meetings in October 1985, November 1985 and February 1986. The Panel report has not been adopted but Canada accepted the Panel's findings that the measure in question did not accord with the provisions of the first sentence of Article III:2, and that the measure should be appropriately modified. Canada also accepted the recommendation in paragraph 72(a) of the report that, in accordance with Article XXIV:12, Canada should continue to take such reasonable measures as were available to it to secure the observance of Article III:2 by the province of Ontario.

Canada indicated that on 7 January 1986, legislation by Ontario had been enacted repealing the relevant section of the Retail Sales Tax Act with the effect of removing the differential treatment in Ontario between Maple Leaf gold coins and other gold investment coins. Moreover, although the matter had not been the subject of the Panel's report, the Quebec Government modified on 18 December 1985 the application of its retail sales tax so that it applied to all such coins, including the Maple Leaf gold coin.

South Africa expressed gratitude for the Canadian Government's efforts but noted that the Panel had also recommended that the CONTRACTING PARTIES request Canada to compensate South African for the competitive opportunities lost as a result of the Ontario measure.

\(^1\) For minutes of Council considerations of these disputes see C/M/192 (Council of 10 October 1985), C/M/193 (Special Council meeting of 5 November 1985), C/M/194 (Council of 5-6 November 1985), C/M/195 (Council of 12 February 1986), C/M/196 (Council of 12 March 1986).

\(^2\) See also the matters listed under Article XXII - Consultations (Appendix I).
(iii) **Canada: Foreign Investment Review Act (FIRA) - Follow-up on the Panel report (L/5504)**

In February 1984 the Council had adopted the Panel report on the administration of Canada's Foreign Investment Review Act (FIRA). Paragraph 6.7 of the report called on Canada, inter alia, to bring purchase undertakings entered into before the report's adoption into conformity with Canada's GATT obligations as determined in the report and to advise on the steps taken to that effect before the end of 1985. At the November 1985 Council meeting the representative of Canada declared that his Government had altered the monitoring of existing undertakings.

(iv) **European Communities: production aids on canned peaches, canned pears, canned fruit cocktails and dried grapes - Panel report**

The Council discussed the Panel's report (L/5778) at several meetings and reverted to it in February 1986. The European Communities and the United States considered that they had settled this dispute in a mutually satisfactory way. This settlement was based on three elements: (1) the reductions of the production aid on canned pears, already decided autonomously by the EEC in the last three years and the limitation by quota of the quantity of product benefiting from the aid; (2) the undertaking to ensure that EEC production aid for canned peaches, for the marketing year beginning July 1986, was 25 per cent lower than that applying for 1985/86; and (3) the assurance that, in subsequent marketing years, this aid would be fixed in such a way as not to subsidise the processing operation for peaches in syrup either canned as such or as part of fruit mixtures.

(v) **Japan: quantitative restrictions on imports of leather footwear: recourse by the United States**

The Panel was established by the Council at its July 1985 meeting. Japan subsequently declared that new tariff measures would replace the import quota system and that it would enter into negotiations under Article XXVIII:5 on bound items. The consultations on the terms of reference and the composition of the Panel are therefore not being pursued and the thirty-day deadline has passed. As from 1 April 1986, Japan eliminated quantitative restrictions on leather footwear imports, for unbound as well as bound items, while introducing a tariff quota system for these products (L/5978).

(vi) **Japan: measures on imports of leather - Follow-up on the Panel report (L/5978)**

The Council adopted the Panel report in May 1984. At the request of the United States the Council discussed the follow-up to the report at its subsequent meetings in 1984 and 1985. At the meeting in July 1985 Japan announced its decision to replace the import quota system on leather. Once the tariff measures had been formulated, Japan would enter into negotiations under Article XXVIII:5 on the bound items. As from 1 April 1986, Japan eliminated quantitative restrictions on leather imports in accordance with its follow-up of the Panel report.

(vii) **United States: Manufacturing Clause - follow-up on the Panel report**

In May 1984 the Council adopted the Panel report (BISD, 31S/74). The item was put again on the agenda of the March 1986 Council meeting at the request of the European Communities. A number of delegations considered that the United States should implement the CONTRACTING PARTIES' recommendation as contained in the final paragraph of the Panel report (L/5609). The Council agreed to revert to this matter at a future meeting.
(viii) United States: trade measures affecting Nicaragua: recourse by Nicaragua

At the May 1985 Council meeting, Nicaragua stated its view that the United States trade embargo and other restrictions on trade with Nicaragua, which had taken effect on 7 May 1985, violated the General Agreement. The United States maintained that the US measures had been taken for national security reasons and that they fell within the national security exception of the General Agreement as contained in Article XXI, specifically its paragraph (b)(iii).

At the July 1985 Council meeting, Nicaragua, supported by a number of representatives, asked for establishment of a Panel to review the case and to report to the CONTRACTING PARTIES. At its October 1985 meeting the Council agreed to establish a Panel, and at its March 1986 meeting it took note of its terms of reference. Agreement has also been reached on the composition of the Panel which has begun its work.

(ix) United States: restrictions on imports of certain sugar-containing products: recourse by Canada (L/5783)

On 28 January 1985, the United States imposed quantitative restrictions on imports of certain sugar-containing products. Consultations between Canada and the United States, pursuant to Article XXIII:1 were held on 12 February 1985, but did not result in a satisfactory adjustment of the matter. Following Canada's request at the March 1985 Council meeting for a Panel, the Chairman of the Council was authorized to draw up, in consultation with parties concerned, the terms of reference of the Panel and to designate its chairman and members. These consultations have, however, been temporarily suspended since the two parties are having bilateral discussions on the matter of the dispute.

B. Other matters

The following dispute settlement cases raised in Committees established under MTN Agreements are of general interest in the context of the Council's consideration of dispute settlement procedures:

(i) European Economic Community - Subsidies on exports of wheat flour

European Economic Community - Subsidies on exports of pasta products

The reports of these two Panels established by the Committee on Subsidies and Countervailing Measures (SCM/42 and SCM/43) were submitted in April 1982 and June 1983, respectively. They deal with fundamental issues, bearing on the interpretation of Article 10 of the Subsidies Code in the wheat flour case and on the application of Article 9 in the pasta products case. As there have been divergent perceptions in the Committee in this respect, it has not been possible, so far, to adopt these reports.

(ii) United States: definition of "industry" concerning wine and grape products contained in the United States Trade and Tariff Act of 1984: recourse by the European Communities

The Trade and Tariff Act of 1984 defines domestic "industry" for purposes of countervailing or anti-dumping investigations to include producers of the
principal agricultural input. This definition was involved by grape growers to initiate an action against imports of wine and grape products on alleged grounds of material injury. The EEC considered the provision in the US legislation to be inconsistent with the Code on Subsidies and Countervailing Measures.

The Committee on Subsidies and Countervailing Measures established a Panel in February 1985, at the request of the EEC. At the meeting of the Committee on 4 October 1985 the Chairman of the Committee decided the terms of reference of the Panel and announced its composition. The Panel submitted its report to the Committee on 24 March 1986 (SCM/71).
APPENDIX IV

BILATERAL TRADE AGREEMENTS

Bilateral trade agreements between the following countries (given in alphabetical order) have come to the attention of the secretariat in the period under review. (See also C/III - Bilateral trade agreements.)

Argentina - Soviet Union

Argentina and the Soviet Union renewed a five-year grain agreement in which the Soviet Union pledged to buy 4 million tons of Argentine feed grains and 500,000 tons of soya beans per year. Argentina pledged to purchase at least $500 million worth of Soviet machinery in the same 1986-1990 period.

Bangladesh - Bulgaria

Bangladesh and Bulgaria signed a five-year trade agreement worth $400 million. Bangladesh will export jute and jute products, crust and finished leather, hides and skins, tea, garments, specialized textiles, wires, cables, ceramics, newsprint, paper products and spices. Bulgaria will export to Bangladesh pig iron, raw cotton, soda ash, caustic soda, machinery, fertilizers, radios, electrical equipment, pharmaceuticals, chemicals, cargo handling equipment and sugar.

Brazil - Soviet Union

In December 1985 Brazil and the Soviet Union signed a ten-year trade agreement and an agreement on economic and technological co-operation.

Canada - Brazil, Japan

On 28 January 1986 Canada renewed its long-term agreement with Brazil which provides for exports of up to 4.5 million tons of wheat from 1986 to 1988. A contract for 0.75 million tons was signed for 1986.

Canada also signed an agreement with Japan for exports of 1.2 million tons of wheat and 0.85 million tons of barley in 1986.

Canada - Soviet Union

Under a new agreement, which runs from 1 August 1986 to 31 July 1991, the Soviet Union agreed to purchase a minimum of 25 million tons of Canadian wheat and feed grains. In 1984/85, sales to the Soviet Union accounted for more than a third of total Canadian wheat exports.

Cuba - Syria

A five-year trade agreement has been signed between Cuba and Syria. Cuba will export sugar to Syria and in return import fertilizers, raw phosphates and cotton.
Czechoslovakia - Botswana

Czechoslovakia and Botswana signed a trade agreement under which Czechoslovakia will export engineering equipment for agriculture, the dairy industry, slaughter houses and tanneries and will import raw materials in return.

Czechoslovakia - China

Under a long-term trade agreement for 1986-1990, amounting to at least $500 million per year, Czechoslovakia will export to China mainly trucks, machine tools and rolled material, while imports from China will include car batteries, electronic products, truck tyres and seagoing ships in addition to traditional products such as cotton, wool, textiles, shoes and ore concentrates.

Czechoslovakia - Federal Republic of Germany

A protocol covering trade and economic co-operation in 1986 was signed between the two countries.

Czechoslovakia - Iceland

Under a new five-year trade agreement, Iceland will export fish to Czechoslovakia and import tractors and passenger cars.

Czechoslovakia - Venezuela

Under a bilateral trade agreement signed between the two countries Czechoslovakia will increase its exports of machinery and equipment to Venezuela and import iron ore, coffee, cocoa beans, tinned fish as well as other products from Venezuela.

Czechoslovakia - Zimbabwe

Under a trade agreement, Czechoslovakia is to import from Zimbabwe tobacco in exchange for synthetic rubber, bicycle spares, glassware and ball bearings.

Egypt - Iraq

Egypt and Iraq agreed to double trade to $200 million in 1986 under their annual trade agreement.

Finland - Soviet Union

On 19 December 1985, Finland and the Soviet Union signed a protocol on trade for 1986. The volume of trade is expected to exceed 5 billion roubles. Finland will export various types of machinery and equipment, ships, chemicals, forest industry products and import machinery and equipment, electric power, natural gas, products of the oil refining and chemical industries and other goods. The protocol is the start of the new five-year trade agreement under which trade turnover is to reach 25 billion roubles.
Finland - CMEA

Finland and the CMEA have approved a programme for the development of trade between them in 1986. During the previous year some sixteen agreements and protocols on economic and scientific co-operation have been concluded.

Ghana - China

Ghana and China signed an agreement on trade valued at $6 million. Ghana is to export to China 2,000 tons of cocoa and import industrial and agricultural products.

Ghana - Romania

Ghana and Romania signed a trade agreement valued at $100 million. Romania will export agricultural machinery, paper and pharmaceutical products and import from Ghana cocoa, rubber and diamonds.

Greece - German Democratic Republic

Greece and the German Democratic Republic signed a long-term economic co-operation and trade agreement. (East Germany is the second largest trading partner of Greece among the socialist countries after the Soviet Union. Greek exports to East Germany consist mainly of agricultural products and light manufactured goods while its imports are largely heavy mechanical equipment.)

Greece - Iraq

Greece and Iraq have signed a trade protocol and economic and technical co-operation agreements.

Greece - Malta

Greece and Malta have signed a trade protocol and economic and technical co-operation agreements.

Guyana - Soviet Union

Guyana and the Soviet Union signed a seven-year trade agreement under which Guyana will export bauxite to the Soviet Union and import agricultural machinery, electronic equipment and pharmaceuticals.

Hungary - Czechoslovakia

Under the next Five-year Plan through to 1990, trade between the two countries is to increase by 20 per cent compared to the last Five-year Plan. Half of the proposed bilateral trade is to be concentrated on the machine and equipment sector.

Hungary - Poland

Bilateral trade between the two countries is to increase by 34 per cent to roubles 6.3 billion, for the period up to 1990. Trade based on co-operation and specialization agreements is scheduled to increase by 43 per cent.
Hungary - Romania

Bilateral trade between the two countries is to increase by over 30 per cent during the 1986/90 Five-year Plan. The value of trade is expected to surpass roubles 3.2 billion.

Hungary - Mongolia

Bilateral trade between the two countries is planned to increase by 20 per cent (to roubles 80 million) during the new Five-year Plan 1986/90.

Hungary - Soviet Union

Under the next Five-Year Plan (1986-1990) Hungary has decided to increase its trade with the Soviet Union by 20 per cent compared to the 1981/85 Five-year Plan. One-third of Hungary's foreign trade is conducted with the Soviet Union. Trade is expected to reach 9.4 billion roubles in value in 1986.

India - Poland

India and Poland signed, on 23 February 1986, a trade and payments agreement for 1986-1990. Trade between the two countries is intended to double during this period. Included in the agreement is a trade contract for 1986 amounting to rupees 4.6 billion. India's main export goods include tea, oil cake, cotton, cotton articles, mica, leather, leather goods, iron ore and machinery. Poland will export mainly electric power station equipment, ship engines, railway equipment and coking coal.

India - Romania

A trade agreement was signed on 20 December 1985 between India and Romania for the period 1986-1990. Indian imports will include equipment for the oil industry, metallurgy and power engineering, electrical and electronic products, tractors, machine tools, bearings, chemicals, iron and steel goods. India will export iron and manganese ore, bauxite, cotton, mica, hides, chemicals and other industrial products.

India - Soviet Union

On 23 December 1985, India and the Soviet Union signed a trade agreement for the period 1986-1990. During the last five-year plan the volume of Indian-Soviet trade had increased by 2.5 times compared with the previous five-year plan. The new agreement provides for additional growth in trade covering a wider range of commodities and further refinements in the existing forms of co-operation. Trade in machines and equipment is planned to double during the five-year period. Provision has also been made both for an increase of Indian imports of industrial raw materials, chemical goods and fertilizers, as well as for exports of traditional Indian commodities and of finished industrial goods.

Indonesia - Romania

Indonesia and Romania signed a protocol on technical and economic co-operation in order to strengthen their bilateral trade links.
Indonesia - Soviet Union


Indonesia - Vietnam

Indonesia and Vietnam have signed a trade agreement. Indonesian exports will include textiles, kerosene and rice in exchange for Vietnamese agricultural goods. According to estimates, trade is expected to reach $100 million within three years.

Israel - Uruguay

At the end of 1985, Israel and Uruguay signed a bilateral trade and co-operation agreement. Uruguay's exports are to consist of meat, fish and fish products, wool, synthetic textiles, clothing, leather goods and shoes, while Israel is to export machines and equipment for agriculture, communications, and infrastructure projects.

Japan - China

Japan and China signed a new long-term trade agreement for the next five years. The agreement foresees increased Chinese deliveries of oil and coal to Japan (annually 3.7 - 4.1 million tons of coal) and larger Japanese exports of machines and equipment to China.

Seven Japanese importers and China's Cereals, Oils and Foodstuffs Import and Export Corporation (CEROP) have formally signed an agreement for the export of 2 to 2.5 million metric tons of Chinese corn to Japan during the May 1986 - April 1987 period. The volume is basically unchanged from the agreement that expired in April 1986.

Japan - Soviet Union

Japan and the Soviet Union signed an agreement for the promotion of trade for the period 1986-1990.

Republic of Korea - Zaïre

Agreements were signed between Korea and Zaïre to further expand bilateral trade. The trade volume has rapidly increased since 1980, recording an annual growth of over 90 per cent, it reached $14 million in 1984.

Malta - German Democratic Republic

On 1 November 1985, Malta and the German Democratic Republic signed a long-term trade agreement. A protocol signed at the same time provides for practical measures to promote trade and economic co-operation.
Malta - Poland

Malta and Poland signed a trade protocol under which Poland will supply Malta's ship-yards with engines and machinery for ships which are being built for the Soviet Union. Poland will import from Malta textiles and engineering goods.

Poland - Laos

Poland and Laos signed a long-term trade agreement for the period 1986-1990 and a trade protocol for 1986. Poland will import from Laos coffee, timber goods and traditional products and will export sewing machines, bicycles and plastic goods. The 1986 trade protocol provides for trade amounting to roubles 2.1 million between the parties.

Poland - Soviet Union

Poland and the Soviet Union have signed a five year economic agreement which will increase the Soviet Union's share of total Polish trade from the current level of 37 per cent to 40 per cent in 1990.

Romania - China

In October 1985, Romania and China signed a new Long-Term Agreement on Economic Co-operation for 1986-1990. Trade between the two countries was expected to exceed $1 billion in 1985.

Romania - Soviet Union

Under the terms of a new trade agreement for the period 1986-1990 trade is to be increased by 65-70 per cent during this period. The Soviet Union will more than double oil supplies to Romania - which reached an estimated 2 million tons in 1985.

Romania - Tunisia

Romania and Tunisia signed an agreement on the development of economic co-operation in 1986-1990; the provisions of which include new measures to promote bilateral trade.

Romania - United States

Under an agreement signed between the two countries Romania will import from the United States 400,000 tons of metallurgical coal, and export textiles and light industrial goods to the United States.

Thailand - China

Thailand and China have signed a trade agreement which sets a $350-400 million two-way trade target for 1986. Thailand's exports to China include between 100,000 to 200,000 tons of raw sugar.

Tunisia - Soviet Union

Tunisia and the Soviet Union have signed a five-year agreement under which two-way trade will increase to $250 million, double the values of the previous trade agreement. Tunisia will export mainly phosphates, olive oil and textiles in exchange for equipment, ammonia, sulphur and timber.
Turkey - Albania

On 12 February 1986, Turkey and Albania signed a three-year trade agreement and a protocol on the goods to be exchanged (during the first 11 months of 1985, the value of trade between the two countries registered $1 million).

Turkey - Soviet Union

On 15 February 1986 Turkey signed a trade agreement with the Soviet Union under which Turkey will import 750 million m³ of Soviet gas in 1987 rising to 4,000 million m³ by 1992. The Soviet Union will buy Turkish products to the value of 70 per cent of the hard currency revenues from the gas sale in the first three years. Thereafter the agreement will be renegotiated.

Turkey - Syria

Turkey and Syria signed an economic and commercial agreement on 27 October 1985.

United States - Iraq

On 23 September 1985, the United States and Iraq signed an economic and scientific co-operation agreement and a protocol on the expansion of trade and the development of economic and technological links.

Uruguay - German Democratic Republic

Uruguay and the German Democratic Republic have signed a long-term trade agreement which provides for an expansion of bilateral trade through increased exports of rice, fish products, citrus fruit, textiles and shoes from Uruguay in exchange for industrial products.

Uruguay - Taiwan

Uruguay and Taiwan signed a trade agreement under which, during the next four to five years, Uruguay will export 600,000 tons of sorghum, 930,000 tons of soyabean, 945,000 tons of maize; and, annually, 70,000 tons of wheat, 5,000 to 10,000 tons of fishmeal, plus tobacco and shoe leather. Taiwan will provide technical assistance for a number of industrial sectors in Uruguay. The list of products are for indicative purposes only and do not reflect completed commercial transactions. (Similar comment applies to Uruguay/GDR above.)

Yugoslavia - Jordan

Under a three-year trade agreement, signed on 5 December 1985, Yugoslavia and Jordan agreed to triple trade to $120 million annually by 1988. Yugoslavia is to import from Jordan phosphates, fertilizers, aluminium fluoride and other goods and it will export to Jordan black cement, meat, processed food, textiles and timber goods.

Zimbabwe - Soviet Union

Zimbabwe and the Soviet Union signed an economic (trade) and technical co-operation agreement.
Bilateral Trade Agreements between Non-Contracting Parties

Bulgaria - Libya

Under an economic co-operation agreement, signed on 3 October 1985, between Bulgaria and Libya, Bulgaria will co-operate closely with Libya in setting up small-scale agricultural enterprises, food industries and irrigation systems.

China - Morocco

On 1 November 1985, China and Morocco signed a trade agreement for 1986 and 1987. Morocco will export to China annually 200,000 tons of phosphate and 100,000 tons of phosphate fertilizer, plus chromite, cobalt and copper ores.

China - Libya

On 6 November 1985, China and Libya signed an agreement on trade. The agreement also covers co-operation in banking, in housing development and light industry.

China - Soviet Union

China and the Soviet Union signed a trade protocol for 1986. A long-term trade agreement calls for bilateral trade to reach $14 billion over the next five years.

Ethiopia - Soviet Union

A trade protocol for 1986 was signed between Ethiopia and the Soviet Union on 6 November 1985. It provides for a substantial increase in bilateral trade. The Soviet Union will export mainly machinery, equipment, oil, petroleum products, rolled ferrous metals, medicaments and consumer goods. Ethiopian exports to the Soviet Union will include raw materials and products produced by the national industry.

German Democratic Republic - Mozambique

An agreement to expand trade was signed between the German Democratic Republic and Mozambique.

German Democratic Republic - Soviet Union

A five-year trade agreement for the period 1986-1990 was signed between the German Democratic Republic and the Soviet Union. The two countries are each other's most important trading partners and bilateral trade for the period will amount to more than 380 billion marks. The German Democratic Republic will export gas pipeline equipment, industrial robots, ships and other industrial goods in return for oil, gas, iron ore, timber, cotton, aluminium and other metals. Nearly 40 per cent of East Germany's trade is conducted with the Soviet Union (65 per cent with CMEA countries); 10 per cent of Soviet foreign trade is with East Germany.

Iraq - Morocco and Tunisia

Iraq signed two trade agreements with Morocco and Tunisia, each valued at about $12 million. The agreements cover imports by Iraq of agricultural products, shoes and textiles.
Iraq - Sudan

Under a $40 million trade agreement signed by Iraq and Sudan, Iraq will import meat, sesame seeds and beans in exchange for technical assistance for Sudanese agriculture, industry, energy and mining.

Jordan - Arab Republic of Yemen

A trade protocol has been signed between Jordan and the Arab Republic of Yemen. Jordan will export to North Yemen pharmaceuticals, paper goods, construction materials, eggs, oranges and other goods.

Kuwait - Soviet Union

Kuwait and the Soviet Union signed, in November 1985, a protocol to expand two-way trade.

Lebanon - Soviet Union

Lebanon and the Soviet Union have reactivated a trade agreement, which lapsed in 1970, which requires counterpurchases for at least 40 per cent of Soviet exports to Lebanon. The agreement is valued at $50 million.

Libya - Soviet Union


Mozambique - Soviet Union

On 11 October 1985, a trade agreement was signed between Mozambique and the Soviet Union for the period 1986-1990. The agreement envisages a substantial increase in trade between the two countries.
APPENDIX V (a)

EXPORT RESTRAINT ARRANGEMENTS:
VOLUNTARY EXPORT RESTRAINTS, ORDERLY MARKETING ARRANGEMENTS,
EXPORT FORECASTS, BASIC PRICE SYSTEMS AND OTHERS

(All the arrangements listed are believed to be still in force. For more details regarding those introduced in recent months refer to sections A/II and C/I in the main body of the report)

<table>
<thead>
<tr>
<th>Importing Country/Exporting Country</th>
<th>Product</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>STEEL AND STEEL PRODUCTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Australia, Austria, Bulgaria,</td>
<td>Steel (comprises also fabricated and specialty steel products)</td>
<td>1984-1986</td>
</tr>
<tr>
<td>Czechoslovakia, Finland, Hungary,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway, Poland, Romania, South Africa, Republic of Korea, Spain, Sweden</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Brazil</td>
<td>Pig iron</td>
<td>1984-1985</td>
</tr>
<tr>
<td>EEC/Brazil</td>
<td>Steel products (pig iron excluded)</td>
<td>1985</td>
</tr>
<tr>
<td>United States/Argentina</td>
<td>Steel</td>
<td>1985</td>
</tr>
<tr>
<td>United States/Austria</td>
<td>Steel</td>
<td>1985-1989</td>
</tr>
<tr>
<td>United States/Australia, Brazil,</td>
<td>Steel</td>
<td>1984-1990&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Japan, Republic of Korea, Mexico,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa, Spain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States/Canada</td>
<td>Specialty steel</td>
<td>1985</td>
</tr>
<tr>
<td>United States/EEC</td>
<td>Finished Steel</td>
<td>1985-1989</td>
</tr>
<tr>
<td>United States/EEC</td>
<td>Steel pipes and tubes</td>
<td>1985-1989</td>
</tr>
<tr>
<td>United States/Finland</td>
<td>Steel</td>
<td>1984-1990</td>
</tr>
<tr>
<td>United States/Venezuela</td>
<td>Steel</td>
<td>1985-1990</td>
</tr>
<tr>
<td>United States/EEC</td>
<td>Steel products</td>
<td>1985-1986</td>
</tr>
</tbody>
</table>

<sup>1</sup>For Japan, 1984-1989.
### APPENDIX V (a) (cont’d)

<table>
<thead>
<tr>
<th>Importing Country/Exporting Country</th>
<th>Product</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States/Czechoslovakia</td>
<td>Steel</td>
<td>1985–1989</td>
</tr>
</tbody>
</table>

#### MACHINE TOOLS

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada/Japan</td>
<td>Machine tools</td>
<td>1978–1985</td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>NC lathes and machining centres</td>
<td>-1986</td>
</tr>
<tr>
<td>UK (EEC)/Japan^d</td>
<td>Computer controlled lathes and machining centres</td>
<td>-1985</td>
</tr>
</tbody>
</table>

#### AUTOMOBILES AND ROAD TRANSPORT EQUIPMENT

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada/Japan</td>
<td>Automobiles</td>
<td>1981–1986</td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Motorcycles</td>
<td>1983–1985</td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Light commercial vehicles and forklift trucks</td>
<td>-1986</td>
</tr>
<tr>
<td>France (EEC)/Japan</td>
<td>Automobiles</td>
<td>1977–1986</td>
</tr>
<tr>
<td>Italy (EEC)/Japan</td>
<td>Automobiles</td>
<td>1977–1986</td>
</tr>
<tr>
<td>United Kingdom (EEC)/Japan^d</td>
<td>Passenger cars</td>
<td>1980–1986</td>
</tr>
<tr>
<td>United Kingdom (EEC)/Japan^d</td>
<td>Light commercial vehicles</td>
<td>1975–1986</td>
</tr>
<tr>
<td>United Kingdom (EEC)/Japan^d</td>
<td>Heavy commercial vehicles</td>
<td>1975–1986</td>
</tr>
</tbody>
</table>
### APPENDIX V (a) (cont'd)

<table>
<thead>
<tr>
<th>Importing Country/Exporting Country</th>
<th>Product</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ELECTRONICS PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Japan²</td>
<td>Colour TV sets</td>
<td>1983–1986</td>
</tr>
<tr>
<td>EEC/Japan²</td>
<td>Colour television tubes</td>
<td>1983–1986</td>
</tr>
<tr>
<td>EEC/Japan²</td>
<td>Hi-fi equipment</td>
<td>1983–1986</td>
</tr>
<tr>
<td>EEC/Japan²</td>
<td>Video tape recorders</td>
<td>1983–1986</td>
</tr>
<tr>
<td>United Kingdom (EEC)/Republic of Korea²</td>
<td>Black and white television sets</td>
<td>1980–Dec.85</td>
</tr>
<tr>
<td><strong>FOOTWEAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of Korea/Canada²</td>
<td>Men's footwear</td>
<td>1986</td>
</tr>
<tr>
<td>France (EEC)/Taiwan</td>
<td>Footwear (non-rubber)</td>
<td>1981–1985</td>
</tr>
<tr>
<td>France (EEC)/Republic of Korea</td>
<td>Footwear (non-rubber)</td>
<td>1981–1985</td>
</tr>
<tr>
<td>Italy (EEC)/Poland</td>
<td>Rubber footwear</td>
<td>1979–1985</td>
</tr>
<tr>
<td>Italy (EEC)/Republic of Korea</td>
<td>Rubber footwear</td>
<td>1979–1985</td>
</tr>
<tr>
<td>United Kingdom (EEC)/Taiwan</td>
<td>Footwear (non-rubber)</td>
<td>1977–1985</td>
</tr>
<tr>
<td>United Kingdom (EEC)/Republic of Korea</td>
<td>Footwear (non-rubber)</td>
<td>1977–1985</td>
</tr>
<tr>
<td><strong>TEXTILES²</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada/Mauritius</td>
<td>Sweaters, pullovers and cardigans</td>
<td>1984–1986</td>
</tr>
<tr>
<td>Canada/Bulgaria</td>
<td>Winter outerwear</td>
<td>1985–1986</td>
</tr>
<tr>
<td>EEC/Bulgaria</td>
<td>Clothing</td>
<td>1983–1986</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Duration</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>EEC/Morocco</td>
<td>Textiles</td>
<td>1982-1986</td>
</tr>
<tr>
<td>EEC/Portugal</td>
<td>Textiles</td>
<td>1982-1985</td>
</tr>
<tr>
<td>EEC/Tunisia</td>
<td>Textiles</td>
<td>1985-1986</td>
</tr>
<tr>
<td>EEC/Turkey</td>
<td>Textiles</td>
<td>1985-1986</td>
</tr>
<tr>
<td>EEC/Yugoslavia</td>
<td>Textiles</td>
<td>1983-1986</td>
</tr>
<tr>
<td>Japan/China</td>
<td>Cotton goods</td>
<td>1985-1986</td>
</tr>
<tr>
<td>Japan/Pakistan</td>
<td>Cotton goods</td>
<td>1985-1986</td>
</tr>
<tr>
<td>Japan/Republic of Korea</td>
<td>Cotton yarn</td>
<td>1983-1987</td>
</tr>
<tr>
<td>Norway/Malta</td>
<td>Textiles</td>
<td>1985</td>
</tr>
<tr>
<td>Sweden/Bulgaria</td>
<td>Apparel, clothing</td>
<td>1985</td>
</tr>
<tr>
<td>Sweden/China</td>
<td>Textiles</td>
<td>1984-1988</td>
</tr>
<tr>
<td>Sweden/Czechoslovakia</td>
<td>Garments</td>
<td>1985</td>
</tr>
<tr>
<td>Sweden/Poland</td>
<td>Clothing, etc.</td>
<td>1985</td>
</tr>
<tr>
<td>Sweden/Romania</td>
<td>Clothing</td>
<td>1985-1986</td>
</tr>
<tr>
<td>United States/Costa Rica</td>
<td>Textiles</td>
<td>1984-1987</td>
</tr>
<tr>
<td>United States/Israel</td>
<td>Textiles and apparel</td>
<td>1985-1986</td>
</tr>
<tr>
<td>United States/Mauritius</td>
<td>Textiles</td>
<td>1984-1990</td>
</tr>
<tr>
<td>United States/Panama</td>
<td>Textiles</td>
<td>1983-1985</td>
</tr>
</tbody>
</table>
APPENDIX V (a) (cont'd)

<table>
<thead>
<tr>
<th>Importing Country/Exporting Country</th>
<th>Product</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGRICULTURAL PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Brazil</td>
<td>Manioc</td>
<td>1983-1990</td>
</tr>
<tr>
<td>EEC/Indonesia</td>
<td>Manioc</td>
<td>1983-1990</td>
</tr>
<tr>
<td>EEC/Thailand</td>
<td>Manioc/Tapioca</td>
<td>1982-1990</td>
</tr>
<tr>
<td>EEC/Argentina, Australia, Austria,</td>
<td>Live sheep or goats and meat</td>
<td>1980-1985</td>
</tr>
<tr>
<td>Bulgaria, Czechoslovakia, Hungary,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iceland, New Zealand, Poland,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania, Uruguay, Yugoslavia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Austria</td>
<td>Cheese</td>
<td>1982-Dec.85</td>
</tr>
<tr>
<td>EEC/Finland</td>
<td>Cheese</td>
<td>1982-Dec.85</td>
</tr>
<tr>
<td>Canada/EEC</td>
<td>Beef and veal</td>
<td>1985</td>
</tr>
<tr>
<td><strong>OTHER PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC (France, United Kingdom)/</td>
<td>Tableware and other articles of a</td>
<td>1983-Dec.85</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>kind of stoneware</td>
<td></td>
</tr>
<tr>
<td>EEC/Poland</td>
<td>Sulphate of copper</td>
<td>1985</td>
</tr>
</tbody>
</table>

*a* Does not supersede existing bilateral arrangements concluded by Japan with individual EEC member countries.

*b* The arrangements or measures listed are those in which at least one country concerned is not a member of the Multi-Fibre Arrangement, or where the action in question is other than an MFA restraint.

*c* Restraints asked by Japan; it is not known if the exporting countries mentioned have agreed.

*d* Industry-to-industry arrangement.

*e* Bilateral quotas.

*f* Industry association understanding; Japan agrees not to ship heavy commercial vehicles over 3 1/2 tons.

*g* Unilateral action by exporting country for 1986.

*h* Government-to-industry arrangement.
**APPENDIX V (b)**

**OTHER MEASURES OF A LIMITATIVE NATURE TAKEN SINCE 1975, AND STILL IN FORCE, WHICH ARE KNOWN TO THE SECRETARIAT**

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Measure</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1975</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC (France)</td>
<td>Tunny for industrial purposes</td>
<td>Embargo</td>
<td>Feb. 1975-now</td>
</tr>
<tr>
<td><strong>1980</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan (^a)</td>
<td>Certain silk and fibre fabrics, ropes and cables (CCCN 50.59)</td>
<td>Prior import permission</td>
<td>May 1980-now</td>
</tr>
<tr>
<td><strong>1981</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria/Japan</td>
<td>Video tape recorders</td>
<td>Import quota</td>
<td>Expired on 31 December 1985</td>
</tr>
<tr>
<td>EEC</td>
<td>Preserved mushrooms (within sub-heading CCCN 20.01C)</td>
<td>Protective measure to prevent circumvention of measures applying to mushrooms in brine and preserved cultivated mushrooms</td>
<td>Aug. 1981-now</td>
</tr>
<tr>
<td><strong>1982</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Chile/other non-member countries</td>
<td>Live sheep and goats, sheep and goat meat (CCCN 01.04 and 02.01)</td>
<td>Additional levy above certain quantity limit</td>
<td>Jan. 1982-now</td>
</tr>
<tr>
<td>Sweden/Hungary</td>
<td>Certain textile products (CCCN 54.03, 54.04, 54.05, 57.10)</td>
<td>Agreement on levels for trade with certain products, in accordance with Article 5 of the Hungarian Protocol of Accession</td>
<td>Jan. 1982-Dec. 1986</td>
</tr>
</tbody>
</table>
APPENDIX V (b) (cont'd)

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Measure</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEC (France)/Japan</td>
<td>Motorcycles of a cylinder capacity of 50cm or less</td>
<td>Import restriction through surveillance system and administrative guidances to importers</td>
<td>Feb. 1982-now</td>
</tr>
<tr>
<td>EEC (France)/Japan</td>
<td>Video tape recorders</td>
<td>Visa administratif préalable</td>
<td>Apr. 1983-now</td>
</tr>
<tr>
<td>EEC</td>
<td>Cultivated mushrooms in brine</td>
<td>Import restriction</td>
<td>From 1 Jan. 1985</td>
</tr>
<tr>
<td>EEC</td>
<td>Sheep and goat meat</td>
<td>Import restriction</td>
<td>Jan. 1985-now</td>
</tr>
</tbody>
</table>

a The importing country concerned is of the view that this measure has been taken in order to achieve the purpose of state trading for raw silk.

b The importing country concerned is of the view that this measure should not be included in the list since it concerns a statistical surveillance system.
**APPENDIX VI**

**ANTI-DUMPING AND SUBSIDY INVESTIGATIONS AND ANTI-DUMPING AND COUNTERVAILING ACTIONS**

The following summary covers instances where anti-dumping and subsidy investigations have been opened, and provisional and final anti-dumping and countervailing actions have been taken, during the period October 1985 – March 1986. Sources for notified actions are given in Appendix II (Code on Subsidies and Countervailing Duties, and the Anti-Dumping Code).

(a) Australia

- Anti-dumping investigations initiated: silicone sealants (United States)

- Countervailing duty investigations initiated: waterbed heaters (New Zealand).

- Provisional anti-dumping duties: certain salts and esters (Federal Republic of Germany), air circuit breakers (France, Japan), PVC general purpose homopolymer (Finland), welded carbon steel pipe and rectangular hollow sections (Japan), welded carbon steel pipe (Republic of Korea), diethylene glycol (Taiwan).

- Final determination of dumping: certain uncoated woodfree paper (South Africa), dextrose monohydrate (Italy, Singapore), di-octyl phthalate (Republic of Korea), vinyl floor tiles (Norway), monoammonium and diammonium phosphate (United States).

- Final determination of no dumping: tufted nylon carpet (Belgium), high grade stearic acid (Malaysia), low density polyethylene (Qatar), di-octyl phthalate (Sweden), polymeric plasticiser (United Kingdom), dried vine fruits (United States).

- Final determination of no injury from dumping: Urethane prepolymers (Italy), pecan nuts (South Africa), A.C. three-phase electric motors (United Kingdom).

- Definitive anti-dumping duties: dextrose monohydrate (Italy, Singapore), di-octyl phthalate (Republic of Korea), vinyl floor tiles (Norway), monoammonium and diammonium phosphate (United States).

- Price undertakings (anti-dumping action): certain uncoated woodfree paper (South Africa).

- Price undertakings (countervailing action): porcelain enamelled steel baths (New Zealand).

(b) Canada

- Anti-dumping investigations initiated: potatoes (United States), single-use hypodermic needles and syringes (United States), drywall screws (Taiwan).

1 Superseded by a subsequent measure.
Countervailing duty investigations initiated: frozen boneless beef (EEC).

Preliminary determination of dumping: photo albums with self-adhesive leaves (China), potatoes (United States), certain oil and gas well casing (Argentina, Austria, Federal Republic of Germany, Republic of Korea, United States), hockey pucks (Czechoslovakia, German Democratic Republic), pentaerythritol (Chile), 12 gauge shot shells (Italy, France, Belgium, United Kingdom), colour television sets (Republic of Korea).

Provisional anti-dumping duties: barbed wire (Argentina, Brazil, Poland, Republic of Korea), potatoes (United States), hockey pucks (Czechoslovakia, German Democratic Republic), colour television sets (Republic of Korea), photo albums with self-adhesive leaves (China), certain oil and gas well casing (Argentina, Austria, Federal Republic of Germany, Republic of Korea, United States).

Final determination of dumping: barbed wire (Argentina, Brazil, Poland, Republic of Korea), certain surgical adhesive tapes and plasters (Japan), photo albums with self-adhesive leaves (China), colour television sets (Republic of Korea), hockey pucks (Czechoslovakia, German Democratic Republic), pentaerythritol (Chile).

Final determination of injury from dumping: polyphase induction motors (Brazil, Japan, Mexico, Poland, Taiwan, United Kingdom), certain carbon steel plate (German Democratic Republic), barbed wire (Argentina, Brazil, Poland, Republic of Korea), certain surgical adhesive tapes and plasters (Japan), plain hardboard sheets or panels (Poland, USSR), hardboard panels suitable for use as doorskins (Poland), industrial wood cutting band-saw blades (United States), certain organic peroxides (Federal Republic of Germany, the Netherlands, United Kingdom, United States), photo albums with self-adhesive leaves (China), vehicle washing, drying, waxing, polishing or cleaning equipment (United States), hockey pucks (Czechoslovakia, German Democratic Republic).

Final determination of injury from subsidization: polyphase induction motors (Brazil).

Final determination of no injury from dumping: single-use hypodermic needles and syringes (Japan, United States), artificial graphite electrodes and graphite connecting pins (Japan), polyphase induction motors (Romania), 12-hydroxystearic acid (Brazil, India), citric acid and sodium citrate (United States), high speed AISI type M2 steel (Brazil, Federal Republic of Germany, Japan) pentaerythritol (Chile).

Definitive anti-dumping duties: polyphase induction motors (Brazil, Japan, Mexico, Poland, Taiwan, United Kingdom), surgical adhesive tapes and plasters (Japan), barbed wire (Argentina, Brazil, Poland, Republic of Korea), colour television sets (Republic of Korea).

Definitive countervailing duties: polyphase induction motors (Brazil).

Price undertakings (anti-dumping action): certain carbon steel plate (German Democratic Republic).

1 Superseded by a subsequent measure.
(c) Chile
- Countervailing duty investigations initiated: low-density polyethylene (Brazil), tubes and pipes of high-density polyethylene (Brazil), dry yeast (Mexico).

(d) EEC
- Anti-dumping investigations initiated: outboard motors (Japan), copper sulphate (Yugoslavia), twine (Brazil), freezers (German Democratic Republic, USSR, Yugoslavia), electronic typewriters (Japan, Taiwan), iron and steel plates and sheets (Yugoslavia), multiphase electric motors (Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, USSR).
  - Provisional anti-dumping duties: certain electronic scales (Japan), copper sulphate (Yugoslavia), clogs (Sweden), certain typewriters (Japan).
  - Final determination of no dumping: wire rod (Brazil).
  - Final determination of no injury from dumping: wood particle board (Bulgaria, Czechoslovakia, Poland, Romania, Spain, Yugoslavia, USSR), wire rod (Portugal, Trinidad and Tobago, Venezuela), hammers (China), dead-burned magnesium carbonate (China, North Korea), stainless steel household cooking ware (Republic of Korea).
  - Definitive anti-dumping duties: basic chromium sulphate (Yugoslavia), clogs (Sweden), cycle chains (China).
  - Price undertakings (anti-dumping action): certain electronic scales (Japan), cycle chains (USSR), fibre building board (Finland, Sweden), certain glass (Bulgaria, Czechoslovakia, Hungary, Romania, Turkey, Yugoslavia).
  - Termination of anti-dumping cases: wire rod (Brazil, Portugal, Trinidad and Tobago, Venezuela), standard wood particle board (Bulgaria, Czechoslovakia, Poland, Romania, USSR, Spain, Yugoslavia), hardboard (Portugal).

(e) Sweden
- Provisional anti-dumping duties: particle board (Czechoslovakia, Poland)

(f) United States
- Anti-dumping investigations initiated: table wine (Italy, France, Federal Republic of Germany), anhydrous sodium metasilicate (United Kingdom), petroleum wax candles (China), pistachio nuts (Iran), welded steel wire fabric for concrete reinforcement (Italy, Mexico, Venezuela), erasable programmable read-only memories (Japan), butt-weld pipe fittings (Brazil, Japan, Taiwan), certain welded carbon steel pipes and tubes (China, the Philippines, Singapore), small diameter welded carbon steel standard pipe and tube (China, the Philippines), light walled rectangular pipes and tubes (Singapore).

1 Superseded by a subsequent measure.
non-malleable cast iron pipe fittings (Taiwan), porcelain-on-steel cooking ware (China, Mexico, Taiwan), glyoxal (France, Federal Republic of Germany), top of the stove stainless steel cooking ware (Taiwan, Republic of Korea), dynamic random access memory semi-conductors (Japan), spiral gear operators (El Salvador), certain brass strips and sheets (Brazil, Canada, France, Italy, Republic of Korea, Federal Republic of Germany, Sweden), oil country tubular goods (Israel).

- Countervailing duty investigations initiated: carbon steel wire rod (New Zealand), rice (Thailand), pistachio nuts (Iran), porcelain-on-steel cooking ware (China, Mexico, Taiwan), welded steel wire fabric for concrete reinforcement (Italy, Mexico, Venezuela), top of the stove stainless steel cooking ware (Republic of Korea, Taiwan), table wine (Federal Republic of Germany, France, Italy), spiral gear operators (El Salvador), certain brass strips and sheets (Brazil, France), oil country tubular goods (Israel), carbon steel wire rod (Malaysia, Zimbabwe).

- Preliminary determination of injury from dumping: erasable programmable read-only memories (Japan), radial ply tyres for passenger cars (Republic of Korea), anhydrous sodium metasilicate (United Kingdom), barbed wire and barbless wire strand (Argentina, Brazil, Poland), pistachio nuts (Iran) standard welded carbon steel pipes and tubes (China, the Philippines, Singapore), porcelain-on-steel cooking ware (China, Mexico, Taiwan), light walled rectangular pipes and tubes (Singapore), dynamic random-access memory semi-conductors (Japan), petroleum wax candles (China), non-malleable cast iron pipe fittings (Taiwan), top of the stove stainless steel cooking ware (Republic of Korea, Taiwan).

- Preliminary determination of injury from subsidization: porcelain-on-steel cooking ware (Mexico, Taiwan), top of the stove stainless steel cooking ware (Republic of Korea, Taiwan), heavy construction castings (Brazil).

- Preliminary determination of no injury from dumping: welded steel wire fabric for concrete reinforcement (Italy, Mexico, Venezuela), light construction castings (Brazil).

- Preliminary determination of no injury from subsidization: welded steel wire fabric for concrete reinforcement (Italy, Mexico, Venezuela).

- Preliminary determination of dumping: certain iron construction castings (Brazil, Canada, China, India), cast iron pipe fittings (Brazil, Republic of Korea, Taiwan), oil country tubular goods (Argentina, Canada, Taiwan), offshore platform jackets and piles (Japan, Republic of Korea), 64k dynamic random-access memory components (Japan), pistachio nuts (Iran), petroleum wax candles (China), erasable programmable read-only memories (Japan), certain circular welded carbon steel pipes and tubes (Thailand), certain welded carbon steel pipes and tubes (India, Taiwan, Turkey, Yugoslavia), certain steel wire nails (China, Yugoslavia), anhydrous, sodium metasilicate (United Kingdom).

1 Superseded by a subsequent measure.
Preliminary determination of subsidization: fuel ethanol (Brazil), certain circular welded carbon steel line pipe (Venezuela), porcelain-on-steel cooking ware (Mexico), rice (Thailand), carbon steel wire rod (New Zealand), pistachio nuts (Iran), groundfish (Canada), oil country tubular goods (Canada), red raspberries (Canada), welded carbon steel pipes and tubes (Turkey), carbon steel wire rod (Saudi Arabia).

Preliminary determination of no dumping: non-malleable cast iron pipe fittings (Taiwan), nylon impression fabric (Japan).

Preliminary determination of no subsidization: oil country tubular goods (Taiwan), carbon steel wire rod (Singapore), porcelain-on-steel cooking ware (Taiwan).

Provisional anti-dumping duties: certain welded carbon steel pipes and tubes (India, Thailand), cast iron pipe fittings (Taiwan), oil country tubular goods (Canada), 64K dynamic random-access memory components (Japan), iron construction castings (Brazil, China, Canada, India), offshore platform jackets and piles (Japan), heavy walled rectangular welded carbon steel pipes and tubes (Canada), hydrogenated castor oil (Brazil), rock salt (Canada), erasable programmable read-only memories (Japan).

Provisional countervailing duties: rice (Thailand), welded carbon steel pipes and tubes (Turkey).

Final determination of dumping: hydrogenated castor oil (Brazil), rectangular welded carbon steel pipes and tubes (Canada, Taiwan), rock salt (Canada), certain iron construction castings (Brazil, Canada, China, India), cellular mobile telephones and sub-assemblies (Japan), photo albums and filler pages (Hong Kong, Republic of Korea), grand pianos (Republic of Korea), carbon steel structural shapes (Norway), low-fuming brazing copper rod and wire (New Zealand, South Africa), certain circular welded carbon steel pipes and tubes (Thailand, Yugoslavia), natural bristle paint brushes (China), barbed wire and barbless fencing wire (Argentina), fuel ethanol (Brazil), certain welded carbon steel pipes and tubes (India), steel wire nails (China), cast-iron pipe fittings (Brazil, Republic of Korea, Taiwan).

Final determination of subsidization: fuel ethanol (Brazil), deformed steel concrete reinforcing bars (Peru), agricultural tillage tools (Brazil), welded carbon steel pipes and tubes (Turkey), carbon steel wire rod (New Zealand, Saudi Arabia), pistachio nuts (Iran), iron construction castings (Brazil), groundfish (Canada).

Final determination of no dumping: 12-hydroxystearic acid (Brazil), printed vinyl film (Brazil), certain steel pipes and tubes (Japan), certain steel wire nails (Republic of Korea).

Final determination of no subsidization: carbon steel wire rod (Singapore).

Final determination of injury from dumping: cellular mobile telephones and sub-assemblies (Japan), photo albums and filler pages (Hong Kong, Republic of Korea), barbed wire and barbless fencing wire (Argentina), low-fuming brazing copper rod and wire (New Zealand, South Africa), natural bristle paint brushes (China), iron construction castings (Canada, Brazil), certain welded carbon steel tubes and tubes (Thailand).

Superseded by a subsequent measure.
Final determination of no injury from dumping: hydrogenated castor oil (Brazil), certain welded carbon steel pipes and tubes (Taiwan), carbon steel structural shapes (Norway), rectangular welded carbon steel pipes and tubes (Canada), sugar content of certain articles (Australia), rock salt (Canada), fuel ethanol (Brazil), hot-rolled carbon steel products (Austria), table wine (France, Italy, Federal Republic of Germany).

Final determination of injury from subsidization: certain welded carbon steel pipes and tubes (Turkey).

Final Determination of no injury from subsidization: fuel ethanol (Brazil), table wine (France, Federal Republic of Germany).

Definitive anti-dumping duties: certain welded carbon steel pipes and tubes (India, Thailand, Yugoslavia), natural bristle paint brushes (China), low-fuming brazing copper wire rod (South Africa), certain iron construction castings (Brazil, Canada, India), cast iron pipe fittings (Taiwan).

Definitive countervailing duties: agricultural tillage tools (Brazil), carbon steel wire rod (Saudi Arabia), welded carbon steel pipes and tubes (Yugoslavia).

Termination of anti-dumping cases: oil country tubular goods (Austria), certain circular welded carbon steel line pipe (Venezuela), certain steel wire nails (Yugoslavia).

Termination of countervailing duty cases: certain circular welded carbon steel line pipe (Venezuela), oil country tubular goods (Austria), red raspberries (Canada).

Cases withdrawn (anti-dumping): glyoxal (France, Federal Republic of Germany), non-malleable cast iron pipe fittings (Taiwan), certain butt-weld pipe fittings (Brazil, Japan, Taiwan).

Cases withdrawn (countervailing): table wine (Italy).

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