GENERAL AGREEMENT ON
TARIFFS AND TRADE

DEVELOPMENTS IN THE TRADING SYSTEM
APRIL - SEPTEMBER 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 April – 30 September 1986, and is a revision of the secretariat note (C/W/502) prepared as a basis for the review of developments in the trading system by the Council at its special meeting held on 5 November 1986, the seventh since July 1983 when the Council agreed that these meetings would serve to monitor paragraph 7(i) of the Ministerial Declaration of 1982 as part of the GATT's surveillance system. The aim of the note was 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 had 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 largely follows the pattern set by its recent predecessors because it was considered inadvisable to introduce major changes at this stage as the question of organization of surveillance in terms of the Ministerial Declaration of 1986, including the question of its relationship to the surveillance function in terms of the 1979 Understanding and the Ministerial Declaration of 1982 are matters currently under discussion. First comes an 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. Section B contains a more comprehensive and detailed enumeration of tariff and non-tariff measures, and also draws attention to other actual or potential developments of relevance to the trading environment. 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

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1 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 265/210). 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(i) of the Ministerial Declaration (BISD 298/11) adopted in November 1982. The Council also agreed that such special meetings should preferably be held twice a year. In paragraph 7(i) 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".
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.

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 document 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. The responsibility for the document remains, however, that of the secretariat.

4. The Ministerial Declaration of 1986 recognizes the importance of surveillance as regards the standstill and rollback commitments as well as the functioning of the GATT system. Although certain organizational questions are still under discussion, it is clear that surveillance must continue to encompass all measures that affect the operation of the General Agreement if it is to contribute to attaining the objective of the Declaration:

"(ii) to strengthen the role of GATT, improve the multilateral trading system based on the principles and rules of the GATT and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines".

OVERVIEW OF DEVELOPMENTS

5. The single dominating event over the whole of the six-month period under review was of course the adoption at Punta del Este of the Declaration launching the Uruguay Round of negotiations. The Declaration provides a comprehensive mandate for the negotiations, reflecting the varied interests of governments in healthy international trade and their common concern and commitment to maintain and strengthen a multilateral trading system based on agreed rules.

6. Among the wide range of issues on which negotiations will take place, three which have largely remained outside the framework of GATT principles have been prominent in the developments of the last six months. They are agricultural trade, trade in textiles and clothing, and the use of unilateral or bilateral restrictive measures in disregard of GATT disciplines.

7. Agricultural problems underlay most of the major disputes during the period. Resort to subsidies - direct or indirect but with the common effect of cutting export prices - threatened to lead to trade wars of spiralling retaliation. The United States sold subsidized sugar to China,
and the EEC its subsidized beef to Brazil. Both competed in trying to underbid each other to sell grains to the Soviet Union. In view of the impact of agricultural subsidies by the US and EEC on the exports of efficient third country producers, representatives of fourteen countries met in August at Cairns, Australia in order to work out a joint strategy to promote the reform of agricultural policies. The climate brightened when another agricultural conflict, the "pasta-citrus war", between the US and EEC was brought close to solution. An interim agreement between them regarding access for certain agricultural products to the Portuguese and Spanish markets also contributed to an easing of tensions, although some countries have expressed concern about what they consider to be discriminatory aspects of the agreement (see section A.II(i)).

8. In textiles and clothing, attention focussed on the negotiation of a successor régime to the Multifibre Arrangement (MFA III) due to end in July 1986. The Arrangement was extended for five years as MFA IV, with a broader coverage. In parallel with the discussions on the multilateral framework, the US and EEC renegotiated a certain number of existing bilateral agreements with their trading partners. The strength of continued protectionist pressures was demonstrated in the United States where Congress almost succeeded in overriding the President's veto of the severely protectionist Jenkins bill (see section A.II(vii)).

9. The volume of trade covered by "voluntary" trade-restrictive measures does not seem to have increased significantly in recent months. However, the use of these restrictive measures became more pronounced in the high technology area, illustrating the tendency of such measures to spread from one sector to another. The latest products affected are semi-conductors. These are used as inputs by producers of other export goods who may thus find themselves priced out of foreign markets as a result of an arrangement made by their own government. United States users of microchips were reported to be seriously concerned by effects on supplies and prices likely to result from the new US-Japanese agreement on semi-conductors. However, the US Government does not view this agreement as a restrictive measure (for Council debate in October 1986, see C/M/202). Concern at the possible harmful effects of new restraint arrangements in this and in the steel sector was also felt in third countries, some of which introduced import monitoring systems. Some contracting parties, such as Sweden and Switzerland, refused to negotiate "voluntary" restraint arrangements, on steel and machine tools respectively, because these would violate the provisions of the General Agreement (see Sections A.II(ii) and (v), and C.I).

10. Other positive developments should not be forgotten. An important element was the resistance put up by a number of governments against protectionism. Among them, the United States administration, notably resisted efforts to override the veto on the Jenkins bill and to promote restrictive omnibus legislation in Congress. The Japanese Government announced that it has been making further efforts to open its markets. A number of other countries, developed and developing, took liberalizing actions.

11. Developments in trade policies should be seen in the overall context of developments in the world economy. The expected improvement in the general economic climate and in trade performance has yet to materialize. High unemployment continued to fuel protectionist pressures and risked to
slow down structural adjustment. Despite a drop in interest rates, lower oil prices and reduced levels of inflation, output in the industrialized world in the first half of 1986 did not generally pick up and economic growth in some countries was sluggish. Preliminary figures suggest that the volume of world merchandise trade was growing during the first half of 1986 at the same moderate rate of 3 per cent as during the whole of 1985. (The developments are analyzed in Prospects for International Trade, Press Release GATT/1392.)

12. The fact that representatives of ninety-two governments have agreed to enter into negotiations on a wide range of issues - only some of which have been referred to here - is proof of their determination to re-establish the health of the trade system and to promote the process of economic growth. They agreed that the multilateral trade negotiations would be concluded within four years. However, they also took a decision which went into effect with the launching of the negotiations. This is the decision, "not to take any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement or the Instruments negotiated within the framework of GATT or under its auspices" and that all such existing measures shall be phased out or brought into conformity within an agreed timeframe.

13. It is evident that future developments in the trading system can be expected to be profoundly influenced both by the commencement of the process of the multilateral trade negotiations and by the manner in which the commitments on standstill and rollback contained in this decision are implemented.
A. MAJOR DEVELOPMENTS IN TRADE POLICY

I Regional Developments

14. The last six months were marked by announcements or decisions to create or strengthen economic integration either between neighbouring countries or existing trade groupings. Foremost were the signature of agreements between Argentina and Brazil to start the process of eventually establishing a common market in South America, the launch of the long-heralded negotiations between Canada and the United States to form a free-trade arrangement between the world's two largest mutual trading partners, and the extension of the existing free-trade arrangements between the EFTA and the old EC 10 to encompass the addition of Spain and Portugal to the European Community.

15. **Argentina/Brazil:** on 29 July, Argentina and Brazil together signed a series of mutual agreements with a view to laying the basis for an eventual common market in South America, starting with the two largest industrial powers. The agreements comprise twelve protocols which focus on eliminating all tariff and non-tariff barriers to bilateral trade in capital goods, creating financial mechanisms for adjusting trade imbalances between the two, and the establishment of an investment fund for the promotion of bi-national companies. Also included was an agreement committing Brazil to purchase certain volumes of grain from Argentina (reaching 2 million tonnes annually in 1991). Co-operation in aerospace to develop joint export potential was the subject of a further protocol.

16. According to report, **Uruguay** has been invited by the two signatories to join the new integration process during the 90 days following the signing of the Argentinian-Brazilian accord. The President of Venezuela was also reported to have said that his country welcomed the initiative and was prepared to form part of the future common market.

17. **Tunisia/Morocco:** according to reports in May, Tunisia and Morocco have decided to create a free-trade zone so as to strengthen Tuniso-Moroccan economic relations. A customs and trade agreement has been signed to this end containing measures to promote broader bilateral co-operation, intensify trade, and encourage greater economic complementarity between the two countries.

18. **Indonesia/Philippines:** Indonesia and the Philippines are reported to have agreed to work towards creating a South East Asian common market by the year 2000. The matter is to be considered in more detail at an ASEAN summit meeting which is to be held in July 1987 in Manila. Since its foundation in 1967, ASEAN leaders have held two previous summit meetings, 1976 and 1977. The latest reports in September 1986 - after the 18th ASEAN Economic Minister's meeting - indicate however that there is as yet no consensus in principle on the planned common market. Failure to agree was reportedly due to the considerable disparity in growth rates and income levels among the group.

19. **CARICOM:** in July the Caribbean Economic Community's heads of government decided to set up a US$75 million trade credit facility as part of the efforts to stimulate trade within the 13-nation organization. The
new facility will provide pre-shipment financing for a maximum of two years and post-shipment financing for a maximum of five years. It will be used to cover most of the Community's exports except for more traditional items like bananas and sugar. When the scheme becomes effective in January 1987 it is also intended to stimulate countertrade between members of CARICOM.

20. EEC/ACP countries: on 1 May, the third five-year Lomé Convention (see L/6025, paragraph 28) entered into effect following its ratification by the 10 EEC Member States signatories of the Convention and by two-thirds of the 66 participating African, Caribbean and Pacific countries.

21. Caribbean/Canada: according to report, Canada was ready to implement its one-way free-trade facility for eighteen Commonwealth Caribbean countries, as from 15 June 1986 (see L/6025, paragraph 34). A Working Party is currently examining Canada's request for a waiver under Article XXV:5 of the General Agreement (see L/5948 and L/6008).

22. Canada/United States: in May, Canada/US negotiations opened in Ottawa on the projected free-trade agreement between the two countries. The US negotiating mandate from Congress runs until January 1988. Canada and the United States are the world's biggest trading partners (see also L/5915, paragraph 22 and L/6025, paragraph 32).

23. US/Mexico: President Reagan announced on 13 August that the United States and Mexico would negotiate a framework agreement to improve trade and investment between the two countries. Previously, the US and Mexico had concluded a limited trade accord in 1985, by which Mexico pledged to reduce its export subsidies in return for a US commitment to retaliate against Mexican subsidized exports only if they were actually harming American producers. Also on 13 August, the United States removed its prohibition on the importation of tuna and tuna products from Mexico. The prohibition had been imposed in July 1980 after a finding by the Secretary of State that US fishing vessels had been seized by Mexican authorities while fishing in waters beyond any foreign national territorial sea, to the extent that such sea is recognized by the United States.

24. EC/EFTA: the additional protocols to the free-trade agreements between the EC and EFTA countries entailed by the enlargement of the Community and the exchange of letters on agriculture, fish and other products not covered by these agreements were signed on 14 July. Additional protocols of the agreements between the ECSC (European Coal and Steel Community) and EFTA were also signed. This is the result of the negotiations that had ended on 1 March 1986 (see also L/6025, paragraph 23). For industrial goods, the additional protocols to the free-trade agreements and agreements concluded between the EFTA and ECSC countries are to ensure the harmonious, gradual implementation of the free-trade agreements with respect to Spain and Portugal. These protocols contain the same transitional clauses on trade between the two new Member States and EFTA countries as existed between these two member states and the 10-member Community, especially concerning the dismantling of customs tariffs, tariff quotas, and quantitative restrictions. As regards agricultural and fisheries products, the effect of the exchanges of letters will be to preserve the level of liberalised trade between EFTA countries on the one hand and Spain and Portugal on the other.
25. In June, the European Community and the EFTA agreed, in principle, to introduce a simplified customs system throughout the two areas as from 1 January 1988. This agreement is the first step towards computerizing customs formalities throughout Western Europe. The two groups have also agreed to some simplification of the rules of origin and to make further progress in this regard. They also agreed to promote the creation of common standards.

26. EC/East European countries and CMEA (Council for Mutual Economic Assistance, also referred to as Comecon): letters sent in February by the EC Commission to the Foreign Ministers of the European CMEA countries proposing a normalization of the EC's relations with these countries in parallel with the establishment of official EC-CMEA relations received positive replies during the period March-May. The East European countries expressed their willingness to establish bilateral relations with the EC and to discuss agreements with the EC in appropriate areas. In June, the EC Commission submitted to the Council draft negotiating directives for a trade and co-operation agreement with Romania, and in July for an agreement on trade in industrial products with Czechoslovakia. The Commission has since held talks on the development of bilateral relations with Hungary, Poland and Bulgaria, and will shortly do so with the USSR. A meeting of EC and CMEA experts took place in late September to discuss ways and means for establishing official EC/CMEA relations (see also L/6025, paragraph 26).

27. PTA: according to report, the members of the PTA (Preferential Trade Area for Eastern and Central Africa) held a special meeting in June in Burundi. Reportedly, the 15-member grouping resolved to waive, for a period of five years, the PTA requirement that in order to qualify for preferential treatment traded goods should have at least 51 per cent local content. The meeting also adopted a three-tier system for preferential benefits among the members and decided to implement certain tariff reductions between them with immediate effect (see also L/5915, paragraph 25).

II Sectoral developments

28. This section deals with developments in the main sectors on which attention has been focusing in the period under review: agriculture, steel, petroleum, motor vehicles, electronics, footwear, and textiles and clothing. A feature common to most of these sectors appears to be the continued drift towards managed trade.

(i) Agriculture

29. Fears that a Euro-American farm conflict might escalate into a trade war characterized most of the period under review. The United States Secretary for Agriculture was on record as saying that his country's latest farm policies "will cause new concerns in world markets" while the Community made it clear that it would match US subsidies on world markets, where necessary. According to estimates, the two areas jointly pay roughly US$50 billion a year, in about equal amounts, in support of their farm production and exports; the total value of world food exports last year
was $199.2 billion. As previously, the trading environment remained marked by problems of oversupply, acute international competition and subsidized exports. US sales of cut-price sugar to China and similar offers of wheat to the Soviet Union and cheap beef and grain deals by the EC merely underscored the fact that, in conditions of oversupply, import substitution and depressed prices, together with reduced purchasing power in many developing countries markets, the effect of export promotion programmes among certain principal agricultural traders was less to create new demand than to re-distribute a smaller trade among themselves.

30. Positive features though few were important. The approaching settlement between the EC and the US to resolve the so-called "pasta-citrus war" was a major step to de-escalate tensions between the two sides. Other attempts were the proposal by the Community of an interim agreement to compensate the United States for its agricultural losses due to the enlargement of the European Community and the initiative of a newly formed group of "non-subsidizing agricultural exporters" to publicize the fact that the farming community faces a common and highly complex problem which will only be resolved through a real attempt at removing access barriers and reducing and phasing out subsidies affecting agricultural trade.

31. IBRD/Agriculture: in its World Development Report 1986, the World Bank gave particular prominence to its study on the effects of agricultural policies in both the industrialized and developing world. Against a background of mounting surpluses, falling prices, rising trade frictions and acute debt problems, the World Bank made a strong case for liberalization. Among the main conclusions were the large economic gains that could be predicted for both industrialized and developing countries from liberalizing agricultural trade. On the basis of certain assumptions, the World Bank estimates that developing countries' national incomes would rise by $18 billion annually while the industrial countries would gain $48 billion. Although the estimates are only concerned with temperate zone products, the results suggest not only the mutually reinforced benefits which world-wide agricultural liberalization would bring for both developed and developing countries but, also, that the two sides have a greater interest in liberalizing their own farm prices than in trying to force freer entry into each other's markets.

32. Wheat Exporters: three of the major wheat exporters, Argentina, Australia and Canada which jointly export more than 40 per cent of the world's wheat, met in August to discuss the trade crisis exacerbated by subsidized wheat sales from the European Community and the United States, and to try and formulate a joint position for combating the new risk to their own sales.

33. Fourteen "non-subsidizing" agricultural nations: Ministers from 14 so-called 'fair-trading' nations also met in August in order to develop a common strategy regarding agriculture in the forthcoming GATT-sponsored multilateral negotiations. The joint communiqué called, inter alia, for an adequate treatment of agricultural subsidies and of domestic agricultural adjustment policies in coming negotiations. The Ministers of the 14 countries further stressed that the new round must not fail to solve the long-standing problems in agricultural trade and called for a reform of agricultural trade practices that would include a marked reduction in the use of farm subsidies.
34. United States/Soviet Union: the US President authorized, on 1 August, the sale of 4 million tonnes of wheat to the Soviet Union (as part of the long-term bilateral agreement of 1983) at the current world market price, thereby implementing the Export Enhancement Programme (see also L/5915, paragraph 32) which subsidises sales from government grain stocks. The subsidy amounted to $13 per tonne and was subsequently raised to $15 on 30 August; the US offer was not taken up by the Soviet authorities and expired on 30 September 1986. The US move was countered by an EC announcement that it would make available for export almost one million tonnes of cereals currently stored in Community grain silos. The Community is already on record as having said that it will match American subsidies on world markets, where necessary (see following paragraph). Other wheat exporters also expressed concern.

35. EC/USSR: in late September the EC Commission announced that a special refund of ECU 126.50 (US$131) would be paid for every tonne of soft wheat sold by 26 September 1986. It stated that the refund was set in line with the prices offered by the Australian and Canadian Wheat Boards. The refund, known as the "common right refund" is an alternative to the more common tendering procedure whereby traders have to apply for a rebate level they themselves think the EC would consider appropriate. The new subsidy is about ECU 8 more than the EC has been prepared to pay out in recent weekly tenders. The Soviet Union is reported to have purchased 1 million tonnes of soft wheat.

36. EC/Enlargement: in July, the Commission presented its proposals to the US Administration relative to agricultural matters arising out of the enlargement of the Community (see L/6025, paragraphs 46 to 48).

37. US/EC: the parties concluded an ad referendum agreement on 10 August to resolve the dispute over the EC’s Mediterranean agreements with third countries and in particular the tariff régime applying to citrus. Under the compromise the EC agreed to reduce the duties on certain products, including citrus products, of export interest to the United States; the US made corresponding adjustments to its tariff on items of interest to the Community. The US also agreed to remove the additional duties it had imposed on pasta imports. The EC ended its measures against American walnuts and lemons. Both sides agreed that on the entry into effect of their agreement, they would inform the GATT Council that they had resolved their citrus dispute in a mutually satisfactory way (see also L/5915, paragraph 36 and page 62(iv) and L/6025, paragraphs 70 and 71). Both parties also agreed to proceed in good faith in seeking a prompt solution to their dispute over EC restitutions for pasta exports; if a solution is not reached by 1 July 1987 then either party would have the right to pursue the renegotiation of this agreement or to terminate it. According to rough calculations made by the parties, the long-running dispute involved trade valued at more than half a billion dollars a year.

38. United States: in July, the US Senate passed a bill to expand the official Export Enhancement Programme (which provides government-owned grain bonuses to purchasers of US commodities). This came about in an amendment attached to a bill authorizing continued operations of the US Export-Import Bank for another six years. The Senate bill will have to be reconciled with a bill previously passed by the House of Representatives if the provision is to become law.
39. **US/EC**: in July, the EC decided autonomously to honour an interim six month pact to deal with the US/EC trade dispute over the sale of feed grains to Spain. The dispute arose when Spain, under its Treaty of Accession to the Community adopted the CAP's variable levy on maize and sorghum last March (see L/6025, paragraphs 47-48). The settlement provides that the Community will monitor sales of maize, sorghum and corn gluten feed, distillers draff and citrus pellets to Spain. If average monthly sales drop below 234,000 tonnes then, after October, the Community will import an amount equivalent to the shortfall; the difference would be subject to a reduced levy.

40. **Argentina**: in April, the President announced a 10 3/4 per cent increase in wheat support prices. He also reiterated the Government's promise to phase out taxes on agricultural exports. In September a further announcement stated that export duties for most Argentine coarse grains and oilseeds would be reduced. All reductions except those for wheat exports will take effect on 5 January 1987. While no date was given for the reduction in wheat export duties, they are expected to be cut from 15 to 5 per cent.

41. In June, the Argentine authorities were reported to have reduced the soybean export tax from 27 to 15 per cent. The difference between export taxes on the raw material (27 per cent) and on processed products (oils and soya cake - 15 per cent) had allegedly enabled Argentina to export soya cake at below the world market price (for beans plus the normal cost of crushing); both raw and processed soya are now taxed at the same rate, 15 per cent. According to the latest information received from the Argentinian delegation, the previous rates are still in force.

42. **Brazil**: according to an announcement made in September, the Brazilian Government has suspended all beef exports. It has also removed all restrictions on imports of beef, pork and fish until December 1987. The action was taken after four months of worsening shortages.

43. **EC/Australia**: according to various reports in April, the Commission was said to have reconfirmed the so-called "Andriessen" undertaking of February 1985 whereby the EC undertook not to offer export restitutions (i.e. subsidized sales) in six Asian markets (Japan, Malaysia, Papua New Guinea, Singapore, Republic of Korea and Thailand) which Australia regards as among its traditional outlets.

44. **EC/Brazil**: the EEC agreed, reportedly, at the request of the Brazilian Government, to sell substantial amounts of old beef (circa 100,000 tonnes) from intervention stocks to Brazil during the period 20 June to 30 November. At the end of May 1986, EEC intervention stocks of beef stood at 737,642 tonnes. This sale has been notified to the International Meat Council.

45. **EC/Italy**: Italian exports of live animals and some meats are to be banned from the rest of the Community following outbreaks of foot-and-mouth disease, according to a statement made on 3 September. The ban covers all imports of Italian live animals and meat with bones and offal for an indefinite period. Boneless meat from areas affected by the foot-and-mouth outbreaks will be banned for three months from the time an outbreak is reported.
46. **EC/New Zealand:** in July the EC notified to the International Dairy Arrangement (IDA) the new butter quota which will apply to imports from New Zealand in 1987 (76,500 tonnes) and 1988 (74,500 tonnes) as compared to the 1986 level of 79,000 tonnes. The special access arrangements for New Zealand are to be examined again in 1988 in the light of changed circumstances in the Community's butter market.

47. **EC/Saudi Arabia:** the EC Commission authorized the sale of between 300,000 and 400,000 tonnes of barley from intervention stocks to Saudi Arabia, according to a report in June. Reportedly, this was done in response to offers by US exporters.

48. **EC/Thailand:** on 28 April, the EC Council renewed the co-operation agreement on manioc trade between the EC and Thailand for a further four-year period starting 1 January 1987. For the four-year period and for each subsequent four-year period the total export quantity allowed will be 21 million tonnes; exports may not exceed 5.5 million tonnes in any one year. The agreed quantities will face a maximum import levy of 6 per cent ad valorem. In June, the EC decided to maintain China's manioc export quota at 300,000 tonnes, although the 1985 quota had not been fully filled.

49. **EC/Uruguay:** by an exchange of letters between the EC and Uruguay in June, the Uruguayan authorities agreed to avoid any change in the traditional Uruguayan trade flows of mutton and lamb to France and Ireland during the period 1 April 1985 to 31 March 1988. Uruguay had accepted, in October 1980, to voluntarily restrain its trade in mutton and lamb to certain Community markets considered sensitive; the undertaking had expired on 31 March 1985.

50. **US/China:** in mid-August, the US Department of Agriculture announced that the United States would sell its entire sugar stockpile to China at a price of 4 3/4 USc/lb or two cents below the prevailing world price. As the sugar was bought into stock when the domestic guaranteed support price was 17 3/4 USc/lb, the sale has netted the US Government's Commodity Credit Corporation US$41 million less than it originally paid out (see also L/6025, paragraph 41(c)).

51. **US/Japan:** on 10 September the US Rice Miller's Association filed a petition with the US Trade Representative under Section 301 of the 1974 Trade Act. The petition noted that the price of rice in Japan is now ten times higher than prices elsewhere and requested the US Government to impose retaliatory measures against Japan if it should continue to allow a "virtual ban" on rice imports from the United States.

52. **US/Sri Lanka:** according to report, Sri Lanka has been offered up to 125,000 tonnes of US wheat at competitive prices between May 1986 and May 1987 under the US Department of Agriculture Export Enhancement Programme. Fifty thousand tonnes of wheat under the programme have also been sold to Jordan and to North Yemen all of which elicited protests from Australia, the previous main supplier.

53. **Nigeria:** in May, the Nigerian Government decided to abolish all six Marketing Boards (cocoa, cotton, grains, groundnuts, palm produce and rubber); trading in produce had to end by 30 June and the Boards had to be totally wound up by the end of 1986. The Boards are to be replaced by a freer marketing system "whereby farmers will be involved in the direct marketing of their produce".
54. In May, the Nigerian President announced that from the beginning of 1987 imports of wheat would be banned. Last year Nigeria imported 1.4 million tonnes of wheat valued at US$253 million, of which 85 per cent was obtained from the United States.

55. Thailand: in April, the Government adopted a series of measures to combat what it sees as a threat to its rice exports arising from the implementation of the provisions of the US Farm Act which substantially lower US rice export prices (from $8/hundredweight in 1985 to about $4.20 in April 1986). Accordingly, the Council of Economic Ministers decreed immediate efforts to step up sales to Brazil, Iran and Malaysia, through a combination of lower prices and barter deals (see also L/6025, paragraphs 40 and 41(a)).

56. United States: the National Commission on Agricultural Exports officially announced its final trade policy recommendations in June. After 18 months of hearings, the Commission, established by Congress in late 1984 to study the five-year, $36 billion decline in America's agricultural trade, offered nine proposals for the improvement of US competitiveness abroad. Included in the recommendations were guaranteed US retaliation against unfair trade practices, a streamlined decision-making process for US agricultural trade policy, the separation of agriculture from US foreign policy, and intensive government-sponsored overseas market promotion efforts especially as regards exports of high value and value-added agricultural products.

57. New Zealand: in September New Zealand notified to the International Dairy Arrangement (IDA) the sales of New Zealand cheddar cheese that it had made to a number of countries between April and June 1986 for processing and re-export. These sales took place under the derogation provided for in Article 7:2 of the IDA which permits the export of small quantities of low quality cheese at prices below the normal GATT minima. The New Zealand authorities also notified the IDA of their intention to export to Brazil between October 1986 and December 1987 50,000 tonnes of milkfat made from stocks of old butter (aged 18 months or more) under the derogation provided for such sales in Article 7:1 of the Protocol regarding milkfat.

(ii) Steel

58. Trade policy developments in the steel sector took place in the environment of the ongoing adjustment of steel industries in industrialized countries and stagnant world demand for steel. Steel output in the OECD countries declined during the period under review, the steepest falls being registered in the United States followed by the EC and Japan. However, the decline was offset by an increase in steel production in a number of developing countries including India, China and the Republic of Korea.

59. Trade policies affecting steel were dominated by a search for immediate solutions to the most direct problems. The trend of the last few years towards 'managed trade' in steel continued.

60. According to available information, 21 export restraint arrangements of various forms limiting shipments of steel to the United States and the European Community were either renegotiated or introduced during the period under review. This includes a renewal of the EEC's steel agreements with its 14 major suppliers, the US requests for reduction in shipments of oil
country tubular goods (OCTG) and the US-EEC agreement on exports of semi-finished steel to the United States (for further details see section C.I) The export restraint arrangements on trade in steel presently in existence number at least thirty-six. Fourteen of the known arrangements restrict steel shipment to the European Community (which are understood to take the form of price monitoring systems and guidelines in terms of quantities) and 22 arrangements limit steel exports to the US market.

61. Concern has grown because the existing network of export restraint arrangements has resulted in diversion of subsidized and dumped steel to the markets which were not protected by similar arrangements.

62. Thus, in order to improve monitoring of carbon steel imports, permits are required effective 1 September 1986 for entry of such imports to Canada. This measure has been adopted following investigation by the Canadian Import Tribunal which noted greatly increased potential for diversion into Canada of carbon steel imports arising from unsettled world market conditions including widespread excess capacity, declining demand and import restraints in other countries. Improved monitoring would provide more timely and accurate information for investigating complaints under Canadian laws dealing with unfair trade practices (i.e. dumping and subsidization) concerning carbon steel. The EEC steel industry made a plea to the EEC Commission in summer 1986 for new export restraint arrangements with a number of countries which do not have such arrangements with the EEC but which currently limit their steel exports to the United States or are under pressure to do so.

63. In the United States there is reportedly continued pressure to add Canada to the network of voluntary restraint agreements between the United States and major steel supplying countries. United States imports of steel from Canada for the first eight months of 1986 accounted for 3.4 per cent of United States consumption as compared to a 3.1 per cent share for the same period in 1985. The United States has not, however, requested a voluntary restraint arrangement for Canada.

64. The United States asked in September 1986 for 'immediate consultations' with Sweden and Taiwan in order to stem steel imports from these exporters. None of the three exporters was covered by the network of five-year export restraint agreements already in existence between the United States and 18 major steel exporting nations. Taiwan has already instituted a 'unilateral' restraint on steel exports to the United States effective 1 September 1986.

65. On the brighter side, there was further relaxation of internal market controls on steel in the EEC. Efforts in this direction might make it easier for the Community to relax its restrictions on steel imports from outside the EEC. Moreover, there was a decline in the number of pending unfair trade complaints relating to iron and steel (see section B.IV). In the United States there were only four dumping and countervailing duty investigations initiated in the iron and steel sector during the review period as compared with 17 such investigations during the previous period which happened to coincide with the negotiations of export restraint arrangements with a number of countries.
(iii) Petroleum

66. OPEC: on 21 April, a majority of member countries (Algeria, Iran and Libya dissenting) agreed that in order to stabilize the oil market, their average combined output should be set at 16.7 million barrels per day for 1986 as a whole, and 16.3 and 17.3 mb/d for the third and fourth quarters, respectively. Individual quota allocations were to be worked out by the next meeting in June. It was also agreed that further approaches on possible production cuts should be made to non-OPEC producers, whose output has remained markedly steady so far at 28 mb/d.

67. After prolonged deliberations, Ministers, on 5 August, agreed as an interim action to support oil prices, that OPEC oil production for September and October should be limited to 16.8 mb/d (compared with an estimated rate at the time of more than 20 mb/d). Except for Iraq, the quota distribution was to be that agreed previously on 31 October 1984; compliance was to be ensured through a controlling system. The conference was to reconvene on 6 October to consider the results of the interim agreement and output levels for the subsequent period.

68. Norway: the Government recently announced its intention on October 22 to take voluntary measures in order to contribute towards a stabilization of oil prices. Through building emergency stocks a 10 per cent reduction of oil exports will be implemented in November and December 1986 amounting to approximately 80,000 b/d. Similarly, Mexico is presently believed to be holding its output to 150,000 b/d after an announcement in August that it will support OPEC's production restraint pact.

69. International Energy Agency: according to the Agency, the collapse in crude oil prices has, since the end of 1985, reduced OPEC's income by around $200 million a day.

70. ASEAN: in June, ASEAN agreed on an emergency petroleum sharing arrangement. Under the agreement, oil exporting countries such as Brunei, Indonesia and Malaysia are committed to sell oil to any "distressed member country", subject to the exporting country's domestic needs and other international commitments. If the available supply of crude oil or oil products falls short of 80 per cent of a distressed country's needs, other ASEAN governments "will endeavour to contribute" some of their own supplies. In times of oversupply in an exporting country, the importing countries are required, "so far as practicable" to purchase that country's oil. The agreement is to go into effect only after each of the six ASEAN countries have ratified it.

71. France: on 24 September the Government further eased restrictions on crude oil and oil product imports for French-based oil refiners and independent distributors. The latest liberalization of the French oil market includes suspending the obligation for independent distributors to buy at least 80 per cent of their oil products from French or EEC refineries. The Government has also suspended the obligation for the big oil companies operating in France to supply the French market with at least 90 per cent of products derived from either French or EEC refineries. These obligations were part of the 1928 French oil legislation, designed to safeguard the country's strategic energy needs and interests and encourage the development of a French oil industry.
72. Iraq/India: Iraq has agreed to pay 60 per cent of the $200 million it owes Indian construction companies in the form of crude oil. The remaining 40 per cent will be deferred for three years. The agreement, reached in mid-July, stipulates that the price of Iraqi crude oil will be related to world prices and that negotiations on new terms will be held each year.

73. Mexico/Venezuela: according to report in August, Mexico and Venezuela have agreed to extend, for a seventh year, their 1980 San José Accord whereby they both agreed to supply oil at below-market rates to nine countries in Central America and the Caribbean.

(iv) Motor vehicles

74. Trade in the automotive sector was marked by several clear features. First, in contrast to last year, demand in the first six months of the year rose strongly in Western Europe while slowing markedly in North America. In the latter market, the depreciation of the dollar especially against the yen since September 1985 probably had a constraining effect on import trade. Trade in automotive parts in general continued to recover but became the subject of concern for EC and US trade officials. In the trade policy area, attention focused on the rapid increase of Japanese exports to Western Europe and the strong sales performance of the Republic of Korea in North America. The Japanese Government has continued to take steps to encourage the importation of foreign automobiles into Japan, where passenger car imports in the first seven months of 1986 totalled 41,000 units, up by 36 per cent from the preceding year.

75. Japan/EC: as a result of the remarkably sharp increase in Japanese car exports to the EC, particularly in the first six months of the year and especially to the Federal Republic of Germany, the Japanese Ministry of International Trade and Industry (MITI) was reported in the Japanese press to have requested automobile manufacturers to limit the increase in their exports to the Community in 1986 to between 10 and 15 per cent over the previous year. In the first five months of 1986, according to industry statistics, the volume of Japanese exports of cars, trucks and buses to the EC grew 36 per cent compared to the same period a year earlier to about 558,000 units. In Western Europe as a whole, where total registration grew strongly, Japanese penetration of the seventeen major European markets was reported to have jumped by more than one-fifth, taking over a quarter of the 472,000 new registrations.

76. Since the EC and Japan discontinued the understanding to moderate exports of certain sensitive products from Japan in 1985, the only formal or informal arrangements relating to the limitation of trade are with France (to about 3 per cent of total new car and commercial vehicle registrations per year - in the view of the Japanese Government this is a unilateral limitation by France), Italy (2,300 cars per year) and the United Kingdom (to 11 per cent of annual new car sales). Spain maintains an annual quota of 2,000 from third countries of which the bulk is taken up by Japanese exporters. The Federal Republic of Germany, the Community's largest market, has none: formal import restrictions on Japanese motor cars into Federal Republic of Germany have never existed and, according to reports, an informal voluntary restraint agreement holding the Japanese share in the German car market to about 10 per cent, first implemented in 1981, lapsed after several years. Under a programme announced previously (see L/6025, paragraph 91) Japan has agreed to monitor seven categories of Japanese exports to the Community; cars are included among the items.
77. EC(Italy)/Japan: according to a decree signed in July, Italy has enlarged its quotas for Japanese imports. The quotas, which were fixed ten years ago and frozen since, are to be increased for the period 1 October 1985 to 30 September 1986. The principal products are as follows: motor cycles up to 380 ccs from 1200 to 1800 units; jeeps from 500 to 700 units; and motor cars from 1700 to 2250 units. According to other sources, the earlier quotas for each of these categories will be increased by 50 per cent for the period 1 October 1986 to 30 September 1987.

78. EC/Portugal: by Decision of 31 July 1986, the EEC Commission authorized Portugal to introduce intra-Community surveillance on imports of motor cycles from Japan, until the end of 1986. Portugal already maintains quantitative restrictions on these items when imported from Japan.

79. EC/Spain: by a Decision dated 25 June, the Commission authorized Spain not to apply Community treatment to motor vehicles (including sports cars and trolley buses) originating in Japan and in free circulation in other Member states, until 31 December 1986.

80. Hungary: in July, the Government announced regulations tightening the import requirements on imported cars from West Europe and other industrialized countries. Under the new measures, designed mainly to stem profiteering, private citizens may buy imported cars only every five instead of three years unless the cars are bought through a designated import company.

81. Republic of Korea/Canada: Korea and Canada agreed on the need to market cars in Canada in an orderly fashion. There is no formal restraint agreement between Canada and the Republic of Korea for marketing of cars in Canada, but the Republic of Korea has undertaken to practice prudence.

82. United States/Republic of Korea: the US and Korean auto industries are engaged in discussions on expanding motor vehicle imports from Korea and opportunities for US parts suppliers in Korea.

83. United States/Taiwan: the first ever investigation under Section 307 of the 1984 Trade and Tariff Act into foreign investment policies was concluded in September. As a result Taiwan agreed to drop export performance requirements for foreign motor vehicle manufacturers by mid-1987.

84. United States/Japan: according to report, the US and Japan began talks in August to discuss issues relating to trade in motor vehicle parts. US officials are believed to wish to focus on five main issues. These are: (1) to get Japanese auto makers in Japan and the US to buy American original equipment for their cars; (2) to open the after-sales market to US replacement and repair parts for Japanese cars; (3) to eliminate formal or informal government barriers to US replacement parts, such as periodic auto inspection programmes that foster use of Japanese-made replacement parts; (4) to exchange statistics on parts purchasing by auto makers on a company and product-category basis; and (5) to have the Japanese Government support import development programmes in favour of US suppliers. A critical factor in this context is reported to be the expectation by the US parts industry that by 1990, about 48 per cent of the cars sold in the US will be either imported or made in America by foreign producers, which the industry fears will significantly reduce the demand for domestically produced parts.
Electronics

Electronics seems to have become the latest bone of contention in trade policy. During the period under review the main issues of current concern included stiffened competition in the area of semi-conductors, a record US trade deficit in electronics with Japan, and new policies of a number of developing countries towards the computer and data service industry.

A bilateral arrangement on trade in semi-conductors concluded during the summer of 1986 between Japan and the United States is one of the most significant trade policy developments in the electronic sector of recent years (see L/6076). The arrangement is perceived by many as a major step towards managed trade in high technology and as demonstration that protectionism is beginning to assert itself even in the most advanced segments of the electronic industry.

The arrangement contains three essential elements: (i) monitoring of costs and prices of certain semi-conductor exports from Japan to the United States, and suspension of two anti-dumping investigations against Japanese semi-conductor exports to the United States, (ii) monitoring of costs and prices of certain semi-conductors exported from Japan to third countries, and (iii) improved market access for foreign-based semi-conductors in Japan (for details see C.I).

The arrangement may have an important influence on trade in semi-conductors over the next five years or more. Firstly, the trade coverage of the arrangement is substantial as the Japanese and US semi-conductor industries account for approximately 90 per cent of the world’s production of semi-conductors. Secondly, higher prices for intermediate goods such as semi-conductors could affect prices for electronic-based end-products and might modify production patterns in electronics across the world. On the one hand, the US and Japanese users of semi-conductors may be encouraged to search for lower cost sources of supply elsewhere. On the other hand, the arrangement might in the long run further stimulate Japanese producers to move up-market from basic memory chips into more complex semi-conductors (e.g. microprocessors) which are now mainly supplied from US sources, a development which has already begun.

One of the controversial features of the price-monitoring arrangement is that it also covers exports to third countries. The declared intention of the provision is to prevent circumvention by Japanese producers of dumping measures taken by the authorities of the United States and to avoid diverting low-priced shipments of Japanese chips from the United States to other markets. There is, however, growing concern that the arrangement may result in a situation unacceptable to others where Japan and the United States determine prices to be paid for chips by third country users.

On 1 August the European Commission expressed concern about the US-Japan arrangement on semi-conductors which, inter alia, included a specific provision for the monitoring of Japanese exports to third countries in order to prevent dumping. The Community currently imports about two-thirds of its consumption of semi-conductors. The Commission decided to observe closely the evolution of Japanese export prices to the Community from August onwards. In addition to these developments the EEC chip producers have expressed concern about the possible influx of
low-price Japanese semi-conductors. The producers are concerned
by drastic falls in prices on the European market of Erasable Programmable
Read-Only Memories (EPROMS) and Dynamic Random Access Memory (DRAMs) from
Japan. Preliminary evidence of alleged dumping by Japanese producers of
micro-chips in the EEC market has already been submitted to the European
Commission by the European Electronic Component Manufacturers' Association
(EECA). In October, the EEC had recourse to the General Agreement
(see final sub-paragraph of paragraph 296).

91. Finally, a number of electronic exporting countries are worried by the
possibility of discriminatory market access in Japan arising from the
US-Japan chip arrangement. On the other hand, the United States and Japan
have stated that the market access provisions of the US-Japan Arrangement
provide for gradual and steady improved market access over the period of
agreement (31 July 1991) for foreign-produced semi-conductors in Japan and
contain no preference for US (or any other) semi-conductor suppliers.

92. The semi-conductor issue surfaced in the summer of 1985. The US
Semi-conductor Industry Association (SIA) announced that it was seeking
action under Section 301 of the US Trade Act of 1974 to correct what it
claimed was unfair treatment of US products in Japan. Action by the SIA
was followed by a series of anti-dumping cases against Japanese
manufacturers. Products affected were EPROMS and High-Density Memory Chips
(64K and 256K DRAMS). In an attempt to head off action on the anti-dumping
cases, Japanese officials began negotiations of an arrangement which
involved improved market access in Japan for foreign-based semi-conductor
firms as well as price monitoring and commitments by Japanese companies to
refrain from dumping (see L/6025, paragraph 106).

93. Electronics and photocopiers trade was another problem area in
EEC-Japan trade relations. While the EEC reduced the number of models of
the electronic typewriters from Japan on which anti-dumping duties were
imposed in 1985, in the following year it also introduced anti-dumping
duties (in addition to the current tariff rates) on Japanese electronic
scales (1 to 27 per cent duty) and provisional anti-dumping duties on
Japanese photocopiers (1 to 15.8 per cent duty). Although anti-dumping
procedures are essentially a legal process, it is likely that Japan's
growing trade surplus with the Community might have fuelled pressures
leading to their application.

94. A number of developing countries continued to shape comprehensive
regulatory policies towards computer and data service industry.

95. Under a new policy package presently prepared in India, exporters of
computer software will receive all the tax benefits presently applicable to
other exports. India has already become a major exporter of software
partly due to government policy permitting imports of computer equipment if
the importer undertakes to export its software.

96. The United States called to the attention of contracting parties
certain matters regarding trade restrictions maintained by Brazil in the
informatics sector, inter alia, on the importation of certain computers and
computer-related products. The United States considered that the
restrictions in question substantially affected its rights and interests
under the GATT General Agreement and were inconsistent with it; and
advised of its intention, in the absence of a satisfactory resolution of
the matter, to take certain actions (see L/6082). In this connexion Brazil
stated, inter alia, that it could not accept the claim by the US Government
to have a right to resort to unilateral actions, based on domestic legislation, which might nullify or impair benefits accruing to Brazil; and that it intended to invoke the GATT dispute settlement procedures (see L/6083).

97. A number of developing countries including the Republic of Korea, several other Asian countries as well as Mexico are currently preparing domestic legislation aiming at protecting computer software.

98. The US Commerce Department made proposals to simplify US export controls affecting high-technology products such as computers, semi-conductors and precision tools. Existing controls are designed to prevent shipments of strategic high-technology products to countries whose governments have been designated 'unfriendly'.

(vi) Footwear

99. During the six months under review there were no recorded instances of significant trade policy developments regarding footwear. Note should be taken, however, of the US footwear industry's failure to get added protection when the US House of Representatives failed on 6 August to over-ride the President's veto of the Jenkins Bill on textiles, which also contained a provision for limiting footwear imports (see L/6025, paragraph 99 and paragraphs below).

(vii) Textiles and Clothing

100. One event dominated the textiles trade sector during the period under review: the negotiations for a possible replacement or extension of the Multi-fibre Arrangement (see L/6025, paragraphs 112-115) which concluded on 31 July 1986. Two other significant events related to this were (a) re-negotiations of existing bilateral agreements undertaken by the European Community and the United States prior to the decision to extend the MFA, and (b) the subsequent defeat of the attempt to over-ride the United States President's veto of the restrictive Jenkins Bill.

101. MFA: representatives of forty-three signatories agreed on 31 July to renew the Multi-fibre Arrangement for a third time from 1 August 1986, to 31 July 1991. The MFA, a negotiated exception from the General Agreement, first entered into force on 1 January 1974 intended to be only a temporary measure. The 1986 Protocol extending the MFA contains liberalizing provisions as well as features that are more restrictive than before. Compared with the original text and previous extensions there are a number of major differences, the most significant one being the extension of the range of fibres that may be covered by the Arrangement. Other changes included, inter alia, an acceptance by all participants that the "final objective is the application of GATT rules to trade in textiles"; an undertaking for improvements in bilateral agreements; a tightening of the discipline in the invocation of Articles 3 and 4 actions; a new provision to allow a twelve-month extension of unilateral measures under certain specific circumstances; least developed countries are to receive significantly more favourable treatment than Article 6 countries; the treatment of cotton-producing and wool-producing exporters are to be improved; a specific undertaking by mvp countries to improve their bilateral agreements; and, the elimination of the so-called "good-will" clause.
At the time of writing eleven signatories to the MFA have been recorded, namely Brazil, Finland, Hong Kong, Indonesia, Japan, Republic of Korea, Mexico, Sri Lanka, Sweden, United States and Uruguay.

103. United States: on 6 August, the US House of Representatives narrowly upheld President Reagan's December 1985 veto of the Jenkins Bill (see also L/5915, paragraph 90 and L/6025, paragraph 111). The 276 to 149 vote fell eight votes short of the two-thirds majority needed to override the veto. The legislation, which Congress originally passed in December 1985, was intended to severely curb imports of non-rubber footwear while cutting back current textiles import levels by an average of 30 per cent.

104. In the period prior to the vote on the Jenkins Bill, the United States negotiated bilateral agreements with Hong Kong, Republic of Korea and Taiwan which limited export growth, expanded the categories under control and extended the coverage to fibres (and their products) not previously included in the MFA. Reports of the agreements, which have not as yet been notified to the Textiles Surveillance Body, show that Taiwan's textile shipments will be allowed to grow by 0.5 per cent over the next three years; the six-year agreement with Hong Kong allows its textile exports to grow by 0.5 per cent in 1986, 0.75 per cent in 1987, one per cent in 1988, and by moderately higher rates until its expiration in 1991; while the pact negotiated with Korea imposes a 0.8 per cent limit on the yearly growth of exports to the US during the next four years (see also L/6025, paragraph 121).

105. US/Japan: negotiations between the United States and Japan, its fifth largest textiles supplier, have reportedly not led to an agreement when the fourth round of talks ended mid August. The US is seeking a freeze on Japanese textiles shipments which rose by 18 per cent during the first half of this year (the period during which no bilateral restraint agreement was in place) compared with the same period last year (see also L/6025, paragraph 124).

106. US/Turkey: according to report, the US and Turkey have reached agreement on a long-standing textiles trade dispute. In July, the two parties signed a memorandum of understanding under which quotas on 14 Turkish textile and apparel products will be levied for the next two years. Turkey's textile shipments to the United States have increased from US$2 million in 1982 to US$121 million in 1985. Turkish exports had previously been subject to a unilateral restriction by the US under Article 3.5 of the MFA.

107. According to a report by the US Department of Commerce, the Administration has requested consultations with China, Japan, Macao, Malaysia and Yugoslavia to discuss setting quota levels for textiles and apparel imports not previously controlled. The products in question are certain cotton handbags and sweaters of ramie and silk blend from China; women's, girls' and infant's wool suits, wool sweaters, handknitting yarns, and man-made fibre coveralls from Japan; sweaters of ramie and silk blends from Macao; man-made fibre sewing thread from Malaysia; and man-made fibre sweaters from Yugoslavia.

108. Switzerland/Hong Kong: in May, Switzerland and Hong Kong announced that they had agreed not to renew their administrative arrangement regarding exports of certain textiles from Hong Kong to Switzerland.
109. US/Jamaica: on 11 April, the US and Jamaica signed an agreement granting special access for Jamaican garments to the US market. This is the first agreement under a Caribbean Basin textile programme announced by President Reagan, last February (see L/6025, paragraph 120). Jamaica's current exports are largely made under Section 807 of the US Tariff Schedules (which allow duty concessions on goods made from fabric cut in the United States). A similar agreement was reportedly made with Barbados a week later allowing that country a higher access level for brassieres if made from fabric of US-origin.

110. EC/Bulgaria, Hungary and Romania: according to report, agreements limiting the three East European countries' textiles and clothing exports to the Community for the 1987-90 period were signed in mid-July. No details are available as yet. A subsequent agreement has also been initialled between the EC and Poland. Apart from these agreements, which have yet to enter into force, the EC has reportedly renegotiated its bilateral agreements with 26 supplier countries (under the MFA) which were due to expire on 31 December 1986.

111. EC/Turkey: in June, Turkey was reported to have lifted an import duty on iron and steel imports from the EC which it had imposed in 1982 as part of a trade dispute with the Community over T-shirts and other textiles. The removal followed the signature of the new agreement on Turkish textile exports to the EC (see L/6025, paragraph 131).

112. EC/Switzerland: on 26 May, the EC renewed its regulation governing processing traffic in textiles with Switzerland. Since 1 August 1969, when the Community concluded an arrangement with Switzerland whereby a Community duty-free tariff quota of 1,870,000 units of account of value added would be opened on 1 September of every year, the pact has been renewed. The present arrangement which will take effect from 1 September 1986 to 31 August 1987 while maintaining the suspension of Common Custom Tariff duties within the tariff quota, allows Spain and Portugal, within the prescribed limits, to apply customs duties calculated in accordance with the provisions of the Acts of Accession and ancillary Protocols.

113. EC/Article 115 of the Treaty of Rome: under this Article the Commission may grant authorization to individual member States of the Community where national quotas exist 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 until 31 December 1986: France: cotton yarn originating in Brazil and China, certain woven fabrics of cotton from Romania and the Republic of Korea, handkerchiefs from Hungary and bedlinen from Pakistan, certain shirts and T-shirts from Hong Kong, Republic of Korea and Taiwan, various types of trousers from Hong Kong, beach slippers originating in China and parkas, anoraks, etc., from the Republic of Korea. Ireland: certain blouses, pyjamas and nightdresses, men's and boys' suits and certan jerseys from Hong Kong and certain pullovers and bathrobes, pyjamas and nightdresses from Taiwan, woven bed-linen from Romania, various shirts, jumpers and undervests from India, and anoraks etc. from the Republic of Korea. Italy: woven fabrics of silk from China and woven fabrics of cotton from Czechoslovakia. United Kingdom: overcoats and jackets etc. from Yugoslavia.
114. US/EC(Netherlands): the European Commission, in connection with the DuPont/Akzo case (see L/6025, paragraph 130) is currently examining, under its New Commercial Policy Instrument, the US/International Trade Commission's decision to exclude imports of Akzo-made aramid fibres from the US market. A finding concerning the commercial practice complained of by Akzo is reported due in September.

III Other trade policy developments

115. Changes both of a liberalizing and of a restrictive nature with respect to tariffs, quotas, and other specific trade regulations are shown in Section B below while a listing of new bilateral agreements appears in Appendix IV. One may note further examples of the increase in non-tariff measures and import prohibitions, plans to reduce imports of certain items; as well as the postponement of previously announced import liberalization plans.

116. Developments in the Generalized System of Preferences (Section B.II below), included Australia's application of a revised system of tariff preferences following from a comprehensive review, and the European Commission's proposals for the 1987 EC scheme which, while applying a certain degree of differentiation also increase benefits for other beneficiary suppliers. Other small changes were made public by Canada, Finland and the United States either regarding their respective lists of eligible products or beneficiary countries.

117. The period also saw an increase in the number of new anti-dumping and countervailing duty investigations (Section B.IV). This, together with a reported lower level of preliminary or final affirmative findings of dumping or subsidization tends to give some prima facie credence to complaints of harassment. While it is difficult to establish without a detailed analysis, the opening of an investigation (often in response to an industry petition) does raise doubts about the continuity of market access apart from the time and legal costs involved in such investigations.

118. Mexico became a contracting party to GATT, while four other countries took steps towards membership.

119. These and other developments are listed in Sections B.V to B.VII.
B. NEW TARIFF AND NON-TARIFF MEASURES AND RELATED DEVELOPMENTS

120. This section provides details of specific measures falling within the ambit of the General Agreement, of which the secretariat became aware for the period April-September 1986.

I. Tariffs and related matters

121. As of 8 May 1986, Chile has introduced a tariff surtax of 5 per cent on imports of matches from all sources. This surtax will be in effect for one year (see SCM/74/Add.5 and paragraph 130 below).

122. Under the Action Programme to open Japan's market to imports announced in July 1985, tariff rates on champagne and other sparkling wine, sherry, port, bottled wine, etc., have been reduced as from 1 April 1986, one year in advance of the date foreseen originally. Furthermore, as a result of GATT Article XXVIII negotiations with the US and the EC, Japan has reduced or eliminated import tariffs on eighty-eight industrial products. Quantitative restrictions applied on imports of leather and leather footwear have been eliminated effective the same date, and a global tariff quota system based on quantity has been established (see L/6043).

123. Effective 11 June 1986, revenue duties imposed by Switzerland on heating oil, and gas and other hydrocarbon fuels in gas form, have been reduced back to SF0.30 (from SF4.00) and SF0.10 (from SF1.00) per 100 kg. gross, respectively (see L/5975/Add.1 and L/6025, paragraph 191).

124. On the basis of the information available, which may not be complete, it would appear that the number of non-notified tariff measures applied by contracting parties has remained at about the same level as during the same period last year. Many of the import tariff changes noted were tariff reductions.

125. Argentina lowered the wheat export tax for the 1986-87 crop year from 15 per cent to 5 per cent.

126. As of 1 August Australian import duties on alcoholic beverages per litre were increased in line with movements in the Consumer Price Index in Australian dollars as follows: certain beers from 0.67125 to 0.69702; certain brandy from 20.50 to 21.27; certain rum from 24.11 to 25.01; other spirits with not less than 57 per cent alcohol from 23.11 to 24.01.
127. Brazil made a large number of import tariff amendments under Resolutions published in the Diario Oficial da Uniao of 23 January, 17 February, 26 March, 1 April, 23 April and 11 June 1986. Nearly all of the amendments introduced temporary import tariff reductions, many to zero. Among the products mentioned are many chemicals, base metals and articles thereof, certain man-made fibers, machinery and mechanical appliances, electrical machinery, photographic goods, paper and paper board, milk and milk products, certain wines and rice.

128. Brazil recently eliminated import duties on all steel imports considered essential to help meet domestic demand next year. Furthermore, the existing financial operations tax on these imports is to be cut from 37 to 20 per cent.

129. In the framework of its 1986 Finance Act the Central African Republic reduced for one year, with effect from 1 January 1986, import duties on trucks carrying more than seven tons to 5 per cent. Import duties on buses with more than nine seats were reduced to 25 per cent. For certain other motor vehicles for the transport of persons import tariffs and taxes were reduced to zero. Import tariffs on data processing machines have been reduced to 5 per cent. Imports by farmers of agricultural machinery and equipment contained in tariff numbers 84.21, 84.24, 84.59, 87.01 are free of import duty. A fee of 0.25 per cent of the value of imported goods is imposed on all imports for the financing of the customs and treasury services.

130. Under Decree No. 490 of the Ministry of Finance of Chile, published in the Official Gazette of 29 June, additional import duties ranging from 5 per cent to 9 per cent are imposed on certain types of clothing, textiles and electricity meters.

131. As of 21 August 1986, China increased import duties for certain electric and electronic measuring instruments. For electric energy transformers the import duty rate rose from 25 to 40-60 per cent, for resistors and condensers from 9 to 60-80 per cent. The increases are intended to protect domestic production.

132. In August 1986 Egypt introduced across the board reductions of import tariffs by 50 per cent. For developmental purposes the highest tariff rates are applied to luxury goods. Lower rates are applied to capital and intermediate goods, raw materials and foodstuffs.

133. As the result of a negotiation with Japan under the GATT the following products can be imported free of duty from all sources into the European Community as from 15 April 1986: radio alarm clocks, portable sound recorders and portable dictating machines.

134. Under its 1986/87 budget Gambia increased import duties as of 21 June on gasolene from 260 to 450 per cent, gasoil from 140 to 210 per cent, rice from 23 to 30 per cent. Import duties on various categories of manufactured tobacco were increased by 5 percentage points; in the case of cigarettes from 116 to 121 per cent. Import duty reductions were made for tomato paste and textiles from 30 to 25 per cent, flour from 17.5 to 15 per cent, corrugated asbestos and cement from 20 to 15 per cent.
135. By Decree Nos. 86-159, 86-160, 86-162 and 86-163, France put a parafiscal tax on imports of certain textile products, knitwear and clothing items, leather goods, and footwear. The parafiscal tax, which ranges from 0.25 to 0.80 per cent up to 31 December 1986 and from 0.20 to 0.80 per cent in 1987, is valid until 31 December 1990. As regards products of the watch and clock industry, parafiscal taxes on imports have not been levied since 1970.

136. Iceland imposed a special tax on imports of alcoholic beverages which increases according to the alcoholic content of a beverage from 66.70 Icelandic crowns for a bottle of 7 per cent alcohol content to 696.60 Icelandic crowns for a bottle of 43 per cent alcohol content. This tax comes after a 45 per cent monopoly charge on the price of the beverage and before the sales tax of 25 per cent.

137. Effective 1 March, Iceland announced import tariff reductions to 40 per cent for certain agricultural products and food items, certain machinery and equipment, cinematographic equipment; to 30 per cent for certain motor vehicle parts; to 15 per cent for certain refrigerators, washing machines and domestic appliances; to 10 per cent for certain motor vehicles and tyres.

138. As of 1 April 1986, India fixed its auxiliary duty of customs at a rate of 40 per cent on items not bound under the GATT. Many products are, however, subject to lower rates. (Ministry of Finance Notifications Nos. 310/86 Cus. to 318/86 Cus. of 13 May 1986.)

139. India increased the import duty on pure terephthalic acid (PTA), and dimethyltherephthalate (DMT) by a specific duty of 3000 Indian rupees per tonne. This is imposed in addition to an import duty of 190 per cent. Some products, such as sponge iron, zinc concentrate, waste of wool and certain machinery and parts have been partially exempted from customs duty.

140. Indonesia imposed an import surcharge of 40 per cent on imports of crude palm oil (15.07.611) effective 13 August 1986.

141. As of 13 August 1986, Indonesia introduced substantial import tariff increases on copra, palm oil and their processed products. Many of the former rates were 5, 10, and 40 per cent, while the new rates are 60 and 90 per cent.

142. Retroactive to 31 May 1986, Indonesia introduced import duty exemptions for certain goods and materials required for the building or expansion of shopping centres, supermarkets and department stores which enjoy priority within the framework of the law on domestic capital investments.

143. In early October, Japan agreed to suspend its 20 per cent tariff on cigarettes and end the deferral of excise tax payments to the monopoly Japan Tobacco Inc. Trade barriers to the Japanese tobacco market had previously led the US Administration to self-initiate its first Section 301 case.

144. Malaysia has reduced the export duty for crude palm oil from 120.68 to 106.90 ringgit and for processed palm oil from 174.56 to 145.54 ringgit. The measure entered into force on 1 April 1986. Malaysia also increased
the export duty on ground and unground white pepper from 1,627.64 to 2,034.23 and from 1,477.64 to 1,844.23 ringgit respectively. The export duty on black pepper has been raised from 715 to 751.92 ringgit/tonne.

145. Mauritius: on 18 July 1986 introduced a large number of changes in the rates of customs duties under its Customs Tariff Act (Notice No.54/1986). All of the changes are tariff reductions. The items affected are contained in tariff chapters 27 to 97.

146. By a Decree published in the Diario Official on 30 April 1986, Mexico reduced the import tariff rates applicable to 4,282 product groups. For most goods the rates have changed as follows: from 5 per cent to zero, from 25 per cent to 22.5 per cent, from 30 per cent to 27.5 per cent, from 40 per cent to 37.5 per cent while rates between 50 and 100 per cent were reduced to 45 per cent.

147. Nigeria announced that it would apply a reconstruction tax of 5 per cent on imports in addition to the existing 30 per cent customs surtax.

148. By Decree No. 7, published on 21 March 1986, Nigeria will apply a sales tax on imports of certain alcoholic and non-alcoholic beverages, cigarettes and tobacco, jewellery, perfumes, certain electrical household equipment and carpets. The tax amounts to 5 per cent for most goods with the exception of alcoholic beverages which are subject to a 10 per cent tax. The rates entered into force on 30 June 1986.

149. Pakistan reduced the import duty for certain spices, such as betelnuts, cinnamon cloves, cardamom. Some of the reductions were of the order of 50 per cent and more.

150. By Supreme Decree No. 038-86-EF Peru reduced the import duty for polyethylene (39.02.01.01) and polystyrene (39.02.02.00) to 13 per cent.

151. On 1 July 1986, the Philippine authorities abolished export duties on all export products except logs (Executive Order No. 265).

152. Under Law No. 42, which entered into force on 19 August 1986, Senegal introduced changes to the following import tariff categories: "reduced tariffs": 10 per cent (without change); "ordinary tariffs": 30 per cent (previously 40 per cent); "increased tariffs": 35 per cent (previously 50 per cent); "special tariffs": 65 per cent (previously 75 per cent). Law No. 42 also lists the products which are exempted from tariffs or whose rates remain at 15 per cent. The rates are to remain in force until 30 June 1988.

153. Many amendments to customs duties, both increases and decreases, have been published in the South African Government Gazette from 28 February 1986 to the end of the present period.

154. Sri Lanka further reduced the export duty on desiccated coconut from 5000 rupees/tonne to 2500 rupees/tonne and on copra from 4750 rupees/tonne to 2000 rupees/tonne.

155. As of 25 April 1986 Thailand has imposed import surcharges ranging from 10 per cent to 30 per cent on seven items: sorbitol, citric acid, certain sulphates and dyes. The import surcharge on dyestuffs was subsequently cancelled.
156. On 20 August 1986, Uruguay introduced an across-the-board reduction of 5 per cent of its Global Tariff Rates (Tasa Global Arancelaria).

157. Yugoslavia modified the calculation of import surcharges, which were notified to GATT, on fifteen agricultural commodities, including oil seeds, vegetable oil and wheat. The measures have been applied since 1968. The calculation of the surcharges are now based on the difference between the domestic price and the f.o.b. price plus import duties (Official Gazette No.35 of 27 June 1986).

158. As of 12 February 1986, Zaire has imposed a special tax of 3 per cent on imports of medical products for the benefit of the Fonds national médico sanitaire (FONAMES).

159. By the Customs and Excise (Amendment) Act 1986 of 31 January 1986 Zambia introduced substantial changes in its customs duty rates. (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 and 95). Except for certain categories, in which the import tariffs are either free, 10 per cent, 20 per cent, 30 per cent or 50 per cent, the new rate to be applied is 15 per cent.

II Generalized System of Preferences

160. The following section describes changes in GSP schemes that have come to the attention of the secretariat.

161. Following a thorough review of its GSP scheme, the Australian Government applied a revised system of tariff preferences from 1 July 1986. The new system which provides a uniform 5 percentage point margin of preference on all dutiable items, has no provision for graduating either products or countries out of the scheme. Developing country quotas which applied to a few items under the previous system have been abolished. The scheme will apply to products that are covered by the Textile, Clothing and Footwear Industries Plan, as from the end of the current plan period on 1 January 1989. The current exclusions of certain countries for certain cold-rolled steel products will continue until January 1989 (see L/3982/Add.22 and L/6025, paragraph 236).

162. Following a finding of the Canadian Tariff Board that imports from GSP beneficiaries were causing injury to local producers, Canada has withdrawn the general preferential tariff on uncoated biaxially oriented polypropylene film with a thickness of 0.025 mm. or less (tariff item 93902-84), for a three-year period effective 13 May 1986 (see L/4027/Add.23).

163. European Communities: the European Commission's proposed changes to the EEC's GSP scheme for 1987 were submitted to Member States in July 1986. The main element of the proposal for the industrial products régime is that the differentiation mechanisms be accentuated, which means reducing the benefits for some of the more competitive developing countries by excluding certain products from GSP privileges, and increasing the benefits for less competitive suppliers. The Commission's proposed changes to the textile régime include the abolition of the current system of sharing out quotas (among Member States) on particular products from certain suppliers. The proposals relating to agricultural products include a recommendation that tariffs on sixteen products should be lowered.
164. As of 1 April 1986, Finland has improved the product coverage of its GSP scheme by adding four products (iceberg lettuce, buckwheat, peaches and alpaca fabrics) in favour of all beneficiaries and four more products (sheep and lambskin leather, goat and kidskin leather, jute shopping bags and macramé flower pots) in favour of the least developed countries (see L/3694/Add.18).

165. The United States has notified under its Generalized System of Preferences programme the latest changes in the list of products from developing countries that will be allowed to enter the United States duty free, with effect from 1 July 1986. Under the yearly product review process, five products previously not on the eligibility list, from Argentina, Hong Kong and Malaysia, have been redesignated for GSP treatment, representing $167 million of trade in 1985 (compared to $41 million added in last year's review); 149 items valued at $2.4 billion from eleven countries, (representing 93.6 per cent of the total amount of trade eligible for redesignation), have been "graduated" from the scheme. As a result of the de minimis provision, imports of 241 products valued at $233 million from individual beneficiaries have been exempted from the 50 per cent competitive need rule. The value of imports excluded under the statutory competitive need provision amounts to $13 billion, compared to the $13.8 billion affected by the exclusions last year (see L/5153/Add.6).

III Quantitative restrictions and other non-tariff measures

(a) Changes notified in licensing arrangements

(See also import restrictions notified as being applied for balance-of-payments purposes in sub-section (c) below.)

166. In May 1986, the Canadian Import Tribunal undertook an inquiry to examine the potential for diversion into Canada of foreign carbon steel and specialty steel products, and to determine whether they were being or are likely to be imported at such prices, in such quantities, and under such conditions, as to make it advisable to collect information with respect to their importation. Pursuant to the recommendations of the Tribunal, an import monitoring system (automatic licensing) for carbon steel products has been introduced effective 1 September (see L/6001 and Add.1).

167. Egypt has abolished the two Import Rationalization Committees which were responsible for receiving and approving import applications (Ministry of Economy Decree No. 333 of 1986). The clearance procedure for imports thus ceases to exist (see L/5640/Add.37).

168. Fiji added knitted fabrics, baked beans and spaghetti in tomato sauce, onions, fresh oranges, orange juice and juice concentrates and polypropylene fabrics to its list of restricted imports. Importation of these goods is prohibited unless a licence is obtained from the appropriate authorities. (Information supplied by the Government of Fiji. Details of the full list are available in the secretariat.)

169. As of 1 July, the Federal Republic of Germany has abolished the import licensing requirement for wooden articles, jute products, shoes with wooden soles, ceramic products, ferromolybdate and aluminium products from state trading countries (see L/5640/Add.21/Rev.1/Suppl.2).
170. Imports into the United Kingdom of aluminium products from Romania and stoneware articles from the Republic of Korea no longer require individual import licences. These products can now be imported on the authority of an Open General Import Licence when originating from the sources indicated (see L/5640/Add.21/Rev.1/Suppl.2).

171. The Republic of Korea liberalized a list of 301 import items with effect from 1 July 1986, including primary goods, chemical products, steel and other metals, machinery, electrical and electronic goods and textiles. As a result a total of 7,245 items out of 7,915 CCCN tariff lines at the eight-digit level are free from import restrictions, thus increasing the ratio of import liberalization from 87.7 per cent in 1985 to 91.5 per cent during the second half of 1986. Items to be liberalized in 1987 and 1988 have also been announced (in accordance with the Advance Notice System), to enable domestic industry and foreign export interests to prepare themselves. Korea aims to bring its import liberalization ratio to 95.4 per cent in 1988. However, the authorities reserve the right to limit surges of newly liberalized imports through an import surveillance system, as well as by the application of adjustment tariffs. Products subject to import surveillance (106 tariff items as from July) require authorization from the Foreign Traders Association before licences can be granted (see NTM/W/16/Add.4 and BOP/W/103/Corr.1).

172. New Zealand has transferred 340 product categories previously 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 are not 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/Supp1.1, L/6025, paragraph 245 and sub-section (b) below).

(b) Non-notified changes in licensing arrangements

173. The following information on import licensing measures is drawn from sources other than notifications to the GATT. Based on the information available, which may not be exhaustive, fewer non-notified licensing measures have been noted by the secretariat during the period under review than in the same period last year.


175. By Decree No. E 6-7760 of 21 August 1986 the Ministry of Trade of Greece abolished Decrees Nos. E 6-6990 and E 6-6991 of 17 July 1986. The granting of import licences for imports of certain manufactured goods and foodstuffs are thus no longer subject to the approval of a special commission of the Bank of Greece.

176. In the framework of its efforts to reduce the import licensing system, New Zealand transferred in July, 57 products to the system of import licences on demand. In early 1986 the Government had already decided to liberalize the imports of 340 products as of 1 July 1986, to which the 57 new products have been added.
177. For the import licensing period 1986/87 (1 July to 30 June) the New Zealand Government has set up a Schedule allocation which will allow imports under Schedule policies to continue at about the same level as in 1985-86. The General Schedule allocation for the 1986-87 import licensing year will be set at 100 per cent of 1985-86 licences, which were based on value (see also sub-section (a) above).

178. The Philippines removed import licensing requirements on 140 products. The sectors concerned are iron and steel, pulp and paper, chemicals, food processing and tyres. Furthermore, requirements for prior approval by the Board of Investments and other government agencies were eliminated in respect of the importation of 143 regulated items. The liberalization was subsequently rescinded on three items of polyester staple fibre and filament yarn (Central Bank Circular Nos. 1100 and 1103 of 30 April and 8 May 1986). On 6 June the requirement of prior approval by the Board of Investments was eliminated in respect of the importation of 357 items, and by the Central Bank in respect of 80 items (Central Bank Circular No. 1105). Prior approval requirements were lifted on 18 July for the importation of 272 products (Central Bank Circular No. 1109). The liberalization of 134 products, foreseen under the IMF programme of trade reforms but postponed by request, was partially effected with the lifting of the import licensing requirements on 80 items effective 30 September 1986 (Central Bank Circular No. 1117 of 26 September 1986). Another 54 products were to be liberalized at the end of October 1986. As of 30 September 1986, 929 products of 75 per cent of the 1,232 items scheduled for liberalization in 1986 and 1987 had been liberalized. (Information received from the Philippine Mission. See also paragraph 212.)

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

179. Argentina: the Ministry of Economy Resolution No. 268/86 has further extended the 10 per cent surtax imposed in June 1985 on all imports until 31 December 1986 (see BOP/261/Add.1 and L/6025, paragraph 261).

180. Following the second quarterly review in April 1986 of the safeguard measures authorized by the Commission of the European Communities for Greece in October 1985 under Article 108 of the EEC Treaty, several products including certain yarns and fabrics, articles of cork, sheets and plates of iron or steel and parts of footwear have been removed from the list of products subject to the 40 and 80 per cent non-interest-bearing import deposit (see L/5945/Rev.1/Add.1 and L/6025, paragraph 263).

181. Israel has re-notified the list of goods subject to the special import deposit - a replacement of the previous temporary import ban. The deposit introduced 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 to end-July 1986 fixed at 15 per cent. The measure covers mainly consumer luxury goods. In a further review of the measure, Israel deleted products falling under 54 tariff headings (including whisky, articles of furskin, footwear, certain electro-mechanical domestic appliances, sound recorders and reproducers and chairs and other furniture and parts thereof) from the list and extended the measure for another six-month period until 31 January 1987 (see L/5855/Add.1/Suppl.1/Rev.1 and Add.2).
182. As from 1 July 1986, the Republic of Korea applies emergency and adjustment import tariffs to eight items including ferro-manganese, silico-manganese, static converters, etc. None of the items concerned is bound in GATT. As of the same date, lower-duty tariff quotas are applied to twenty-six items (see BOP/W/103/Corr.1).

183. Effective 24 April 1986, Peru removed several products (including hazelnuts, mixed condiments and seasonings, perfumery, cosmetics and toilet preparations, knitted and crocheted fabrics of synthetic fibres or elastic, parts of footwear, radio-broadcasting reception apparatus and parts of motor vehicle bodies) from the list of products subject to the import prohibition, introduced in October 1985 (see L/5889/Add.2 and L/6025, paragraph 265).

184. In June 1986, Yugoslavia changed the method for fixing the amount of the special charge payable on imports of certain foodstuffs and agricultural products and reduced the list of products covered by this charge. The special charge which is equal to the difference between the import price (customs value plus customs duties and other import charges) and the normal domestic price is levied on imports of certain live animals, meat and edible offals, wheat, maize, rice, oilseeds and oleaginous fruit, sugar beet, fixed vegetable oils, sugar, unmanufactured tobacco, wool and cotton (see L/6079).

(d) Notifications on emergency action

185. The Canadian Government in its efforts designed to liberalize the import restrictions on leather footwear (originally imposed in July 1982), has lowered the price points above which leather footwear is exempt from quotas to Can$28 per pair for shoes and sandals and Can$55 per pair for boots, with effect from 1 April 1986 (see L/5351/Add.30 and L/6025, paragraphs 96 and 268).

186. The European Community, with effect from 19 April 1986, has temporarily suspended the issuance of import certificates for sweet potatoes (CCT heading 07.06B). This action has been taken to cope with increased imports from third countries, in order to prevent subsequent aggravation of the situation on the Community market. Imports of sweet potatoes from GATT member countries accounted for only 4.8 per cent (in volume) of the total Community imports of this product in 1985 (see L/5988).

187. As from 6 May, release to the European Community market of certain squid (CCCN ex 03.03 B IV (a) 1 (aa)) below the Community reference price, originating in Poland has been suspended until 31 August 1986. Very substantial imports of squid coming from Poland early this year at abnormally low prices are reported to have caused the prices on the Italian market to fall by nearly 30 per cent compared with the previous year, allegedly disrupting the marketing of Community products (see L/6004).

188. Effective 2 June to 14 November 1986, Finland has imposed a basic price of FIM 2,300 (circa US$443 according to the exchange rate in June 1986) and a surcharge (equal to the difference between the basic price and the c.i.f import price, plus customs duties) on imports of porous fibreboard impregnated with bitumen (CCTN heading 44.11) in order to remedy the injury caused to domestic producers by increased imports (see L/6026).
(e) Other quantitative restrictions

189. The arrangement of 11 December 1985 between the US Government and the EC amended the arrangement of 21 October 1982 relating to trade in certain steel products and extended it until 30 September 1989. On 5 September, the two parties supplemented the above with an arrangement concerning semi-finished steel products which involves restraints by the Communities (as they were in 1985 and hence not including Spain and Portugal) with regard to exports of such products to the US market during the period from 15 September 1986 to 30 September 1989 (see L/5413/Add.2 and L/6025, paragraph 278).

(f) Other non-notified import control and non-tariff measures noted by the secretariat

190. The following information on other trade-restricting non-tariff measures taken in the period under review is drawn from sources other than official notifications to the GATT. It appears that the number of non-notified import control and non-tariff measures taken by governments during this period has remained at about the same level as during the same period last year.

191. Australia announced changes to specific industry assistance schemes covering the production of electric motors and generating sets, penicillin and books involving reductions in tariffs and other forms of assistance. In addition, the rates for most production bounty assistance schemes have been separately reduced by 20 per cent for fiscal 1986/87. On 29 September Australia announced that restrictions on imports of second-hand dredges of more than 2000 g.c.t. would be removed as from 1 January 1987.

192. Under its annual budget plan 1986/87 (1.7. - 30.6.) Bangladesh reduced the list of products whose import is prohibited by 140 items. At the same time the planned imports were increased by 19.8 per cent as compared to the previous year to 55.34 billion Taka (about $2 billion).

193. Colombia increased the annual quota for imports from $3.6 billion to $4.14 billion. Up to 50 per cent of the monthly import quota will be allocated to products on the free list and not less than 50 per cent for those on the previous licence list.

194. The Dominican Republic prohibited on 25 May 1986 all imports of wine and champagne.

195. Egypt introduced new import regulations in August 1986. The two import rationalization committees, which used to approve import applications, were abolished. Importers are now entitled to approach directly commercial banks for the issuance of letters of credit to pay for imported goods. Certain taxes and surcharges on imports were abolished, including the "Consolidation of Economic Development Tax" (10 per cent of import values), the maritime surcharge (Law No. 12 of 1964), the additional tax on imports (Law No. 43 of 1979) and the statistical surcharge (Law No. 5 of 1969).

196. Imports of certain items are prohibited for various reasons, including health safeguards, safety, security of the public, balance of payments, foreign exchange budgeting, and for industries in early stages of development.
197. The European Economic Community published a large number of Council Regulations during the period under review which opened import quotas on ferro-phosphorus, milk and milk products for Spain, unroasted malt originating in Finland, certain polyethylene terephtalate films, frozen peas originating in Sweden, certain wines originating in Morocco, certain magnesium grades, herrings, certain cod and fillets of cod originating in Norway, manioc and similar roots originating in third countries not members of GATT, and for aubergines originating in Cyprus.

198. Gabon suspended imports of goods contained in the tariff Nos. 34.02.01,.11,.21; 34.03.00; 38.12.00 (products for industrial and household maintenance) (Decree No. 0003).

199. In June 1986 Ghana prohibited imports of fish, pork and meat products. Rice imports were prohibited for the whole year 1986.

200. Greece removed as of 10 October 1986 the import deposit requirement on imports of goods contained in import tariff chapters 53, 70, 84 and 87 ('Trade Ministry Decree No. E 6'9146'). The goods concerned are yarns, wool, furniture, refrigerator equipment, refrigeration machines, ventilators, industrial ovens, drying ovens, lifting machines, weaving machines, sanitary articles, automobile chassis, special vehicles and various goods made of glass.

201. India plans to reduce imports of white sugar to 600,000 tonnes in 1986/87 from 2 million tonnes in 1985/86. Imports of vegetable oil are to be reduced to 1 million tons in 1985/86.

202. As of 1 April 1986 India stopped imports of steel bars and rods.

203. Effective 9 August 1986, Indonesia abolished the export ban on pure gold and silver.

204. By Decree No. 617 Israel abolished as of 1 August 1986 the import deposit for certain consumption goods classified under 54 tariff headings. The number of headings covered by the scheme was thus reduced from 133 to 79. The products are listed under the following tariff numbers: 22.09, 33.06, 43.03, 64.01, 64.02, 64.03, 64.04, 69.13, 84.15, 84.19, 84.40, 85.06, 85.12, 85.15, 92.11, 94.01, 94.03. However, for a number of these goods the cancellation of the import deposit was accompanied by an increase of the purchase tax - which is also applied to locally manufactured goods - by 5 to 15 points. (Notified in L/5855/Add.2; see also paragraph 181.)

205. The Republic of Korea permitted imports of rape seed for domestic use for the first time with a quota of 12,000 tonnes for the second half of 1986.

206. Malaysia plans to impose additional import controls on imports of motor vehicles, iron and steel, various manufactured goods and agricultural products such as cabbage and coffee beans.

207. Mexico removed goods contained in 300 tariff positions from the list of import prohibitions. These goods are, however, still subject to import permits. The goods affected by the measure include various foodstuffs, candles, leather goods, furs, wooden products, carpets, clothing, glassware, household goods, washing machines, dryers, beverage automates, vacuum cleaners, radiators, record players, toys and others.
208. **Morocco** announced that it would prohibit imports of live animals from 20 May to 31 October 1986 for health reasons, as a precautionary measure after the Chernobyl accident.

209. As of 7 July 1986 **Pakistan** liberalized imports of edible oil.

210. **Papua New Guinea** imposed import bans and quotas on a wide variety of vegetables and on some fruit from the beginning of 1986 (this action, which is subject to review, was first put into operation 1983). Imports of pork and pork-based products have also been prohibited, subject to review.

211. As a result of the Central Reserve Bank of **Peru** having taken as a basis the exchange rate established in the financial market, instead of the single exchange market, there has been an increase by approximately 25 per cent in the price in intis of some imported products (Exchange Resolutions No. 012-86-EF/90 of 29 July 1986 and No. 017-86-EF/90 of 28 August 1986). For imports of capital goods of a value in excess of $50,000, authorization must be obtained from the Ministry of Industry, Commerce, Tourism and Integration (Supreme Decree No. 246-86-EF of 29 July 1986). In order to ensure domestic market supply, export restrictions are in effect for garlic, onions, tomatoes and lemons. In order to ensure supplies for domestic textile industries, exports of cotton fibre (51.01) are under restriction.

212. On 1 August 1986, the **Philippines** rescinded the foreign audit financing requirement for importation of machinery and equipment, aircraft and vessels, irrespective of their value. The requirement of prior favourable endorsement by the government agencies involved for the importation of machinery and equipment for agriculture and export-oriented enterprises registered with the Central Bank, Board of Investments, Garments and Textile Export Board and Export Processing Zone Authority was also eliminated (Central Bank Circular No. 1110 of 1 August 1986) (see also paragraph 178 above).

213. Under the **Polish** 1986-1990 Plan for Foreign Trade, exports to East European countries are to expand by 6.7 per cent per year and to convertible currency markets by 3.4 per cent to 3.9 per cent. According to this plan a $8.5 billion surplus should be realized over the five-year period, which will imply very marginal increases in imports. The "minimum foreseen level of imports" has been established at about $4.5 billion.

214. **Senegal** liberalized imports contained in a large number of tariff items ranging from Chapters 02 to 97 (Circular No. 21/86 of 29 August 1986). These imports were previously subject to import authorizations.

215. In connexion with **Spain's** application of the CAP following its accession to the EEC, the authorities have introduced a prior security deposit of ECU 50 per tonne on imports of groundnuts and sunflower seeds, in order to monitor the final destination of such imports (i.e. whether for the production of oils or for direct human consumption).

216. By a decree published in the Official Gazette on 14 July 1986 **Turkey** applied a 6 per cent import deposit in addition to the existing rate of 3 per cent. The additional rate was reduced to 4 per cent as of 1 October 1986, and it shall be further reduced to 2 per cent as of 1 December 1986; it will be eliminated as of 1 January 1987.
217. On 17 September Turkey removed the export ban on hazelnuts from certain areas of the Black Sea coast. The export ban was imposed as a result of the Chernobyl accident.

IV Subsidies, anti-dumping and countervailing actions

218. As noted earlier in this report, over-production, reduced market access, competitive subsidization and depressed market prices affecting agricultural trade continued to create tension between the major trading nations during the period under review. Concern was particularly expressed regarding the farm subsidy policies of the largest among them which allow their producers to sell agricultural commodities at substantially lower prices on world markets, or reduce the possibilities of imports to their domestic market.

219. Ten notifications on subsidies have been received so far (from Austria and South Africa on agricultural subsidies, Australia, Finland and Norway on agricultural and industrial subsidies, Japan on loan programmes in favour of small- and medium-sized enterprises, the United States on its Export Enhancement Program, Egypt, Uruguay and the United Kingdom for Hong Kong) 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. The Committee on Subsidies and Countervailing Measures will examine these notifications in detail at its meeting in October 1986. As for the new and complete notifications that were requested in 1984, notifications have been received from twenty-six contracting parties, as indicated in the tabulation in Annex I to Appendix I.

220. 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.

221. Interpretation of trends in the use of anti-dumping and countervailing action is difficult, since an increase may reflect a rise in the incidence of dumping or subsidization itself, increased sensitivity of domestic industries (perhaps because of a deterioration in the market), concern about high levels of unemployment, more vigorous enforcement of anti-dumping and countervailing regulations etc., or a combination of such factors, among others. Moreover, a mere counting of the number of actions is not a sufficient indicator of these trends, because the levels of trade flows affected and the restrictiveness of the procedures or actions would also have to be taken into account. The numerical data below should be seen in that light.

222. The total number of anti-dumping and countervailing duty investigations opened by all countries has increased from 80 in October 1985 - March 1986 to 101 in the period April-September 1986. The number of cases initiated by the United States increased from 44 to 56; initiations by Canada, the FEC and Australia showed little change. As in the previous period, the FEC did not open any countervailing duty investigations. The Republic of Korea - which acceded to the Anti-Dumping Code in February 1986 - initiated, for the very first time, three anti-dumping cases during this period.
223. A lower level of preliminary and final affirmative findings of dumping/subsidization, provisional duties, and definitive duties and price undertakings may also be noted during the period under review. In 42 preliminary rulings (of which 29 were in the United States), it was found that there was a reasonable indication that the industries were materially injured or threatened with injury by reason of the allegedly dumped/subsidized imports (an increase from 25). In 26 final determinations (5 of which were in the EEC in respect of dumped imports from centrally-planned economies), it was concluded that there was no reasonable indication that the domestic industries had been materially injured by such imports.

224. Products in the iron and steel sector which in previous periods had been the subject of many complaints, were involved in only 4 cases (all in the United States). Products in this sector, nevertheless, continued to account for more provisional and definitive duties than any other single sector.

225. In the chemical sector, the number of investigations opened increased from 5 to 18 (11 of which are in the EEC). Exports from Eastern Europe and the USSR have been the subject of most of the investigations opened in this sector. All of the 10 cases involving allegedly dumped imports from these countries in the present period concerned chemicals and allied products, and were brought in Australia (1 case), the EEC (6 cases) and the United States (3 cases).

226. As regards agricultural products, two disputes before the Committee on Subsidies and Countervailing Measures involved respectively Canadian imports of boneless manufacturing beef from the EEC, and a United States investigation concerning imports of softwood lumber from Canada (see Appendix III).

227. In the electronics sector, the EEC imposed definitive anti-dumping duties (in addition to the 8.7 per cent import tariff) on imports of certain electronic scales from Japan. It was also found, in a preliminary ruling, that Japanese photocopiers were being dumped in the Community market. The case, one of the largest ever investigated by the European Commission, involves a market valued at about US$1 billion in annual sales of which about 85 per cent are accounted for by Japan (see also A.II(v)). In the United States, final determinations of dumping and injury in April and June this year in respect of imports of Japanese 64K DRAM microchips led to the imposition of anti-dumping duties. Dumping investigations concerning two other types of Japanese semi-conductors (EPROMS and 256K DRAMS) in which preliminary determinations of dumping were made during the previous review period, were suspended following the US-Japan semi-conductor agreement of summer 1986 (see Section A.II(v)).

228. The number of investigations notified on products from developing countries (37) and centrally-planned economies (10) has been about the same as in the previous six-month period.

229. Brazil and the United States (with 7 cases each) figured highest on the list of countries accused of dumping/subsidization. The 7 cases in respect of imports from Brazil were initiated by the United States. Those involving imports from the United States were opened by Canada (3 cases) and the Community (4 cases). Of the 5 dumping cases against Japanese imports, 2 were initiated by the US, 2 by the Republic of Korea and one by
Canada. Exports from Taiwan, which in the previous period had been involved in 8 cases, were involved in only three cases during the period under review. In contrast, Canada which was subject to only one investigation during the last six-month period was involved in 4 cases in the US and one in the EEC.

V Other developments

230. Argentina: in August, the Foreign Trade Minister announced a range of new incentives aimed at boosting industrial exports by $500 million next year. Among the measures, a range of industrial raw materials are to have import restrictions lifted under a "temporary admission status" provided that the final goods are re-exported with a value of between one to three times the value of the imported raw materials.

231. Bulgaria: in a communication dated 8 September, the Government of Bulgaria announced its decision to apply for accession to the GATT. Since 1967 Bulgaria has been granted observer status in the GATT.

232. China: China formally announced on 18 June its intention to apply for resumption as a member of GATT; China was a founder member of the GATT in 1948 but its membership lapsed in 1950.

233. Costa Rica: the Costa Rican authorities announced their intention of commencing the process for acceding to the General Agreement. Costa Rica was granted observer status in March 1984 and applied for provisional accession to the GATT in July 1985.

234. Ghana: in August, the Government announced the implementation of a 10 per cent tax on all imports except petroleum imports. The new tax, which took retroactive effect from 11 July 1986, is in addition to all other existing duties and charges.

235. Mexico: in April, Mexico introduced a new anti-dumping law in order to protect its industries from unfair foreign competition. The law would permit duties and quotas, either provisional or definitive, to be set on imports of goods which receive any kind of export incentive or subsidies in their country of origin if they can be shown to damage Mexican producers.

236. Mexico: on 17 July, the Contracting Parties to the GATT decided that, in accordance with Article XXXIII, Mexico may accede to the General Agreement (see L/6025, paragraph 151).

237. Pakistan: in its May Federal Budget, the Government liberalized procedures for some imports in several important spheres (including textiles machinery, scientific instruments, steel pipes, and sugar manufacturing plants). In addition, the budget withdrew all export-compensation rebates.

238. Philippines: the Philippine Government decided in July that it would defer for three months a plan to further liberalize imports. The deferment covers 134 items which were to have been freed from import restrictions on 30 July 1986; under the liberalization programme which began on 1 May, about 75 per cent of the 1,232 items have already been removed from the import restrictions list.
239. **Tunisia:** in a communication dated 8 September, the Tunisian authorities announced their decision to resume the process of accession to the General Agreement.

240. **United States:** On 3 June, the US President recommended to Congress that MFN treatment continue to be extended to China, Hungary and Romania for the next twelve months. Under the Jackson-Vanik amendment to the US Trade Act of 1974, the President must certify to Congress that a non-market economy is permitting reasonably free emigration before it can be granted MFN status or receive US export credits. Once certified, a non-market economy has MFN status for the following twelve months unless it is disapproved by a majority of either the Senate or the House of Representatives within 60 days. As there was no disapproval the extension became law.

241. **United States:** on 23 July, the US Administration moved to strengthen its sanctions against Libya (see also L/6025, paragraph 140). The amended regulations ban exports of goods to third countries if the exporter knows or has reason to know that the goods are intended specifically for substantial transformation into products destined for Libya's petroleum or petrochemical industry. The amendment also extends the interpretation in the previous regulations to cover technology exports.

242. **Various countries** (Canada, the EC and its member States, Finland, Japan, Hong Kong, Sweden, United States and Zambia) have taken steps to restrict trade or to curb commercial links with South Africa (see also L/6025, paragraph 139 and L/5915, paragraph 97).

243. **EEC/Portugal/Spain:** in the absence of detailed provisions in the Act of Accession, the Council of Ministers adopted two legislative acts on 15 March 1986 relating to protection against imports at dumped prices between the Community of Ten and two new Member States, as well as between the two new Member States themselves. This legislation will be applicable during the transition period laid down in the Act of Accession.

244. In July, the EC Council of Ministers took a decision regarding the percentage of nationally-made content that must be carried by Portuguese goods entering Spain duty-free from Portugal. As of 1 October 1986 through to 1989, the Portuguese national content is to be 30 to 35 per cent.

245. **Japan:** as of 31 March, the Ministry of International Trade and Industry (MITI) has completed and put into effect the necessary amendments for authorizing the acceptance of foreign test data in matters concerning standards and certification. With these recent steps MITI has implemented over half of the improvements stipulated in the Action Programme for standards and certification systems under its charge.

246. **Republic of Korea/United States:** according to report, the two countries signed an agreement in which Korea agreed to strengthen protection of foreign patents, trademarks and copyrights; Korean markets are also to be opened to US companies selling fire and life insurance. Separately, the Republic of Korea announced that, for the first time, it will permit foreign-made cigarettes to be sold locally, beginning 1 September 1986.
247. United States: on 27 June, Congress adopted a non-binding resolution which, similar to the President's proposals (see also L/6025, paragraph 165), calls for a 1986/87 maximum budget deficit of $142.6 billion (just below the $144 billion target set by the Gramm-Rudman-Hollings Act), and a reduction to $78 billion within 3 years.

248. On 7 July, the Supreme Court ruled unconstitutional the provision in the Gramm-Rudman-Hollings Act authorising the General Accounting Office to prescribe budgetary spending cuts and gave Congress 60 days to reaffirm the initial $11.7 billion in automatic cuts mandated by the Act. The ruling leaves unaffected a "fall-back" provision which calls on Congress to make the necessary cuts (subject to the President's veto with regard to individual items) through a joint resolution. On 18 July, Congress approved legislation ratifying $11.7 billion in expenditure cuts for the current fiscal year (October 1986/September 1987) made under the earlier procedure that had been found unconstitutional.

249. In late September the House of Representatives approved legislation that would give the Export-Import Bank new tools for supporting sales of American goods abroad. The bill, which extends the bank's charter for six years, authorizes two programmes. The first authorizes $300 million for a two-year fund to help combat the mixing of foreign-aid grants and export credits by a number of other governments to promote purchases of their goods. Second, the bill also establishes a new programme to allow the Bank to finance US exports with a combination of loan guarantees and interest subsidies. The bill still requires final approval by the Senate.

250. International Cocoa Agreement: a new cocoa agreement is to take effect on 1 October, subject to ratification by producer and consumer countries in accordance with shares of world trade. The main features of the agreement, which is for three years but may be extended for another three years, are: (i) buffer stocks (financed by a levy of 2 cents per pound and initially limited to 250,000 tons) will be activated when market prices deviate by SDR 335 from an initial reference price of SDR 1,935 per ton; (ii) the reference price will be adjusted annually, with an automatic adjustment taking effect in the absence of agreement among producers and consumers; and (iii) if market prices fall below the lower intervention price, buffer stocks stand at 80 per cent of capacity, and further additions are limited to 30,000 tons by the cash available, producer countries will then be entitled to withdraw up to 120,000 tons from the market, with costs to be apportioned according to shares of world exports (see also L/6025, paragraph 168).

251. International Olive Oil Agreement: on 1 July, seven countries and the EC signed a new international agreement covering world trade in olive oil and table olives to replace the current agreement which expires at the end of 1986. The new agreement, which contains no price-stabilization or production-limiting measures will come into force when ratified by five of the eight participants in the negotiations. It will be the fourth in a series dating back to 1959.
VI Prospective developments and current discussion

252. China: in July, the Government announced plans for a large increase in the import of advanced technology over the next two-and-a-half years. The imports, consisting of 3,000 items, will be focussed on technology for processing raw materials, upgrading export-orientated products and guaranteeing product quality.

253. India: at the beginning of July, India unveiled a new package of subsidies to boost exports. The scheme, which will run until March 1989, (with the exception of textiles until December 1988), will increase the subsidies on certain products from 5 to 20 per cent. Thirty items will receive "cash compensatory support", i.e. exporters will be repaid indirect taxes while commercial banks will be encouraged to give export finance assistance by being compensated at a higher rate of 3 per cent by the Reserve Bank, double the present rate of 1.5 per cent.

254. Japan: according to report, the Ministry of International Trade and Industry is considering the introduction, in September 1986, of an early warning system for monitoring certain Japanese exports on an item-by-item basis. The total number of products is reported to be around eight and would include motor vehicles and machine tools.

255. On 30 January 1986, the Consumer Products Safety Association of Japan (CPSA) introduced a new safety standard for skis ("SG") the certification of which it will administer. The new SG-mark certificate for ski equipment which was stated to have been introduced to take into account the specific skiing conditions in Japan has caused concern in a number of countries. The GATT's Committee on Technical Barriers to Trade was informed that informal consultations on the subject were being held between some of these countries and Japan. According to reports the CPSA has said that it would review the SG-mark in consultation with the International Standards Organization (ISO) by the spring of 1987.

256. United Kingdom: in May, the Department of Trade and Industry created a new body called the "Unfair Trade Unit". The unit will co-ordinate work on complaints about all forms of unfair trade practices in international trade affecting UK exports.

257. United States: the US Trade Representative's office announced on 16 May its acceptance of a Section 301 complaint against alleged unfair exports of Canadian herring and salmon. Under Section 301, the USTR has a year to investigate a petition, once accepted. If there is a finding that these were unfair trade practices, the Trade Representative can recommend that the President retaliate against exports from the offending country (see also L/6025, paragraph 146). The Economic Policy Council of the White House was also reported to have recommended a more vigorous pursuit of the self-initiated Section 301 investigation of Brazil's informatics policies (see also L/5915, paragraph 74 and L/6025, paragraph 99). According to report the President has decided that further consultations should be attempted. If, however, no satisfactory agreement has been reached by the end of the year then the United States would suspend tariff concessions of selected imports of Brazilian products to compensate for lost US sales. On 27 October the US Administration was due to decide on whether or not to set in motion a Section 301 unfair trade investigation after receiving a complaint by the American Rice Millers' Association that the Japanese market system discriminates against imports. The USTR subsequently rejected the complaint.
On 14 October, the American Peanut Butter and Nut Processors Association requested the International Trade Commission (ITC) to launch an investigation under Section 22(d) of the US Agricultural Adjustment Act of 1934 with a view to raising the limit on US imports of groundnuts. The US consumes about 1.4 billion pounds of peanuts annually; imports are limited to about 1.7 million pounds.

The Administration confirmed in early August that there were proposals to reinforce the US economic embargo on Cuba which dates from the early 1960s.

According to reports in early September, the US is to seek talks with Canada, Sweden and Taiwan on steel after July figures showed the largest single monthly increase in steel imports from countries not covered by voluntary restraint agreements (see also C/W/476/Rev.1, paragraph 39). Reverting to their traditional market share would, according to US officials, require a cutback in shipments for the remainder of 1986.

The House Ways and Means Committee of the United States approved, late September, a deficit reduction package that includes a 10-month import levy of 0.5 per cent on all imports from 1 December 1986. The import levy, labelled a Customs Service "user fee", would be reduced to 0.2 per cent in fiscal 1988. This mini-tariff was first proposed by President Reagan in his budget last winter, but at a suggested lower rate. Under the omnibus Budget Reconciliation Act 1986 a customs user fee of 0.22 per cent ad valorem will be imposed on all imports as of 1 December 1986; the fee would be reduced to 0.17 per cent after 30 September 1987. It was stated that the fee was not intended for fiscal purposes but only for covering the costs of cargo processing. The matter was brought to the attention of the CATT Council where questions were raised as to the conformity of the measure with the General Agreement and particularly with the provisions of Article VIII:IA (see also L/6085).

According to reports the US and Taiwan have begun negotiations on a bilateral agreement to restrict Taiwan's exports of machine tools to the United States for a five-year period in the interest of national security. It was also reported that similar bilateral negotiations have been started with Japan (see also L/6025, paragraph 173) also in the interest of American national security; Administration sources have indicated that further approaches would be made to the Federal Republic of Germany and Switzerland concerning the voluntary limitation of their machine tool exports to the United States as well.

The US Administration has reportedly told the Japanese Government that it will take action to limit Japanese telecommunications access to the US if Japan should fail to renew the Nippon Telegraph and Telephone (NTT) procurement agreement at the end of the year.

On 17 October, a new Congressional Appropriations and Deficits Bill was signed into law. Among its provisions was a toxic waste disposal programme which requires, starting January 1987, that crude oil produced in the United States will carry a $0.082 per barrel tax while imported oil will be taxed $0.117 per barrel. A number of oil exporting and other countries have expressed serious concern at the tax which they consider
discriminating and not in conformity with the GATT or the Punta del Este standstill provision. The matter was brought to the attention of the GATT Council and the EEC has requested consultations with the US under Article XXII:1 of the General Agreement.

VII Movements in foreign exchange rates

265. Exchange rates: exchange rates are still in a state of flux as they are adjusting not only to economic fundamentals but also to the relative effects, on different countries, of lower oil prices. Volatility and a large number of official devaluations – almost equal in number to that reported for the previous six months – were the principal features of the present period. As previously, attention continued to be focussed on the depreciation of the US dollar, the appreciation of the Japanese yen, and the smaller rise in the real effective exchange rate of the Deutschmark. None of these have yet made any visible impact on the existing trade imbalances of the countries concerned.

266. Since August 1985, the drop in value in the real effective exchange rate of the US dollar has been 18.2 per cent while the yen has appreciated by over one-third, the Swiss franc by 8.0 per cent and the Deutschmark by 6.4 per cent, by end July 1986. The US trade deficit has failed to show any correction, however, despite the shift that has taken place in hard currency cross-rates since the dollar peaked in February 1985. This has raised further questions regarding the real impact that can be attributed to exchange rate movements. Explanations for the lack of visible effect centre around estimates of the time-span needed before a shift in the exchange rate alters a country's trade pattern. Furthermore, one should not overlook the fact that some three-quarters of the United States' total trade deficit arises with a significant number of countries (e.g. Brazil, Canada, the Republic of Korea, Hong Kong, Indonesia, Israel, Mexico, Singapore and Taiwan) whose currencies have either not moved at all against the dollar or have even shown a depreciation. At present, the dollar's real effective exchange rate stands slightly below its average during 1980-1982 when the United States was in approximate current account balance (see also GATT Press Release No. 1392 of 1 September 1986).

267. The following references detail officially announced changes in foreign exchange parities where the currency in question is either pegged to a specific currency (US dollar, £ sterling, Fr.Franc etc.) or tied to a trade-weighted basket of selected currencies. Currencies whose rates are subject to some form of managed floating or that float independently are obviously not included:

- Argentina: in late August the Austral was devalued by 1.5 per cent. This was the fourteenth mini-devaluation since the introduction of the 'Austral' in place of the Peso in June 1985 when 0.80 Australs equalled US$1. The Austral is now officially valued at 0.975/US$1 (see also L/6025, paragraph 321).

- China: in July the Governor of the People's Bank of China announced that the currency, the renminbi yuan, had been devalued by 15.8 per cent against a basket of major currencies. The rate is now 3.69 yuan to the US$1 as against 3.19/US$1 previously. The last official adjustment was in October 1985 (see L/6025, paragraph 322).
- **Finland**: in May, in the wake of the devaluation in neighbouring Norway (see below) the Bank of Finland announced a mini-downward adjustment of 2 per cent against a basket of currencies. In August, short-term interest rates were raised to a record 40 per cent to stave off speculation against the markka; the external value of the Finnish markka subsequently remained unchanged.

- **Hungary**: The Hungarian Foreign Trade Bank announced on 23 September that the Forint has been devalued by 8.6 per cent against the US dollar, 8.4 per cent against the DM, 7.14 per cent against the pound sterling, 8 per cent against the Swiss franc.

- **Madagascar**: in August, the authorities announced that the Malagasy franc (FMG) had been devalued by 20 per cent.

- **Malawi**: in August, the Malawian Government devalued the kwacha by 10 per cent.

- **Norway**: on 11 May, the new Government announced a 12 per cent devaluation of the Norwegian krone as the first part of a series of austerity measures. The new rate for the $ is NK 7.4275/US$1.

- **Paraguay**: in late September Paraguay announced a major overhaul of its exchange rate policy, putting many exports and nearly all imports under a floating rate and bringing the country's fixed rates more in line with the currency's real worth. The exchange rate for foreign credits was fixed at 320 guaranis to the dollar, representing a 25 per cent devaluation from the old rate of 240 to the dollar. The rate used to apply to all public sector imports and many private sector imports, but almost all imports from now on are to be transacted at the floating rate of exchange, which on 22 September stood at 625 guaranis to the dollar. A new exchange rate also was set for exports of soyabeans and cotton, at an average 400G/US$1, as compared to the previous average of 320G/US$1. All other exports are to be traded at the free rate of exchange. Soyabeans and cotton represent 80 per cent of the country's registered export earnings, which totalled $312m last year.

- **Portugal**: on 1 April, following a four-month suspension, the Ministry of Finance reintroduced a "crawling-peg" depreciation of the escudo at a maximum rate of 0.9 per cent (previously one per cent) a month in the second quarter and at 0.8 and 0.7 per cent a month in the third and fourth quarters, respectively. On 27 June the Government announced a series of measures among which was the slowing of the previous maximum monthly "crawling-peg" devaluation of the escudo from 0.8 to 0.7 per cent in the third quarter, and from 0.7 to 0.6 per cent in the fourth quarter.

- **Saudi Arabia**: at the beginning of June the Saudi riyal was devalued by 2.7 per cent against the dollar. The rate was officially adjusted from 3.65 to 3.75/US$1.

- **Sierra Leone**: on 27 June, under the new budget the Leone was allowed to float. The Central Bank, in concert with other commercial banks, will set indicative exchange rates each week. On 11 July, the rate set was LE20/1US$. 
- **Tanzania**: with effect 20 June Tanzania unveiled a package of structural reforms including a 33.3 per cent devaluation of the shilling. The rate is now Sh40/US$1 as against Sh16/US$1 in March 1986.

- **Tunisia**: on 19 August, the new Prime Minister announced a 10 per cent devaluation of the Tunisian dinar.

- **Uganda**: in the new Government's first budget in late August the dual exchange rate, introduced as a compromise measure in May, was abolished. The Government has now pegged the shilling at the sole rate of 1400SH/US$1 for priority imports compared to the former market exchange rate of 5,000SH/US$1.

- **Yugoslavia**: in late June the Yugoslav dinar was effectively devalued when new rates were published showing the dinar at 409/US$1 on 24 June as compared to 389/US$1 on 20 June 1986.

**Other**

- **Bolivia**: on 11 August, the Executive submitted to Congress a proposal to replace the 'Peso Boliviano' by the 'Condor'. One condor will equal one million pesos and, if approved by the Legislative, should become legal tender by January 1987.

- **Greece**: late in August Greece revoked new import legislation aimed at saving foreign currency after comment by EC Commission that the measure introduced earlier (whereby importers had to apply to the Central Bank for authorization to buy foreign exchange to pay for goods) was contrary to EC free-trade rules (see also L/6025, paragraph 326).

- **Guatemala**: as of 6 June, Guatemala will apply a new foreign exchange system which involves three exchange markets: official, regulated and bank. The official rate will be used for all private obligations registered with the Central Bank before 6 June; the applicable rate will be 1 quetzal/US$1. The regulated market will be used for an approved list of imports and official and private external debt; the applicable rate will be 2.5 quetzals/US$1 (buying). The 'bank' market will be used for all operations not included in the previous two markets; the rate will be that of the prevailing rate of exchange which in May averaged Q2.97/US$1.

- **Japan**: on 19 April the Bank of Japan lowered the official discount rate from 4 to 3.5 per cent with effect from 21 April (the rate had last been changed, by the same amount, on 10 March).

- **Peru**: at the end of July, the Peruvian Government published decrees suspending for two years the export of foreign currency by domestic and foreign companies for depreciation costs, debt payments, interest, dividends, profits, patents and royalties. Other Government orders require public and private companies to sell their foreign currency to the Central Bank within ten working days; prior approval from the Economy Ministry is required for the import of goods in amounts over US$50,000.

- **Poland**: Poland formally joined the IMF on 12 June 1986.

- **United States**: on 18 April the Federal Reserve Board announced a reduction in the discount rate of most District Reserve banks from 7 to 6.5 per cent with effect from 21 April; the rate had last been reduced, by
the same amount, on 7 March. Effective 11 July, the discount rate was lowered to 6 per cent; the rate was again reduced to 5.5 per cent (the lowest level since August 1977) with effect from 21 August 1986.

- Venezuela: Decree 1072, issued on 28 April, changes procedures for obtaining dollars to pay for imports of goods and raw materials included in the Government's list of items eligible for the preferential exchange rate of 7.50 bolivars/US$1. The ordinary exchange rate is about 19.6 bolivars/US$. The decree stipulates that importers must present documentary proof; its objective is to eliminate over-invoicing in applications for the subsidized dollars.

- Group of Seven/Group of Five/EEC: after their 12th Economic Summit meeting in Tokyo on 6 May, the seven major industrial countries and EEC representatives stated in their communiqué, inter alia, (a) that they welcomed the recent examples of improved co-ordination among the Group of Five countries - which have helped to change the pattern of exchange rates and to lower interest rates - but agreed that additional measures should be taken; (b) to this end, they agreed to form a new Group of Seven, including Canada and Italy, to work together more frequently in the periods between the annual Summit meetings; (c) they will request the seven Finance Ministers to review their individual economic objectives and forecasts collectively at least once a year, using agreed indicators; (d) they invited the Finance Ministers and Central Bankers, in conducting multilateral surveillance, to reach an understanding on remedial measures whenever there are significant deviations from an intended course; and (e) recommended that such measures focus primarily on underlying policy fundamentals.
C. NEW TRADE ARRANGEMENTS

I. Export restraint arrangements

268. According to information available 27 export restraint arrangements - largely inconsistent with the General Agreement - were concluded or modified during the period under review. (The number does not comprise existing bilateral agreements falling within the scope of the Multifibre Arrangement nor those renegotiated before its extension (MFA IV) under the aegis of the GATT.

269. Various types of bilateral export restraint arrangements known to the secretariat and still in force are listed in Appendix V(a). It may be seen that at least 93 such arrangements were in existence at the end of the review period. Among the agreements listed, 53 arrangements protected the markets of the EEC or its individual member states, 27 the US market and three the Canadian market. In 23 cases the arrangements restricted exports originating in industrialized market economies other than Japan, in 23 cases those of Japan; in 15 cases those originating in Eastern Trading Area, in 19 cases exports from developing countries other than the Republic of Korea; and in 12 cases those from Republic of Korea.

270. Product categories most heavily affected by export restraint arrangements include steel and steel products (35 arrangements), textiles (11 arrangements outside the scope of the MFA), agricultural products (16), cars and other transport equipment (13), electronic products (6 arrangements, all with Japan), machine tools (3 arrangements, with Japan) and footwear (5).

271. The most significant developments during the period under review include the US-Japan semi-conductor pact and the US requests for 'voluntary' restraints on exports of machine tools from Japan, the Federal Republic of Germany, Switzerland and Taiwan. All of these show that the so-called 'grey area measures' can expand into high technology and possibly limit competition in some of the decisive growth sectors of modern economies.

272. Sweden and Switzerland refused to negotiate export restraint arrangements on steel and machine tools respectively, on the grounds of the incompatibility of arrangements of this type with various provisions of the General Agreement.

273. The effect of numerous bilateral restraint arrangements on third countries became an important matter of concern in steel and electronics. Following the US-Japan pact on semi-conductors the EEC introduced an import monitoring system on such electronic products. Requests for similar monitoring arrangements on steel were presented in Canada. Both were motivated by the fear that bilateral restraint arrangements may encourage trade diversion and affect prices and quantities sold in third-country markets.
Steel and Steel Products

274. European Economic Community/Australia, Brazil, Bulgaria, Czechoslovakia, Hungary, Japan, Poland, Romania, Republic of Korea, South Africa, and others: the EEC renegotiated agreements on voluntary restraints of steel exports to the Community for 1986 with the above countries. All of these countries have been allowed a three per cent increase in their export quotas towards the EEC. As for imports from countries which have not concluded an arrangement with the Community, the Commission decided that the trend of these imports should be monitored more vigilantly, particularly since certain world markets which traditionally constitute major outlets for steel products had contracted. (As regards certain EFTA countries (Austria, Finland, Norway and Sweden) see L/6025, paragraph 66).

275. United States/European Economic Community, Japan, Republic of Korea and Brazil: in response to the substantial reduction in US demand for oil country tubular goods (OCTG) the United States requested that Japanese, European, Korean and Brazilian steel producers stop shipping these goods to the United States.

276. The levels of shipments ought be in line with the latest forecasts of US demand from Data Resources Inc., the private company retained by the US Government to provide market forecasts.

277. United States/European Economic Community: under the terms of the new arrangement negotiated in summer 1986, EEC producers will be allowed to export 600,000 short tons of semi-finished steel to the United States in 1986, exceeding an original US export quota by 200,000 tons. Previously semi-finished steel was excluded from the global EEC-US steel arrangement concluded in 1985 to last until 1989 (see L/6025, paragraph 344). This occurred because at the time the global arrangement was concluded, the EEC would not accept the 400,000 tons the US offered as an annual import quota for semi-finished steel. In January 1986 the United States unilaterally imposed this import quota on EEC shipments and the EEC retaliated by curbs on imports of US fertilizer, coated paper and beef tallow. These retaliatory measures have been lifted as a result of the present arrangement.

278. The new quotas for EEC semi-finished steel exports to the United States are: 600,000 tons in 1986, 620,000 tons in 1987, 640,000 tons in 1988 and 670,000 tons in 1989 (January to November).

279. The EEC has agreed that the enlarged quota will be divided between the Member States as follows: the Federal Republic of Germany 50 per cent, France 14.5 per cent, Italy 3 per cent, UK 4.5 per cent, Netherlands 15 per cent, Belgium and Luxembourg 13 per cent (see also L/5413/Add.2).

280. United States/Sweden: US-Swedish negotiations in summer 1986 on trade in finished steel products resulted in an agreement to consult on the future development of steel trade between the two countries without establishing a formal voluntary restraint arrangement (VRA).

281. The Swedish authorities had objected to a VRA on the grounds that it was not compatible with the provisions of the General Agreement.
282. A group of US specialty steel companies filed, in October, an anti-dumping petition with the US Department of Commerce against two Swedish specialty steel producers. This is the fifth action in the last ten months directed by this group of American companies on the same products against the same Swedish companies.

283. United States/Taiwan: Taiwan has instituted a unilateral programme, effective 1 September 1986 to restrict its steel exports to the United States to less than 20,000 metric tons per month through to the end of 1986.

284. United States: the US Administration charged the method of weighing steel products imported from countries applying 'voluntary' restraint agreements with the United States. The US Customs Service stipulated in its new guidelines that "the weight of a shipment of steel, or steel products, must be equal to, or less than, the weight appearing on the accompanying certificates, regardless of how the weight is described on the certificate." Shipments violating the guidelines will be denied entry to the United States, or seized, and penalties will be imposed.

Machine Tools

285. United States/Japan: in August 1986 the United States formally asked Japan to voluntarily limit exports of machine tools to the United States or face the possibility of a unilateral import quota. The US trade legislation gives the US President the power to set quotas unilaterally if he determines that imports threaten national security.

286. In 1985 Japan’s exports of machine tools to the United States reached about 200 billion yen or US$1.3 billion.

287. United States/Switzerland, Federal Republic of Germany and Taiwan: the US Government announced that it was seeking agreements with Switzerland, the Federal Republic of Germany and Taiwan to hold down exports of seven categories of machine tools to the United States. The Federal Republic of Germany accounts for about 3 per cent of the US machine tool market, Switzerland for about 2.8 per cent. In its May 1986 announcement the US Administration set a six-month deadline for completion of VRAs. The announcement emphasized that the VRAs were sought for national security reasons and not trade reasons. It did not specify, however, why the rational security objective could not be reached through a production subsidy rather than trade restriction. The requested restraints are stated to affect mainly machine tools used to make machines for producing conventional weapons. The Swiss authorities declared that they were not prepared to engage in negotiation of such an export restraint arrangement because the arrangement would be contrary to the GATT.

Automobiles and Road Transport Equipment

288. Canada/Japan: Japan will limit its car exports to Canada during the fiscal year 1986 to 240,000 vehicles. This signifies a 17 per cent increase compared with the previous year. Japan's share of the Canadian car market is thus expected to increase from 18 per cent in March 1986 to 21 per cent in March 1987.
289. **Canada/Republic of Korea:** Korea and Canada agreed on the need to market cars in Canada in an orderly fashion (see paragraph 81). According to reports Korean automobiles now take about 8 per cent of the Canadian car market.

290. **EEC/Japan:** in June 1986 the Japanese Ministry of International Trade and Industry (MITI) asked its motor manufacturers to restrain their exports to the EEC. The growth of EEC-bound shipments is to be limited to 10 per cent in 1986 as compared to 11 per cent for a year earlier. (The EEC and Japan discontinued car import monitoring in 1985). It is not clear whether MITI's request is binding for the Japanese producers. The European Commission declared that it had not asked for such restraint, and that its policy was rather to seek market openings for EEC exports to Japan.

291. The restraint on car exports to the EEC follows a rapid increase in Japanese car exports to the Community in the first four months of 1986. According to MITI figures, exports to the Community of Ten were up by 33.1 per cent compared with the same period in 1985, whilst exports to the Federal Republic of Germany were 54.1 per cent higher.

292. Japanese automobiles account for an unprecedented 11.8 per cent of Western European new-car sales in the first half of 1986, up from 10.4 per cent in the corresponding period last year.

293. **Italy/Japan:** following bilateral negotiation in summer 1986 the Italian Foreign Ministry increased quotas on Japanese imports into Italy for the period 1 October 1985 to 30 September 1986. The increases are about 50 per cent and refer to quotas that were fixed in 1976 and have been frozen ever since. Among the principal products concerned are:

- motorcycles up to 380 ccs (1800 units quota);
- jeeps (to 700 units);
- cars (1700 units);
- car radios (67.5 million lire);
- hi-fi radios (112.5 million lire);
- radio recorders (180 million lire)
- TV sets, TV cameras and TV antennae (1057 million lire)

294. **United Kingdom/Japan:** under the terms of the longstanding "prudent marketing" agreement between the British and Japanese motor industries, Japanese car exports and exports trucks under 3 1/2 tons are restricted to about 11 per cent of the British car market. The "gentleman's agreement" was renewed in April 1986 for another year (L/6025, Appendix V(a)).

295. The Society of Motor Manufacturers and Traders in the United Kingdom informed its Japanese counterpart, the Japanese Automobile Manufacturers' Association, that it expected the new-car market in the United Kingdom to drop slightly from 1985 record level to around 1.82m units in 1986 with a further fall to 1.785m units in 1987.

**Electronic Products**

296. **United States/Japan:** Japan and the United States reached a broad agreement on semi-conductor trade issues in summer 1986. The agreement was aimed to suspend anti-dumping investigation against Japanese chip producers
in the United States. The major features of the agreement which is to run for five years, starting September 1986, are reported as follows:

Product coverage: erasable-programmable read-only memory (EPROM) semi-conductors and 256-kilobit dynamic random access memories (256K DRAM), whether in the form of processed wafers, unmounted die, mounted die, or assembled devices, and other merchandise of the same class or kind. According to reports the products covered by the price monitoring system account for nearly 90 per cent of the $1 billion Japanese chip exports to the United States.

Monitoring: Japan will monitor shipments to prevent exports of semi-conductors to the United States at less than fair market prices. It will also monitor costs and prices of its semi-conductor exports to third countries. The US Department of Commerce will require Japanese semi-conductor makers to report their actual cost of production and profit data on a quarterly basis. The Department will notify each producer on a quarterly basis of the foreign market value it calculates according to its own methodology in mid-October 1986, the Department of Commerce will conduct a review of the prices set under the agreement. The Ministry of International Trade and Industry (MITI) will collect data on prices and production costs from Japanese semi-conductor makers and submit them to the US Department of Commerce, if necessary. MITI will consider applying the Export Trade Control Ordinance.

Market access for semi-conductors in Japan: Japan will promote imports of foreign-made semi-conductors. While there is no specific timetable for increasing sales of foreign computer products in Japan, the US Trade Representative said that he expected current US sales of about $600 million a year to increase to between $1 billion and $2 billion over the five-year period covered by the agreement. (The 1986 share of US firms in the Japanese chip market is in the range of 9 per cent.) The United States in turn have agreed to suspend anti-dumping duties of up to 120 per cent that were due to be levied on a number of Japanese memory chips including EPROM and high-integration memory chips (256K DRAM).

Recourse by EEC to Article XXII:1 of the General Agreement: in October 1986 the EEC initiated consultations under Article XXII:1 of the General Agreement with Japan and the United States of America in respect of the implications for Community exports and imports of semi-conductors created by the bilateral US-Japan arrangement on semi-conductors. The Community's concerns related in particular to those aspects of the arrangement which deal with market access in Japan for semi-conductors and to its provisions regarding third country markets (see L/6057).

297. On 21 October the Japanese Mission transmitted to the GATT secretariat a statement by the Japanese Government regarding the above arrangement.

Textiles

298. A large number of bilateral restraint arrangements regulating trade in textiles and falling within the scope of the Multifibre Arrangement (MFA) were concluded during the period under review. Those notified and reviewed by the TSB and surveillance system are dealt with in Appendix II(f).
299. Among bilateral restraint agreements concluded during the period under review and as yet not notified to the Textiles Surveillance Body, the following came to the attention of the secretariat.

300. United States/Costa Rica: through an exchange of notes Costa Rica agreed to "voluntary" export restrictions on export of brassieres to the US market in 1986. The arrangement stipulates that analogous restrictions could also be easily introduced in the future with respect to cotton shirts and pants. Through an exchange of notes the United States and Costa Rica governments have established a consulting mechanism whereby if the United States government feels that Costa Rica exports are increasing or about to increase beyond a "tolerable limit", in terms of total imports and as a proportion of United States production, additional voluntary restrictions may be agreed upon.

301. United States/South Africa: a bilateral arrangement agreed upon in July 1986 provides for a four per cent increase in South Africa's share of the United States textile market in 1986.

Agriculture

302. EEC/Thailand: Thailand has signed a new, four-year voluntary export restraint agreement with the EEC which will permit up to 21 million tonnes of Thai tapioca shipments during calendar years 1987-1990 - an increase of 2 million tonnes from the current four-year pact which ends in 1986.

II Compensation trade

303. The frequency of countertrade arrangements seems to have increased in the oil markets. However, it is unlikely that the increase was important enough to offset the drop in value of oil countertrade following the significant decline in oil prices in the previous review period (see L/6025). Oil was also more extensively used as a means of debt repayment.

304. A number of countries including China, Pakistan, Egypt and India considerably reinforced their insistence on countertrade in negotiations with foreign suppliers. There were also growing pressures in the United States to make the US Administration endorse countertrade and promote it more actively.

305. China has been making a major effort during the period under review to boost its countertrade. The Chinese Government considers countertrade to be an "ideal way for China to expand overseas business, particularly in view of the shortage of hard currency in many countries". The countertrade focus has shifted in China in 1986. More emphasis was being placed on the importation of complete sets of equipment. The bulk of countertrade in 1985 was in importing consumer goods and raw materials. The growth of countertrade is also encouraged by a strengthening of the trade powers of the Trade Ministry of China. In the past countertrade contracts have at times proved cumbersome to arrange because of bureaucratic barriers inherent in dealing with several different departments.
306. According to its Trade Ministry, China in 1985 signed compensation arrangements worth $213 million, a 35 per cent increase on 1984. The Chinese Government also intends to expand its future countertrade arrangements into new areas such as labour services, technology and leasing.

307. India is reported to have substantially intensified its countertrade over the last twelve months or so. The Indian Government is officially opposed to countertrade. However, pressure on India's balance of payments has apparently caused the government to allow its two government-owned trading firms, the Minerals and Metals Trading Corporation (MMTC) and the State Trading Corporation of India to engage in countertrade contracts where there were 'special advantages'. Following this change of stance countertrade exports totalling $100 million were completed by the two Indian corporations in 1985-1986 and at least another $200 million have been arranged for.

308. Pakistan has selected four additional multinational corporations to manage the country's countertrade during the next year. First arrangements of this system were already concluded in 1985. The countertrade policy is declared to be an effort to build up stagnant exports and reduce a large trade deficit. Under the new arrangement, a one-year agreement will be signed between each of four multinationals from industrialized countries and the state trading corporation in Pakistan. They will also sign an inter-bank agreement which will set out items involved in countertrade. In exports, the traders will be limited to 20 per cent (by value) selected from traditional items such as cotton yarn, raw cotton and rice. The other 80 per cent of exports must be made up of such "new" goods as vegetables, flowers, minerals, sporting goods, leather garments, fish, chemicals and steel and engineering products.

309. Egypt has conducted little countertrade with developed market economies in the past. However, there is an increasing interest on the part of the government of Egypt in countertrade as a means of reducing the country's balance-of-payments difficulties. Egyptian phosphate rock is increasingly countertraded partly in an effort to retain the country's share in the depressed world markets for the mineral. Phosphate rock is heavily countertraded also by Syria, Morocco, Tunisia, Algeria and Jordan.

310. A recent five-year government-to-government arrangement between Egypt and Jordan provides as well for exchange of Egyptian rice for 1.5 million tonnes of Jordanian cement.

311. Falling oil prices have encouraged certain oil-exporting countries to resort more frequently to countertrade. About 60 per cent of the countertraded oil is exported by only four major oil exporters: Iran, Iraq, Nigeria and Saudi Arabia. Among the major importers of the countertraded oil are Brazil, India, Taiwan, Pakistan, Malaysia, Turkey and Yugoslavia.

312. Oil-for-debt arrangements by countries such as Iran, Iraq, Libya and Qatar also contributed to the increase of countertrade in oil. For example, the Republic of Korea announced that it had accepted crude oil in settlement of $400 million of some $2.1 billion of delayed payments for construction projects in several oil-producing countries. Iraq has agreed to pay 60 per cent of the $200 million it owes Indian construction
companies in the form of crude oil to be shipped in 1986. Nigeria and Brazil are back as oil countertrade partners barely one year after the original long-term arrangement was suspended by the Nigerian Government. Saudi Arabia is pressing the United Kingdom to implement an offset investment programme for the recent $7.5 billion oil countertrade arrangement involving Tornado aircraft supplies to Saudi Arabia (see previous report L/6025).

313. In the United States, the Administration was criticised by the trade subcommittee of the House of Representatives for its stand on countertrade. The subcommittee concluded (chaired by Representative Bonker) that the Administration's policy placed the United States at 'a disadvantage compared to its foreign competitors, which endorse and in some cases "actively promote" countertrade'. It also pointed out that less-developed countries had been forced by growing debt burdens to turn to countertrade in order to save hard currency and that 'US exports to developing countries could be jeopardised if the Administration continued its anti-countertrade bias'. Rep. Bonker's effort to make the Administration pay more attention to the effects of countertrade may become part of a trade bill this year. The Administration's current policy is neither to encourage nor to discourage countertrade by private firms, but the US Administration opposes countertrade mandated by governments as a non-tariff trade distorting measure.

III Bilateral trade agreements

314. The bilateral trade agreements noted by the secretariat during the period April to September 1986 are described in more detail in Appendix IV. The number of agreements listed there is not exhaustive and only covers those bilateral trade agreements in which at least one country is a contracting party to the GATT.

315. Compared to the period October 1985 - March 1986 examined by the previous report, the number of bilateral trade agreements noted by the secretariat is much smaller. However, this may be due to the fact that many bilateral agreements are signed or renewed at the end of a year and at the beginning of the new year and they were thus covered in the previous report (L/6025).

316. Furthermore, the beginning of 1986 saw the renewal of several five-year plans of the Eastern Trading Area and of other centrally planned economies which also signed their bilateral trade agreements with countries outside the system at about the same time, before the beginning of the period covered by this report.

317. It should again be noted that the agreements listed in Appendix IV are additional to the agreements listed in previous reports to the special Council, many of which are long-term and continue to be in force for a number of years (see also section C.I).
APPENDIX I

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 documents C/lll, Annex I and PREP.COM(86)W/31/Add.1.

The present Appendix reviews the status of notifications under paragraph 2. It provides details of notifications received during the period April-September 1986 with respect to Articles II, VI, IX, X, XI, XVI, XVII, XVIII:A,C,D, XXII, XXIII, XXIV, XXV, XXVIII 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.

1BISD 268/210.
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

In accordance with the recommendations in its 1984 and 1985 reports, the Group has held two reviews in October 1986: (a) a multilateral review of the accuracy and adequacy of the documentation, including the grounds on which measures are maintained and their GATT-conformity; (b) a multilateral review with a view to achieving progress in the elimination of quantitative restrictions which are not in conformity with the General Agreement and in liberalizing other quantitative restrictions and non-tariff measures. Analyses of the Group's basic documentation prepared by the secretariat are contained in documents NTM/W/17 and Add.1. The Group will be reporting on its findings and conclusions to the November 1986 session of the Contracting Parties.

(b) Licensing

The status of notifications as of 10 March 1986 is contained in document L/5640/Rev.2. Since then, notifications in response to the questionnaire on import licensing procedures have been submitted by Austria, Chile, the EEC, Egypt, Malawi, Pakistan, Peru, Romania, Singapore, Turkey, Yugoslavia 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-seven 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 eleven contracting parties.

Annex II contains a table showing notifications received since 1978.

Article XVIII: A,C,D - Governmental assistance to economic development

No notifications have been received.
Article XXII - Consultations
(See also matters listed under Dispute Settlement (Appendix III))

In May 1986, the European Communities requested the establishment of a working party to examine the distortive effects in the world market for copper ores and concentrates that result from the dual-pricing policy in the Japanese market for refined copper and the purchasing practices of Japan with regard to copper concentrates. It may be recalled that this matter had been considered by the Council at its meetings in March, May, June and November 1984, and had also been discussed by the two parties in informal consultations held by the Council Chairman. At its meeting in July 1986, the Council agreed to establish a group of governmental experts, open to all interested contracting parties, to examine the problem (see L/5992, C/M/201).

In July 1986, the European Communities requested consultations with Japan concerning the level of customs duties, structure of the liquor tax system and the labelling practices by domestic producers relating to wines and alcoholic beverages on the Japanese market (see L/6031). Canada notified its wish to be joined in the consultations (see L/6031/Add.1).

Following Article XXII:1 consultations between New Zealand and the European Communities concerning the import ban of lamb brain, and other restrictive action taken by France affecting some other imports from New Zealand, the two parties have resolved the matter to their satisfaction (see L/5970/Add.1).

In September 1986, New Zealand requested consultations with the United States concerning countervailing duty and anti-dumping orders on exports of low fuming brazing copper rod and wire from New Zealand. New Zealand considers that the methodology used in the assessment of countervailing duties on account of the Export Performance Taxation Incentive does not accurately reflect the legislated phase-out of this tax credit programme. Secondly, in assessing the dumping margin, New Zealand maintains that the Commerce Department did not make adjustments required in terms of its own legislation for differences in level of trade (wholesale/retail) and quantity differences between the sales by the New Zealand exporter on the domestic and United States markets respectively. Moreover, New Zealand does not consider that the evidence presented to the United States International Trade Commission justified the conclusion reached by the majority of Commission members that the exports from New Zealand were causing material injury to the domestic industry (see L/6045).

Article XXIII - Nullification or impairment
(See also matters listed under Dispute Settlement (Appendix III))

In May 1986, Brazil requested consultations with the United States concerning the effect on Brazilian exports of non-beverage ethyl alcohol to the United States, of the additional United States duty of 60 cents per gallon (which is neither a countervailing nor anti-dumping duty), and certain alleged United States subsidies on the production of ethyl alcohol (see L/5993).

In August 1986, the United States, having recourse to Article XXIII:2 of the General Agreement, requested the Council to establish a panel to review the restrictions maintained by Japan on imports of certain agricultural products. The United States believes that, as administered, the restrictions contravene, inter alia, the prohibition in Article XI against quantitative restrictions (see L/6037).
Article XXIV - Customs unions and free-trade areas; regional agreements

In May 1986 the Council took note of a report containing information given by the parties to the Agreement between Finland and Czechoslovakia (L/5825).

Article XXV - Joint action by the CONTRACTING PARTIES

See Appendix II - Waivers.

Article XXVIII:3,4 - Modification of schedules

On 20 May 1986, the United States announced that it would suspend substantially equivalent concessions on imports of pork, ham, certain cheeses, vegetables, wines and other alcoholic drinks, etc. originating in the EEC in retaliation for, inter alia, the withdrawal of Spanish concessions on corn and sorghum and for replacing them by variable levies with effect from 1 March 1986, without agreement on compensation as provided in Articles XXIV:6 and XXVIII. The United States maintained that it holds initial negotiating rights on both these products and that it has been the principal supplier of corn. It has also been a major supplier of sorghum to Spain, together with Argentina. Thus, the withdrawal of concessions has had a damaging effect on their trade in corn and sorghum with Spain (see L/5997, L/5936/Add.2). (The two parties were reported to have reached a temporary settlement in July agreeing to keep negotiating within GATT on their differences over EEC enlargement. The United States retaliatory steps due to have taken effect on 1 July, as well as the European Communities' counter-measures have been cancelled. The EEC has agreed to monitor imports of United States farm products into Spain. Should these fall below the average of 234,000 tonnes a month - average United States exports before Spanish entry - the EC will allow the difference to be made up by reducing the tariff on the products).

In May, the Republic of Korea requested authorization to renegotiate some items included in its Schedule LX in the course of the forthcoming Article XXVIII negotiations regarding introduction of the Harmonized Commodity Description and Coding System. Korea had not, prior to 31 December 1984, formally reserved its right under Article XXVIII:5 to modify its tariff schedule. With a view to participating actively in the harmonized system exercise, it had to invoke Article XXVIII:4 in order to undertake the necessary renegotiations. The Council, at its meeting in June, agreed to grant the authorization sought by Korea for such negotiations for an extended period of one year from the date of the submission of its Harmonized System documentation (see L/5999, C/M/200).

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, Finland, 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.
## 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 April - 30 September 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

- Hungary, paragraph 6: The Protocol of Accession of Hungary provides for consultations between Hungary and the CONTRACTING PARTIES on discriminatory prohibitions and quantitative restrictions still applied to imports from Hungary. In June 1985, the Council had established a working party to carry out the sixth consultation with Hungary and to report to the Council. The Council adopted the report of the Working Party (L/5977 and Add.1) on 22 May 1986.

- Switzerland, paragraph 4: In October 1984, the Council had established a working party to conduct the sixth biennial review of the application of the provisions of paragraph 4 of the Protocol of Accession. On 17 June 1986, the Council adopted the report (L/6003) of the Working Party.

(b) Waivers

- Uruguay - Import surcharge: By Decision of 24 October 1972 (BISD 198/9) the CONTRACTING PARTIES had waived the application of the provisions of Article II to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties. The CONTRACTING PARTIES decided on 18 July 1986 to extend the Decision until 30 June 1987 (L/6029).


On 22 May 1986, the United States presented to the Council the twenty-eighth annual report (L/5981 and Corr.1) under the Decision of 5 March 1955. The Council agreed to establish a working party to examine this report. On 17 June, the Council designated the Chairman of the Working Party (C/M/200) and on 15 July 1986 the Council took note of the terms of reference for the Working Party (C/M/210).

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

An exchange of views took place in the Committee in May 1986 on how to organize its work in the future in the light of an agreement arrived at in November 1985 (L/5913) to continue the Part IV consultations as an element of the review and surveillance procedures of the Committee on Trade and Development in regard to the implementation of Part IV.
(d) Protocol Relating to Trade Negotiations among Developing Countries

On 6 August 1986 Spain notified its withdrawal from the Protocol (L/6035) upon accession to the EEC.

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

No notifications have been received.

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

The following actions have been notified between April 1986 and September 1986 to the Textiles Surveillance Body:

- **Canada**
  - A new agreement with Bangladesh concerning tailored collar shirts and jackets; modifications of existing agreements with Indonesia and Malaysia.

- **Norway**
  - Unilateral action taken under Article 3:5 on imports of bed linen from Pakistan.

- **Sweden**
  - New agreements with Korea and with Malta, a non-participating country; modifications of existing agreement with Hong Kong.

- **Switzerland**
  - The TSB was informed that Switzerland and Hong Kong had agreed not to renew their administrative arrangement.

- **United States**
  - Rescission of restraints on Categories 334 and 350, previously referred by Pakistan under Article 11:4; an emergency action under Article 3:6 with respect to imports of a fabric category from Pakistan; new agreements with Bangladesh to supersede actions taken under Article 3:5, with Guatemala, Haiti and Nepal, a non-participating country; extensions of the agreements with Egypt and Yugoslavia; modifications of existing agreements with China, Colombia, Hong Kong, Pakistan, the Philippines, Malaysia, Uruguay and Yugoslavia.

(g) MTN Agreements and Arrangements

The following main developments relating to MTN Codes and of relevance to this report took place during the period April 1986 - September 1986.

(1) Agreement on Technical Barriers to Trade

The Committee discussed the ways in which the relevant Guides prepared by the International Standardization Organization (ISO) and by the International Electrotechnical Commission (IEC) could be used for improving the implementation of the provisions of the Agreement on mutual acceptance of test results. It also discussed possible extension of the notification provisions of the Agreement to cover standards-related activities of local government bodies.
After having acquired the status of a contracting party to the General Agreement, Hong Kong declared that it would continue to accept the Agreement on Technical Barriers to Trade and to participate in the work of its Committee (TBT/24).

(2) Agreement on Government Procurement

Progress was reached in the Informal Group negotiating with a view to broadening and improving the Agreement.

A list of entities conducting government procurement in Portugal has been circulated and the Agreement will enter into force for Portugal in October 1986.

Hong Kong declared that it would continue to accept the Agreement and to participate in the work of its Committee (GPR/32).

The Committee on Government Procurement reviewed the follow-up of a previous panel report concerning a dispute relating to the treatment of value-added taxes for threshold purposes in the European Community (see Appendix III on Dispute settlement).

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

Two countervailing duty investigations were brought before the Committee for the purpose of conciliation (Article 17): (i) the United States' investigation into softwood lumber products from Canada and (ii) Canada's investigation into boneless manufacturing beef from the European Communities (see Appendix III). In respect of the first investigation, Canada requested the Committee to establish a panel under Article 18 (Dispute Settlement).

The Committee has also discussed reports by its panels on (i) the EEC subsidies on exports of wheat flour, (ii) on the subsidies granted by the EEC on exports of pasta products and (iii) on the definition of industry in the United States Trade and Tariff Act of 1984 with respect to wine and grape products. The three panel reports remain on the agenda of the Committee (see Appendix III).

Hong Kong declared that it would continue to accept the Code and to participate in the work of the Committee (L/5808/Add.9).

(4) Arrangement Regarding Bovine Meat

In June 1986 the International Meat Council discussed proposals for improvement of the Arrangement. The Council also examined national policies linked to trade in bovine meat and live animals and evaluated the world market situation and outlook.

(5) International Dairy Arrangement

Price developments in the dairy product markets and notably those related to the existence of important butter surpluses were discussed by the International Dairy Products Council. The Council was also considering measures to be taken to deal with the situation.
(6) Customs Valuation Code (Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade)

The Committee decided that Brazil may continue to use the officially-established minimum values and reference prices for the valuation for customs purposes of certain goods until July 1988. According to the Brazilian government about 0.34 per cent of total Brazilian imports are subject to the schemes. Brazil started applying the Customs Valuation Code in July 1986.

The Committee also agreed to the terms of accession for Lesotho.

In September 1986 Argentina ratified the Customs Valuation Code.

Portugal expressed its desire to be linked to the Code only in its capacity as a member of the European Communities and withdrew from the Code in its individual capacity (VAL/24).

Hong Kong declared - following the change in its status under the General Agreement - that it would continue to accept the Customs Valuation Code and to participate in the work of its Committee (VAL/23).

(7) Agreement on Import Licencing Procedures

New Zealand announced that effective 1 July 1986, 340 categories of products would be removed from import licencing control and would be subject to licencing on demand for 12 months without restrictions on volume or value. After this time, these goods would be completely exempt from any licencing (LIC/M/15, see also B.III(a)).

Norway informed the Committee that as of 1 January 1986, it had abolished automatic and non-automatic import licence requirements on seven sub-items for all countries and on 32 sub-items for individual countries (NTM/W/6/Rev.2/Add.5).

Hong Kong declared that it would continue to accept the Agreement.

(8) Agreement on Trade in Civil Aircraft

Agreement was reached in the Committee on a substantial number of items concerning a proposed transposition of the Aircraft Annex into Harmonized System (AIR/W/57). Discussions on the outstanding points continue.

The Agreement on Trade in Civil Aircraft entered into force for Portugal and Spain on 1 March 1986.

(9) Anti-Dumping Code (Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade)

New Zealand declared in June 1986 its intention to accept the Agreement. Formal acceptance of the Agreement will take place after an examination of, and any necessary amendments to, current anti-dumping legislation and procedures in New Zealand (ADP/28).
Hong Kong has become a party to the Anti-Dumping Code with effect from 23 April 1986.

In April 1986 the Finnish Government presented to Parliament a Bill for an amendment of the Act on Prevention of Dumping and Subsidized Imports. (The Act has been notified to GATT in document ADP/1/Add.5 and SCM/1/Add.5). The Bill introduces an additional Article 6 to the Act. The purpose of the additional Article is to implement in national legislation the provisions of Article 15 of the Code on Subsidies and Countervailing Duties. The Bill contains proposals for the determination of normal value in cases where the ordinary methods laid down in Article 6 cannot be applied (ADP/W/115).
APPENDIX III
DISPUTE SETTLEMENT

The present appendix covers developments in trade policies during the period April - September 1986 and related to disputes that have been before the Council (A) or other GATT bodies (B).

For further details on dispute settlement refer to the Director-General's report on 'Status of work in panels and implementation of panel reports' (C/139).

A. Matters taken up by the Council

(i) Canada: import, distribution and sale of alcoholic drinks by provincial marketing agencies

In the opinion of the European Communities there are a number of aspects of the regulations and applications of Canada's provincial marketing systems for alcoholic drinks which are contrary to provisions of the General Agreement. In the Communities' view various bindings and concessions made by Canada on imports of alcoholic drinks have been nullified or impaired by the regulations and actions of provincial marketing agencies. Consultations on the substantive issue have been held between Canada and the European Communities, but have not produced a mutually satisfactory solution at the time of writing.

(ii) Canada: measures affecting the sale of gold coins

The differential treatment in Ontario between Maple Leaf gold coins and other gold investment coins was removed on 7 January 1986. At the May 1986 Council meeting Canada stated that it was not in a position to indicate whether it could support the adoption of the report.

(iii) European Communities: imports of citrus fruits and products

The United States had long protested that preferential treatment granted by the European Communities to suppliers of citrus products from Mediterranean countries and North Africa discriminated against the US exporters. A panel report established under Article XXII:2 proposed a solution to the dispute but the European Communities did not agree to an adoption of the report (see L/5915, paragraph 62).

In November 1985 the United States introduced retaliatory measures on EEC pasta products that it claimed to be subsidized. The action was also related to another dispute opposing the United States and the European Communities in the Committee on Subsidies and Countervailing Measures (see section B below). The European Communities responded to the US measure on EEC pasta by a retaliatory action restricting imports of US walnuts and lemons. An agreement to resolve the 'citrus-pasta' dispute was reached in bilateral negotiations in August 1986.

1 For minutes of Council considerations of these disputes see C/M/198, C/M/199, C/M/200 and C/M/201.

2 See also the matters listed under Article XXII - Consultations (Appendix I).
The EEC agreed to reduce by up to 50 per cent its duties on a range of citrus products from the United States. In return, the United States has cut import tariffs on olives and some cheeses from the European Communities.

Both sides also agreed to suspend retaliatory trade measures taken in relation to the 'citrus-pasta' dispute. The United States consented to reduce duties on EEC pasta to one per cent after raising them to 40 per cent in November 1985. The European Communities conceded to ease restrictions on US lemons and walnuts. Trade coverage of the measures which have been reduced as a result of the 'citrus-pasta pact' is more than half a billion dollars in 1986.

The United States have also accepted the EEC's right to its special arrangement with other citrus suppliers. In spite of the EEC duty reduction on a range of US citrus products, the level of the duty is still higher for the United States than for the Mediterranean suppliers such as Morocco and Israel.

The question of whether EEC pasta exports to the United States are unfairly subsidized or not also remains open.

(iv) European Communities: quantitative restrictions against imports of certain products from Hong Kong

At the May 1986 Council meeting the representative of Hong Kong noted that although nearly three years had elapsed since the adoption of the report, the panel's recommendation that the measures be eliminated had still not been fully complied with by the European Communities.

(v) Japan: measures affecting the world market for copper ores and concentrates

The European Communities argued that Japan's measures affecting trade in copper ores and concentrates cause tremendous difficulties for European industry which is dependent on supply of copper concentrate. The difficulties encountered by the Community are claimed to stem from the fact that Japan alone imports two-thirds of total world imports of copper concentrates and that the domestic price for copper on the Japanese market is 10 to 14 per cent above the world price. In the Community's view, the situation results in distortions of competition for the purchase of concentrates. As a result European industry dependent on supply of copper concentrate could no longer cover its raw material needs and its existence was threatened. At the request of the EEC the Council agreed to establish a group of governmental experts, open to all contracting parties. At its July meeting it also agreed to the terms of reference for the group.

(vi) Japan: restrictions on imports of certain agricultural products

The United States believes that restrictions maintained by Japan on certain agricultural products contravene, inter alia, the prohibition in Article XI against quantitative restrictions.
The categories of agricultural products concerned are the following:

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<td>Dried leguminous vegetables</td>
</tr>
<tr>
<td>11.08</td>
<td>Starch and inulin</td>
</tr>
<tr>
<td>12.01</td>
<td>Groundnuts</td>
</tr>
<tr>
<td>16.02</td>
<td>Meat of bovine animals, prepared or preserved</td>
</tr>
<tr>
<td>17.02</td>
<td>Other sugars and syrups not containing added flavouring or colouring</td>
</tr>
<tr>
<td>20.05</td>
<td>Fruit purée and pastes</td>
</tr>
<tr>
<td>20.06</td>
<td>Fruit pulp and pineapple</td>
</tr>
<tr>
<td>20.07</td>
<td>Fruit and vegetable juices</td>
</tr>
<tr>
<td>20.04</td>
<td>Tomato ketchup and sauce</td>
</tr>
<tr>
<td>21.07</td>
<td>Food preparations n.e.s.</td>
</tr>
</tbody>
</table>

The United States requested establishment of a panel under Article XXIII:2 (see L/6037), and the decision to establish it was taken by the Council in October 1986.

(vii) **United States: restrictions on imports of certain sugar-containing products**

In January 1985 the United States imposed quantitative restrictions on imports of certain sugar-containing products. The use of dispute settlement procedures under GATT has been deferred since the United States and Canada are having bilateral discussions on the matter of the dispute.

(viii) **Japan: quantitative restrictions on imports of leather footwear**

As from 1 April 1986 Japan has eliminated quantitative restrictions on leather imports in accordance with the panel report (L/5623) adopted by the Council in May 1984. Japan has voluntarily eliminated quantitative restrictions on leather footwear imports for unbound as well as bound items, while introducing a tariff quota system for those products (L/5978).

(ix) **United States: manufacturing clause - follow-up on the panel report**

As set forth in paragraph 601 of the US Copyright Act, the "manufacturing clause" required that all English-language, non-dramatic, literary works by authors living in the United States be printed in the United States or Canada in order for the work to qualify for the full range of copyright infringement remedies. In 1984 the GATT Council found the clause "inconsistent" with the GATT obligations of the United States.

Fearing that the US Congress might once again extend the clause through one of several pending measures, the European Communities brought the issue to the attention of the Council. The United States representative declared that if Congress passed a bill extending the clause, the US Trade Representative would recommend the President veto such legislation.

At the July Council meeting the representative of the United States announced that the "manufacturing clause" of the US copyright legislation had expired as of 1 July 1986 and had not been extended by the Congress.
Nicaragua considers that the United States trade embargo and other restrictions on trade with Nicaragua which have taken effect in May 1985, violate the General Agreement. In the United States' view the measures had been taken for national security reasons and they fell within the national security exception of the General Agreement as contained in Article XXI, specifically its paragraph (b) (iii). The panel established by the Council at its October 1985 meeting to deal with the dispute concluded its work in October 1986 (L/6053).

B. Other matters

The following developments related to dispute settlement cases raised in Committees established under MTN Agreements also fall within the scope of this report.

(i) **Canada: countervailing duty investigation on boneless manufacturing beef from the Community**

In June 1986, the Department of National Revenue of Canada determined that imports of boneless manufacturing beef from the European Community were subsidized. In July 1986, the Canadian import tribunal determined that the boneless manufacturing beef imports from the Community threatened to cause material injury to the Canadian production of like goods. The EEC considers that the initiation of an investigation in this case and the subsequent findings of the Canadian authorities are contrary to Canada's obligations under the Code on Subsidies and Countervailing Measures. The EEC has referred the dispute to the Committee of the Code where it is now considered as part of the consultation procedure.

(ii) **European Communities: subsidies on exports of wheat flour**

As there have been divergent views in the Committee on Subsidies and Countervailing Measures, it has not been possible, so far, to adopt the panel's report on the issue.

(iii) **European Communities: subsidies on export of pasta products**

The United States had protested the fact that the European Communities grant export refunds for the cereals contained in exported pasta. However, the Committee on Subsidies and Countervailing Measures has not yet decided that a case existed.

In November 1985, the United States introduced restrictions on EEC pasta as a retaliatory measure to an alleged discriminatory treatment of the US citrus product suppliers by the European Communities (see under Section A). In August 1986, following an agreement with the European Communities on the citrus-pasta dispute the US retaliatory measures on EEC pasta exports have been removed. However, the question of whether EEC pasta exports to the United States are unfairly subsidized or not still remains open.
(iv) European Communities: value-added tax and threshold

The Committee on Government Procurement adopted the report of a panel in May 1984 (BISD/315/247). The panel found that the value-added tax is to be included when determining whether a contract falls above or below the threshold value of SDR 150,000. The European Communities have proposed to unilaterally reduce the threshold by one half of the estimated average incidence of the value-added tax on code-covered purchases while continuing to include the value-added tax in the calculation of the contract value. The United States has not accepted this proposal. Having reached certain procedural understandings, the Committee expressed the hope that a solution would be reached by its next regular meeting in February 1987.

(v) United States: definition of "industry" for wine and grape products

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 put forward 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 Code Committee discussed a panel report on the issue. The representative of the United States considered in April 1986 that given the lack of resolution of the disputes on pasta, his Government could not at this time agree to the adoption of the report on definition of "industry" for wine and grape products.

(vi) United States: imports of lumber from Canada

In June 1986, the International Trade Administration of the US Department of Commerce decided to investigate softwood lumber imports from Canada with respect to the primary issue at stake, namely provincial stumpage (i.e. the price fixed for the right to cut government-owned standing timber). The Department of Commerce had already rejected in 1983 allegations that this conferred either an export or a domestic subsidy to Canadian lumber producer. According to Canada, there had been no material changes in Canadian practice since the 1983 decision by the Department of Commerce on the same basic issues and no relevant changes in the US countervailing law. In Canada's view the US decision to re-examine Canadian provincial stumpage practices represented unjustified trade harassment.

The matter was examined at a special meeting of the Committee on Subsidies and Countervailing Measures in July 1986, and in August Canada requested the establishment of a panel by the Committee.
APPENDIX IV

BILATERAL TRADE AGREEMENTS

The following bilateral trade agreements have come to the attention of the secretariat in the period under review (see also C.III - Bilateral Trade Agreements).

Argentina - Brazil

Argentina and Brazil have signed a trade agreement for a preliminary period of five years. The agreement covers trade in investment goods and a $100 million fund is to stimulate bilateral trade in the fields of agricultural machinery, pharmaceuticals, biotechnology and energy. The final goal of the agreement is the creation of a trade and customs union.

Argentina - Hungary

In April Argentina and Hungary signed a five-year trade agreement. Argentina will export to Hungary 40,000 tons of soyabean annually, valued at $50 million, and import machinery and locomotives from Hungary.

Brazil - Spain

Brazil and Spain agreed to increase bilateral trade. Spain will export $5 million in olives and $3 million in machinery to Brazil and import $8 million in tobacco. Spain, furthermore, eliminated its coffee tariff and increased its Brazilian coffee quota from 36,000 tons to 40,000 tons.

Canada - Soviet Union

In September Canada and the Soviet Union signed a new wheat trade agreement for a period of five years. The Soviet Union agreed to buy during that period a minimum volume of 25 million tonnes annually.

Canada - Czechoslovakia

On 5 September 1986, Canada and Czechoslovakia signed a ten-year Agreement on Trade, Economic and Production Co-operation.

Czechoslovakia - Spain

Czechoslovakia and Spain signed an industrial and economic co-operation agreement which replaces the agreement on trade and co-operation of 1957.

Czechoslovakia - Tanzania

Czechoslovakia and Tanzania signed an agreement to increase trade.
Czechoslovakia - Togo

Under a trade agreement signed between the two countries, Czechoslovakia will import phosphates and agricultural produce in exchange for engineering goods.

Czechoslovakia - Zimbabwe

Czechoslovakia and Zimbabwe ratified a trade agreement which provides for Zimbabwean supplies of tobacco to Czechoslovakia to exchange for certain types of machinery, equipment and consumer goods.

EEC - Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama

The EEC and the members of the General Treaty on Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama concluded a five-year trade, economic and development agreement.

Egypt - Poland

Egypt and Poland signed a trade agreement for the period 1 July 1986 to 30 June 1987. Poland is to export to Egypt cars and trucks, chemicals, sawn timber, metal products and electrical equipment. It will import from Egypt cotton and cotton garments.

France - Bulgaria

France and Bulgaria signed a long-term agreement on economic, industrial and technological co-operation. The agreement lists priority projects and sectors which both sides want to expand up to 1990, including machine-building and electronics, energy, telecommunications and informatics, non-ferrous metallurgy, chemical and pharmaceutical production and agriculture.

Ghana - Bulgaria

Ghana and Bulgaria signed a trade protocol under which the two countries will exchange $16 million of goods. Bulgaria will import cocoa, timber, minerals and pineapples in exchange for machinery and participation in certain projects.

India - German Democratic Republic

India and the German Democratic Republic signed a Trade and Payments Agreement which entered into force on 1 January 1986 and will remain valid until 31 December 1990. Under the agreement all commercial and non-commercial payments are effected in non-convertible Indian rupees.

Indonesia - Poland

Indonesia and Poland signed a trade protocol which provides for an increase in trade from US$30 million in 1985 to US$100 million in 1988. Subsequently a co-operation agreement was signed concerning economics and technology.
Israel - South Africa

Israel and South Africa completed the annual renegotiation of their trade agreement. In 1985 South Africa imported R110 million from Israel and sold goods worth R253 million in return.

Romania - Sudan

Romania and the Sudan have signed a $130 million agreement under which the Sudan will export cotton as part-payment for services made available by Romania to the Sudan's agricultural sector.

South Africa - Zimbabwe

The Governments of South Africa and Zimbabwe have concluded a major revision of their preferential trade agreement. The agreement had been in force for 22 years.

Spain - Soviet Union

Spain and the Soviet Union signed a protocol for the further development of economic and industrial co-operation between the two countries.

Turkey - Iran

Turkey and Iran revised the bilateral agreement signed in 1985 (see C/W/485, p.67) by reducing the $3 billion agreement for 1986 to a bilateral trade volume of $2.2 billion.

United Kingdom - Soviet Union

On 15 July 1986 the United Kingdom and the Soviet Union signed a five-year trade agreement called the UK-USSR Economic and Industrial Co-operation Programme 1986-1990. The agreement does not state precise volumes of trade since the right to do so lies with the EEC Commission, but it updates and identifies the interests of the UK and the Soviet Union in each other's market and products. The agreement is to be extended automatically in 1990, unless revised.

Uruguay - Algeria

Uruguay and Algeria signed a long-term trade agreement under which Uruguay will export meat, wool and milk products and import crude oil. This trade agreement follows similar agreements by Uruguay with Argentina, Brazil, Iran, Taiwan and the German Democratic Republic.
### APPENDIX V (a)

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

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<tr>
<th>Importing Country/Exporting Country</th>
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<th>Major Element of Restraint</th>
<th>Duration</th>
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<tr>
<td>EEC/Australia</td>
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<td>Price monitoring system</td>
<td>1986</td>
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<td>EEC/Austria</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Brazil</td>
<td>Steel</td>
<td>Price monitoring system</td>
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<tr>
<td>EEC/Bulgaria</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Czechoslovakia</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Finland</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Hungary</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Japan</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Norway</td>
<td>Steel</td>
<td>Consulting arrangement</td>
<td>1986</td>
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<tr>
<td>EEC/Poland</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<td>EEC/Romania</td>
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<td>Price monitoring system</td>
<td>1986</td>
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<tr>
<td>EEC/Republic of Korea</td>
<td>Steel</td>
<td>Price monitoring system</td>
<td>1986</td>
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<td>EEC/South Africa</td>
<td>Steel</td>
<td>Bilaterally agreed price monitoring system</td>
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<td>EEC/Sweden</td>
<td>Steel</td>
<td>Consulting arrangement</td>
<td>1986</td>
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<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Restriction</td>
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<tr>
<td>United States/EEC</td>
<td>Oil country tubular goods</td>
<td>Ad Hoc request for reduction of shipments due to weak demand</td>
<td>1986</td>
</tr>
<tr>
<td>United States/Japan</td>
<td>Oil country tubular goods</td>
<td>Ad Hoc request for reduction of shipments due to weak demand</td>
<td>1986</td>
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<tr>
<td>United States/Republic of Korea</td>
<td>Oil country tubular goods</td>
<td>Ad Hoc request for reduction of shipments due to weak demand</td>
<td>1986</td>
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<tr>
<td>United States/Brazil</td>
<td>Oil country tubular goods</td>
<td>Ad Hoc request for reduction of shipments due to weak demand</td>
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<tr>
<td>United States/Sweden</td>
<td>Finished steel</td>
<td>'Consulting arrangement'</td>
<td>1986</td>
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<tr>
<td>United States/Argentina</td>
<td>Steel and steel products</td>
<td>Global arrangements on steel specifying export quotas</td>
<td>1985-1989</td>
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<tr>
<td>United States/Australia</td>
<td>Steel and steel products</td>
<td>Global arrangements on steel specifying export quotas</td>
<td>1984-1990</td>
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<td>Importing Country/Exporting Country</td>
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<tr>
<td>United States/Bulgaria</td>
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<td>Global arrangements on steel specifying export quotas</td>
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<td>United States/Finland</td>
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<td>Global arrangements on steel specifying export quotas</td>
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<td>Global arrangements on steel specifying export quotas</td>
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<td>United States/Hungary</td>
<td>Steel and steel</td>
<td>Global arrangements on steel specifying export quotas</td>
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<td>Global arrangements on steel specifying export quotas</td>
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<td>Global arrangements on steel specifying export quotas</td>
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<td><strong>AUTOMOBILES AND ROAD TRANSPORT EQUIPMENT</strong></td>
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<td>UK(EEC)/Japan&lt;sup&gt;2&lt;/sup&gt;</td>
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<tr>
<td>EEC/Japan&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Colour TV tubes</td>
<td>Unilateral action by exporting country: minimum price system</td>
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<td>Hi-fi equipment</td>
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<td>EEC/Japan&lt;sup&gt;4&lt;/sup&gt;</td>
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<td>Italy(EEC)/Japan</td>
<td>Car radios, hi-fi radios, radio recorders, TV sets, TV cameras and TV antennae</td>
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<td>Product</td>
<td>Major Restriction</td>
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<td><strong>FOOTWEAR</strong></td>
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<td>Canada/Republic of Korea</td>
<td>Women and girls leather footwear</td>
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<td>1986</td>
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<tr>
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<td></td>
</tr>
<tr>
<td>EEC/Morocco</td>
<td>Textiles</td>
<td>Export quotas</td>
<td>1982-1986</td>
</tr>
<tr>
<td>EEC/Tunisia</td>
<td>Textiles</td>
<td>Export quotas</td>
<td>1985-1986</td>
</tr>
<tr>
<td>EEC/Turkey</td>
<td>Textiles</td>
<td>Industry-to-industry arrangement</td>
<td>1985-1986</td>
</tr>
<tr>
<td>Japan/China</td>
<td>Cotton goods</td>
<td>Export quotas</td>
<td>1985-1986</td>
</tr>
<tr>
<td>Japan/Pakistan</td>
<td>Cotton goods</td>
<td>Export quotas</td>
<td>1985-1986</td>
</tr>
<tr>
<td>Japan/Republic of Korea</td>
<td>Cotton yarn</td>
<td>Industry-to-industry arrangement</td>
<td>1983-1987</td>
</tr>
<tr>
<td>Japan/Republic of Korea</td>
<td>Silk yarn and fabrics</td>
<td>Export quota</td>
<td>1986</td>
</tr>
<tr>
<td>United States/Costa Rica</td>
<td>Textiles</td>
<td>Export quota</td>
<td>1984-1987</td>
</tr>
<tr>
<td>United States/Israel</td>
<td>Textiles and apparel</td>
<td>Export quota</td>
<td>1985-1986</td>
</tr>
<tr>
<td>United States/South Africa</td>
<td>Textiles</td>
<td>Export quota (a 4 per cent increase in market share for 1986)</td>
<td>1986</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Restriction</td>
<td>Duration</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>---------</td>
<td>------------------</td>
<td>----------</td>
</tr>
<tr>
<td>United States/Taiwan</td>
<td>Textiles</td>
<td>Export quota</td>
<td>1986</td>
</tr>
<tr>
<td>AGRICULTURAL PRODUCTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Thailand</td>
<td>Manioc/Tapioca</td>
<td>Export quota</td>
<td>1982-1990</td>
</tr>
<tr>
<td>EEC/Argentina, Australia, Austria, Bulgaria, Czechoslovakia, Hungary, Iceland, New Zealand, Poland, Romania, Yugoslavia</td>
<td>Live sheep or goats and meat thereof</td>
<td>Export quota</td>
<td>1980-1986</td>
</tr>
<tr>
<td>EEC/Canada</td>
<td>Beef and veal</td>
<td>Export quota</td>
<td>1985-1986</td>
</tr>
<tr>
<td>OTHER</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/FRG and Republic of Korea</td>
<td>Stainless steel flatware</td>
<td>Industry-to-industry arrangement</td>
<td>1986</td>
</tr>
<tr>
<td>EEC/Sweden</td>
<td>Kraftliner</td>
<td>Industry-to-industry arrangement</td>
<td>1986</td>
</tr>
<tr>
<td>Norway/Republic of Korea</td>
<td>Leather apparel</td>
<td>Voluntary export restraints</td>
<td>1985-1989</td>
</tr>
</tbody>
</table>

1 The Ad Hoc requests are related to global steel arrangements listed lower in the table.
2 Arrangement applies irrespective of agreements concluded by Japan with the EEC at the Community level.
3 Restraints asked for by Japan; it is not known if the exporting country has agreed.
4 Superseded by unilateral monitoring on the part of the exporting country.
5 Based on information received from the delegation of the Republic of Korea. The importing countries concerned consider this entry to be premature in the absence of agreement on the notifications of actions other than those of governments.
# 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>Japan</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>EEC/Chile/other non-member countries</td>
<td>Live sheep and goats, sheep and goat meat (CCCN 01.04 and 02.01)</td>
<td>Import restrictions for countries with which VERs were not negotiated</td>
<td>Oct. 1980-now</td>
</tr>
<tr>
<td><strong>1980</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC</td>
<td>Cultivated mushrooms in brine</td>
<td>Import licences</td>
<td>April 1980-now</td>
</tr>
<tr>
<td><strong>1981</strong></td>
<td></td>
<td></td>
<td></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>Sweden/Hungary</td>
<td>Certain textile products</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)/</td>
<td>Motorcycles of a cylinder capacity of 50cm³ or</td>
<td>Import restriction through surveillance system and administrative guidances to importers</td>
<td>Feb. 1982-now</td>
</tr>
<tr>
<td>Japan</td>
<td>less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC (France)/</td>
<td>Video tape recorders</td>
<td>Visa administratif préalable</td>
<td>Apr. 1983-now</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></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 April - September 1986.

(a) Australia

- Anti-dumping investigations initiated: loose-leaf ring mechanisms (Austria), hydraulic brake fluid (The Netherlands), PVC general purpose homopolymer (Romania).

- Countervailing duty investigations initiated: inner tubes and new tyre cases for bicycles (Republic of Korea, Taiwan).

- Preliminary determination of dumping: certain passenger car tyres (Brazil, Czechoslovakia, France, Federal Republic of Germany, China, Spain, Taiwan, Thailand, Turkey, United Kingdom), PVC general purpose homopolymer (Romania).

- Preliminary determination of injury from dumping: certain passenger car tyres (Brazil, Czechoslovakia, France, Federal Republic of Germany, China, Spain, Taiwan, Thailand, Turkey, United Kingdom), hand hacksaw blades (Brazil), PVC general purpose homopolymer (Romania).

- Preliminary determination of injury from subsidization: hand hacksaw blades (Brazil).

- Provisional anti-dumping duties: certain passenger car tyres (Brazil, Czechoslovakia, France, Federal Republic of Germany, China, Spain, Taiwan, Thailand, Turkey, United Kingdom), PVC general purpose homopolymer (Romania), ethylene glycol (Belgium), hand hacksaw blades (Brazil), ceiling sweep fans (Hong Kong), electric filament lamps (Italy).

- Final determination of no dumping: stainless steel flat products (Federal Republic of Germany), di-octyl phthalate (Taiwan), silicon sealants (United States).

- Final determination of no injury from dumping: stainless steel flat products (Belgium, Italy, France, Spain, Japan, Republic of Korea), normal butyl alcohol (Republic of Korea), waterbed heaters (New Zealand), diammonium phosphate (Philippines), steel sheet and coil (Taiwan), diethylene glycol (Taiwan).

- Final determination of no injury from subsidization: waterbed heaters (New Zealand).

1 Superseded by a subsequent measure
Definitive anti-dumping duties: PVC general purpose homopolymer (Finland).

Price undertakings (anti-dumping action): hand hacksaw blades (Brazil, New Zealand), steel sheet and coil (Japan).

Price undertakings (countervailing action): hand hacksaw blades (Brazil, New Zealand).

(b) Canada

Anti-dumping investigations initiated: finished artificial graphite electrodes and connecting pins (Belgium, Japan, Sweden, United States), pressure cleaners (United States).

Countervailing duty investigations initiated: corn (United States), dry pasta (EEC).

Provisional anti-dumping duties: ABS resin (Republic of Korea).

Final determination of subsidization: boneless beef (EEC).  

Final determination of no dumping: spandex filament yarn (Republic of Korea).

Final determination of injury from subsidization: boneless beef (EEC).

Final determination of injury from dumping: stainless steel pipe (Japan, United Kingdom, Sweden).

Final determination of no injury from dumping: certain countertop microwave ovens (Japan, Singapore, Republic of Korea), stainless steel tubing (Japan, United Kingdom, Sweden).

Definitive anti-dumping duties: oil and gas well casing (Argentina, Federal Republic of Germany, Republic of Korea, United States), potatoes (United States).

(c) Chile

Final determination of subsidization: flat drawn glass, not coloured (Portugal), zinc oxide (Argentina, Peru).

Final determination of no injury from subsidization: low density polyethylene (Brazil), tubes and pipes of high-density polyethylene (Brazil), dry yeast (Mexico), polyester/cotton cloth (China, Republic of Korea), steel bars, rods and sheets (Argentina, Brazil).

Definitive countervailing duties: flat drawn glass (Portugal).

1 Superseded by a subsequent measure.
(d) EEC

- **Anti-dumping investigations initiated:** kraftliner (Austria, Canada, Sweden, United States), inner tubes and new tyre cases for bicycles (Republic of Korea, Taiwan), synthetic textile polyester fibres (Romania, German Democratic Republic, Turkey, Yugoslavia), copper sulphate (Czechoslovakia, Hungary, Poland, USSR), urea and ammonium nitrate solution fertilizer (United States), vinyl acetate monomer (United States), paint brushes (China), styrene monomer (United States), ferro silicon (Brazil).

- **Preliminary determination of dumping:** photocopiers (Japan), ball bearings (Japan).

- **Provisional anti-dumping duties:** photocopiers (Japan), housed ball bearings (Japan), potassium permanganate (China, Federal Republic of Germany, Czechoslovakia), certain sheets and plates of iron or steel (Yugoslavia), certain deep freezers (USSR).

- **Final determination of dumping:** hardboard (Argentina, Switzerland, Yugoslavia).

- **Final determination of injury from dumping:** hardboard (Argentina, Switzerland, Yugoslavia), certain electronic scales (Japan), copper sulphate (Yugoslavia).

- **Final determination of no injury from dumping:** ball bearings and tapered roller bearings (Poland, Romania, USSR), Portland cement (German Democratic Republic, Poland, Yugoslavia).

- **Final determination of no dumping:** certain ball bearings (Thailand).

- **Definitive anti-dumping duties:** certain electronic scales (Japan), copper sulphate (Yugoslavia).

- **Price undertakings (anti-dumping action):** hardboard (Argentina, Switzerland, Yugoslavia), deep freezers (Yugoslavia, German Democratic Republic), artificial corundum (Hungary, Poland, USSR).

(e) Republic of Korea

- **Anti-dumping investigations initiated:** dicumyl peroxide (Japan, Taiwan), acetaldehyde (Japan).

(f) United States

- **Anti-dumping investigations initiated:** unfinished mirrors (Belgium, Federal Republic of Germany, Italy, Japan, Portugal, Turkey, United Kingdom), porcelain-on-steel cooking ware (Spain), brass sheet and strip (Brazil, Canada, Federal Republic of Germany, France, Italy, Republic of Korea, Sweden), frozen concentrated orange juice (Brazil), tubeless steel disc wheels (Brazil), certain fresh-cut flowers (Canada, Chile, Colombia, Costa Rica, Ecuador, Kenya, Mexico, Peru), operators for jalousie and awning windows (El Salvador), oil-country tubular goods (Israel), paint filters and strainers (Brazil), urea (German Democratic Republic, Romania, USSR).

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1 Superseded by a subsequent measure.
countervailing duty investigations initiated: unfinished mirrors (Belgium, Federal Republic of Germany, Italy, Japan, Portugal, Turkey, United Kingdom), operators for jalousie and awning windows (El Salvador), steel wire (New Zealand), porcelain-on-steel cooking ware (Spain), softwood lumber (Canada), brass sheet and strip (Brazil, France), certain fresh-cut flowers (Canada, Chile, Colombia, Costa Rica, Ecuador, Israel, Kenya, The Netherlands, Peru), oil-country tubular goods (Israel), paint filters and strainers (Brazil), roasted-in-shell pistachios (Iran).

- Preliminary determination of dumping: steel pipes and tubes (China, Philippines, Singapore), porcelain-on-steel cooking ware (China, Mexico, Taiwan), certain stainless steel cooking ware (Republic of Korea, Taiwan).

- Preliminary determination of subsidization: operators for jalousie and awning windows (El Salvador), offshore platform jackets and piles (Republic of Korea), brass sheet and strip (France), oil-country tubular goods (Israel).

- Preliminary determination of no subsidization: brass sheet and strip (Brazil), stainless steel cooking ware (Taiwan, Republic of Korea), carbon steel wire rod (Malaysia).

- Preliminary determination of injury from dumping: cut flowers (Canada, Chile, Colombia, Costa Rica, Ecuador, Kenya, Mexico, Peru), tubeless steel disc wheels (Brazil), frozen concentrated orange juice (Brazil), oil-country tubular goods (Israel), brass sheets and strips (Brazil, Canada, Federal Republic of Germany, France, Italy, Republic of Korea, Sweden).

- Preliminary determination of injury from subsidization: cut flowers (Canada, Chile, Israel, Kenya, the Netherlands, Peru), softwood lumber (Canada), oil-country tubular goods (Israel), brass sheets and strips (Brazil, France), operators for jalousie and awning windows (El Salvador).

- Provisional anti-dumping duties: petroleum wax candles (China), porcelain-on-steel cooking ware (Mexico, China, Taiwan), welded carbon steel pipes and tubes (Philippines, China, Singapore), certain stainless steel cooking ware (Republic of Korea, Taiwan).

- Provisional countervailing duties: brass sheet and strip (France), oil-country tubular goods (Israel), steel wire (New Zealand), operators for jalousie and awning windows (El Salvador), carbon steel wire rod (Zimbabwe).

- Final determination of dumping: petroleum wax candles (China), certain welded carbon steel pipe and tube products (Turkey), offshore platform jackets and piles (Japan, Republic of Korea), 64k DRAM microchips (Japan), oil-country tubular goods (Canada), certain small-diameter welded carbon steel pipes and tubes (China).

- Final determination of subsidization: offshore platform jackets and piles (Republic of Korea), oil-country tubular goods (Canada).

- Final determination of no subsidization: fresh Atlantic groundfish fillets (Canada), oil-country tubular goods (Taiwan).

\[1\text{Superseded by a subsequent measure}\]
Final determination of no dumping: nylon impression fabric (Japan), oil-country tubular goods (Argentina), unrefined montan wax (German Democratic Republic).

Final determination of injury from dumping: offshore platform jackets and piles (Japan, Republic of Korea), cast iron pipe fittings (Brazil, Republic of Korea, Taiwan), urea (German Democratic Republic, Romania, USSR), 64k DRAM microchips (Japan), oil-country tubular goods (Taiwan, Canada), iron construction castings (Brazil, India, China), steel wire nails (China), in-shell pistachio nuts (Iran).

Final determination of injury from subsidization: offshore platform jackets and piles (Republic of Korea), oil-country tubular goods (Canada), heavy iron construction castings (Brazil).

Final determination of no injury from subsidization: unfinished mirrors (Turkey), bars and shapes (Mexico).

Definitive anti-dumping duties: oil-country tubular goods (Canada, Taiwan), welded carbon steel pipes and tubes (Turkey), pistachios (Iran), offshore platform jackets and piles (Japan, Republic of Korea), 64k DRAM microchips (Japan).

Definitive countervailing duties: iron ore pellets (Brazil), oil-country tubular goods (Canada), offshore platform jackets and piles (Republic of Korea), rice (Thailand), heavy iron construction castings (Brazil), fresh Atlantic groundfish (Canada).

Anti-dumping investigations suspended: erasable programmable read-only memories (Japan), 256k dynamic random access memory components (Japan).

Anti-dumping cases withdrawn: welded carbon steel standard pipes and tubes (Yugoslavia), anhydrous sodium metasilicate (United Kingdom).

Superseded by a subsequent measure