# DEVELOPMENTS IN THE TRADING SYSTEM

**OCTOBER 1986 – MARCH 1987**

Note by the Secretariat

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>2</td>
</tr>
<tr>
<td><strong>OVERVIEW OF DEVELOPMENTS</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>A. MAJOR DEVELOPMENTS IN TRADE POLICY</strong></td>
<td>8</td>
</tr>
<tr>
<td>I  Regional developments</td>
<td>8</td>
</tr>
<tr>
<td>II Sectoral developments</td>
<td>11</td>
</tr>
<tr>
<td><strong>B. NEW TARIFF AND NON-TARIFF MEASURES AND RELATED DEVELOPMENTS</strong></td>
<td>39</td>
</tr>
<tr>
<td>I  Tariffs and related matters</td>
<td>39</td>
</tr>
<tr>
<td>II Generalized System of Preferences</td>
<td>44</td>
</tr>
<tr>
<td>III Quantitative restrictions and other non-tariff measures</td>
<td>48</td>
</tr>
<tr>
<td>IV Subsidies, anti-dumping and countervailing actions</td>
<td>59</td>
</tr>
<tr>
<td>V  Other trade policy developments</td>
<td>64</td>
</tr>
<tr>
<td>VI Prospective developments and current discussion</td>
<td>66</td>
</tr>
<tr>
<td>VII Movements in exchange rates</td>
<td>72</td>
</tr>
<tr>
<td>VIII Relevant developments in other fields</td>
<td>76</td>
</tr>
<tr>
<td><strong>C. NEW TRADE ARRANGEMENTS</strong></td>
<td>81</td>
</tr>
<tr>
<td>I  Export restraint arrangements</td>
<td>81</td>
</tr>
<tr>
<td>II Countertrade</td>
<td>86</td>
</tr>
<tr>
<td>III Bilateral trade agreements</td>
<td>88</td>
</tr>
</tbody>
</table>

## APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>90</td>
</tr>
<tr>
<td>II</td>
<td>100</td>
</tr>
<tr>
<td>III</td>
<td>102</td>
</tr>
<tr>
<td>IV</td>
<td>107</td>
</tr>
<tr>
<td>V (a)</td>
<td>111</td>
</tr>
<tr>
<td>(b)</td>
<td>121</td>
</tr>
<tr>
<td>VI</td>
<td>122</td>
</tr>
</tbody>
</table>

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INTRODUCTION

1. The present note covers developments in trade policies and related matters in the period 1 October 1986 – 31 March 1987, and is a revision of the secretariat note C/W/517 prepared as a basis for the review of developments in the trading system by the Council at its special meeting held on 17 June 1987, the eighth since July 1983 when the Council agreed that these meetings would serve to monitor paragraph 7(i) of the 1982 Ministerial Declaration as part of GATT's surveillance system.

2. The Punta del Este Ministerial Declaration also recognized the importance of surveillance both for the standstill and rollback commitments in that Declaration and for the functioning of the GATT system, and the question of improving such surveillance is being pursued in the context of the Uruguay Round.

3. The aim of the current secretariat document is to focus on substantive developments in policies and measures during the period under review, whether of a liberalizing or restrictive nature, and whether or not these had been notified to the CONTRACTING PARTIES. It should be noted, as usual, that a great number of measures are not notified to GATT. Inclusion of a measure in this document should not be taken to imply any judgement on its legal status under the General Agreement.

4. The document largely follows the pattern set by its recent predecessors. First comes an overview of major developments in the six months period under review. 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 of subsidies, anti-dumping measures and

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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 1979 Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26R/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 1982 Ministerial Declaration (BISD 29R/11). 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".
countervailing actions; sub-sections B.V, VI and VIII draw specific attention to other actual or potential developments relevant 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 III reviews major developments under the MTN agreements and the MFA. Appendix IV details bilateral trade agreements reported during the period, and Appendix V(a) lists various export 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.

5. The information given in this note is based as far as possible on notifications to the GATT. Where appropriate, reference has also been made to paragraphs appearing in previous documents of this series. In addition, use has been made of official sources and of the economic press; in many 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.

OVERVIEW OF DEVELOPMENTS

6. The present report deals with developments in the trading system during the six months from 1 October 1986 through 31 March 1987. It deals mainly with measures taken during the period, but also with proposals for adoption of certain measures where these could have an impact on the trade policy environment.

7. The period under review coincides with the adoption of the Punta del Este Declaration launching the Uruguay Round of trade negotiations, and the effective establishment of implementing plans and mechanisms for the conduct of negotiations.

8. While initiating a new round of negotiations, contracting parties continued to make use of existing GATT procedures and provisions for the conduct of their mutual trade relations. Contrary to experience during other GATT negotiations, the number of cases brought to the GATT under its dispute settlement procedures increased over this period. The use of these procedures could have been encouraged by the clear distinction made by
Ministers in the Punta del Este Declaration between the treatment to be accorded to measures which conformed with the GATT and those that did not.

9. The main aim of this paper is to summarize trade policy developments in general, rather than to focus on GATT activities as such. It should be stressed that because the paper notes changes in the status quo, it tends to give little credit to governments which have successfully resisted protectionist pressures. Nevertheless, over this period there is a clear contrast between the progression of work in GATT, particularly as it relates to the negotiating process under the Uruguay Round, and the difficulties and tensions that have marked the actual conduct of trade policies.

10. Among the many trends during this period were the growing concerns over the US trade deficit and the protectionist moves this generated in the Congress, the preoccupation of policy makers with the state of bilateral trade balances, even though in a multilateral trading system it is the global trade balance of each country that would seem to be of account, the increased sensitivity over conditions of competition leading to the use of selective measures of safeguards, an escalation of trading disputes, particularly between the major trading partners, and a growing interaction between trade policy actions and developments in financial and exchange markets.

11. These trends are reflected in the details provided in the paper of developments in a number of key sectors: agriculture, steel, petroleum, motor vehicles, electronics, footwear and textiles. For a summary of developments in these areas, see section A.II.

12. The paper also lists many changes in traditional commercial policy instruments such as tariffs, quantitative restrictions and other non-tariff measures, which also reflect the same general picture.

13. Insofar as non-tariff measures are concerned, while a certain amount of information on subsidies, including export subsidies, is available from notifications to GATT, it is not clear that this provides an adequate picture. This is not surprising, since subsidies are typically granted by administrative action on a case-by-case basis and are not well publicized.

14. The most acute problem in this area is perhaps the competitive export subsidization of temperate agricultural products, in particular of grains. The section on the developments in agriculture gives some details of the US Export Enhancement Programme and of changes in the EEC system. A development in the period under review has been the effect on Canada and Australia, both of which have been squeezed by subsidized competition from the European Communities and the United States on third markets. Canada has taken steps to subsidize growers. Australia, because of price developments, will probably have to support producer returns for the first time.
15. So far as industrial subsidies are concerned, the economic difficulties of recent years have led to an increase in government aids to particular ailing industries; although their budgetary implications have led to a review of such practices in a number of cases, there is no evidence of a reduction in the level of subsidies for the period under review. Subsidy measures have been applied to support not only declining industries, but also to promote new industries, the latter basically on infant industry grounds. There is a tendency for many governments to support the same high-technology industries, thus creating sources of potential friction for the future.

16. There has also been considerable use of anti-dumping and countervailing actions by a few countries over this period. However, it is difficult to say whether this reflects an increase in injurious dumping and subsidization, or a growing sensitivity to competition related to perceptions of trading imbalances and high levels of import penetration.

17. So-called "grey-area" measures are among the trade arrangements described in this paper. The term "grey-area" is strictly a misnomer because many of the specific measures, such as orderly marketing arrangements or voluntary export restraints, contravene GATT provisions. The term "grey-area" is here used partly because full information about such measures is sometimes difficult to obtain and their exact nature is thus difficult to determine. Section C.I and Annex 5(a) provide evidence first, that the number of "grey-area" measures is continuing to expand (118 such measures are listed for the period under review, compared to 93 for the previous reporting period); and second, that these measures continue increasingly to be espoused by certain major entities as a means of solving trade problems.

18. One "grey-area" measure, the bilateral arrangement on trade in semi-conductors concluded between the United States and Japan in September 1986, has received wide and close attention in GATT. This arrangement has, exceptionally, given rise to complaints from other contracting parties, both because of its provisions relating to third markets and because it is alleged that certain provisions might lead to a privileged access for the United States to the Japanese market. This is not the view of the US Government. During the period under review, it has been the subject of a complaint by the European Communities in the GATT and a panel has been established.

19. At the same time, the United States has taken action against Japan because it considers that Japan has not fully implemented the arrangement. For some time now, major trading nations have combined their mutual recriminations with threats of retaliation, which have sometimes led to threats of counter-retaliation. The action on semi-conductors seems to be the first occasion that retaliatory action of this kind has been taken outside the GATT. Japan, for its part, has requested consultations under Article XXIII on the matter.
20. During the period under review, there were many sources of dispute among contracting parties. A dispute between the US and the Community involving the renegotiation of bindings in the context of the accession of Spain and Portugal to the Community, appears to have been resolved. A number of other problems are being dealt with through GATT's dispute settlement procedures.

21. There would indeed appear to be no reason why the various problems referred to above, could not be dealt with through normal GATT channels, including the dispute settlement mechanism, or in the Uruguay Round trade negotiations.

22. The importance attached in some quarters, not only to problems created by specific measures affecting trade, but also to the need to bring bilateral trade flows more into balance, also appears to have been contributing to difficulties over trade policies over this period. In particular, the paper summarizes several points of friction among the three largest trading entities: the European Communities, Japan and the United States. It should, however, be noted that the concerns with bilateral trade balances do not relate only to relations among the major trading partners.

23. Within the overall concerns over the trade deficit, which have been in general a source of protectionist pressures, attention in the United States, particularly in Congress, has concentrated on the widening imbalance in merchandise trade between the United States and Japan which in 1986 amounted to $58 billion, an estimated one-third of the overall US trade deficit of $170 billion. In an effort to increase exports to Japan, the United States has concentrated on a number of specific issues such as access for agricultural products (including rice and beef), for super-computers and auto parts and the tender system for contracts for the $8.5 billion Kansei airport construction project at Osaka. The omnibus trade bill currently under consideration in Congress would require the President to take action against Japan and any other countries which have built up large trade surpluses with the United States.

24. The Council of Ministers of the European Community has approved a detailed analysis of trade relations with Japan giving the Commission a wide brief to promote efforts to get Japan to reduce its trade surplus with the Community which, in 1986, reached $18.2 billion. Attention in the Community has also been concentrated on the bilateral balance in particular sectors, such as motor vehicles. On the export side, the Community's concerns include complaints against Japan related to taxes on imported spirits and the tender system for Kansei airport contracts.

25. Japan has, for its part, expressed concern, inter alia, about proposals relating to the local content of Japan's overseas production and the proposed amendment to the European Community's anti-dumping legislation because, the Government believes, it would affect Japanese investment in Europe.
26. There have been several points of friction between the United States and the European Community. US complaints have related to health and sanitary regulations on meat, a proposed stabilization measure seen by many to be a tax on vegetable oils and fats, export restitutions on pasta and access to the European telecommunications market. Concerns have also been raised about the United States' bilateral trade balances with F.R. Germany and Italy. The European Community has, for its part, drawn up a list of problems which its exports face in the US market.

27. Developments in this period also emphasized the close interaction between monetary, financial and trade policies. The difficulties in agreeing on, and then pursuing, appropriate macro-economic policies that would help to reduce the US trade deficit, have contributed to the growing protectionist pressures in the United States. Trade frictions have, furthermore, had a destabilizing impact on the financial and exchange rate markets during the period under review.

28. Insofar as the developing countries are concerned, no clear trend can be discerned over this period with respect to changes in trade policies. However, a few of them have been able to make further progress towards trade liberalization, while in a number of others that process seems to have slowed down or even reversed, presumably because of debt and other difficulties. A number of developing countries took steps towards GATT membership and participation in the Uruguay Round negotiating process.
A. MAJOR DEVELOPMENTS IN TRADE POLICY

I. Regional Developments

29. During the period, fewer regional agreements were recorded than in the corresponding period in 1985/86. However, more regional activity than in the previous year could be noted in Latin America where agreements among major States revealed efforts within the region to develop intra-trade. It is also noteworthy that two major groups, the European Communities and the Council for Mutual Economic Assistance, started to forge economic links for the first time since the European Community was created thirty years ago.

30. European Economic Community: 25 March 1987 marked the thirtieth anniversary of the founding of the EEC. During the six-month period under review, EEC Ministers took a series of decisions, all of which related to steps furthering the freedom of internal trade within the Common Market. However, according to a recent report by the Commission, the EC is somewhat behind schedule in the target of removing 300 barriers to trade in the internal market.

31. Economic and Customs Union of Central Africa (UDEAC): The 22nd summit meeting of the UDEAC was held on 18-19 December 1986 in Equatorial Guinea. Debate at the summit centred on eliminating obstacles to trade and communications between member countries. UDEAC was formed in December 1964; Cameroon, Congo, the Central African Republic, Equatorial Guinea and Chad are its members.

32. Preferential Trade Area for Eastern and Central Africa (PTA): Ethiopia hosted the fifth summit of the 15-nation customs and trade union (PTA) on 4/5 December 1986. The nine Heads of State who attended the meeting approved a package of decisions including an unspecified set of sanctions against South Africa as well as further moves towards the creation of a common market and a fully-integrated economic community by the year 2000. However, the member States decided to drop plans to cut regional tariffs by 25 per cent; the question would await the outcome of fresh studies on creating a free-trade zone by 1992. The only member not present was Mauritius which, according to report, intends to pull out of the PTA (see also L/6087, paragraph 27).

33. Northern Corridor Transit Agreement (NCTA): On 15 November 1986, the NCTA entered into force between Kenya and three low-income landlocked countries: Burundi, Rwanda and Uganda. The NCTA, basically a 'facilitation instrument', makes operational a pact to enhance access along a 2000 kilometre route which runs from the hinterland to the port of Mombasa. Zaïre, according to report, has already applied to join the Agreement, while the PTA (see paragraph 32) Ministers have decided to introduce its Road Customs Transit Declaration (RCTD) in all member countries concerned.
34. Latin American Integration Association (ALADI): According to a decision taken by ALADI's Council of Ministers, member countries are to eliminate, through negotiations, all non-tariff restrictions - whether of an administrative, financial, exchange or other nature - imposed on products imported from within the region and which would distort agreed tariff concessions in ALADI Partial Agreements (see paragraphs 35, 36 and 37, for an example). Two of the three negotiation rounds have already taken place; the deadline for the required eliminations is 27 April 1987.

35. ALADI/Argentina/Brazil: Following from their protocols signed on 29 July 1986 (see L/6087, paragraphs 15 and 16), the first programme for the elimination of all tariffs and non-tariff barriers to trade on some 500 categories of capital goods came into operation on 1 January 1987.

36. Furthermore, on 10 December 1986, the two countries' Foreign Ministers subscribed to an economic complementation agreement in the context of ALADI to promote the production, trade and technological development of their respective capital goods industries. The agreement contains an initial "common list" of items negotiated by both countries on which customs duties and non-tariff measures will be abolished. The list is to be expanded every six months so as to include at least 50 per cent of all capital goods already identified in the agreement by the end of 1990, and to represent $2000 million of overall trade during the next four years. The new pact, which falls under the wide programme of integration and economic cooperation signed by the two countries as members of ALADI (and in conformity with the requirements of the Treaty of Montevideo, 1980) in July 1986, came into force on 1 January 1987 and is open to access by other ALADI members.

37. ALADI/Argentina/Mexico: On 24 October 1986, the two countries signed an economic complementation agreement in the context of ALADI aimed at strengthening regional integration and boosting the individual and joint growth of both countries. The new pact, which is open for accession to other ALADI countries (Latin American Integration Association) entered into force on 1 January 1987 for an indefinite period. Its free-trade programme is to be implemented through three instruments: tariff cuts on a comprehensive list of products negotiated selectively; countertrade programmes; and transactions already taking place under ALADI's sectoral trade agreements.

38. ASEAN: According to a press communiqué, the Heads of State of Indonesia and Singapore have agreed that it is "not realistic" to turn ASEAN into a free-trade area or a common market and that "other modes of economic cooperation" need to be explored. Less than one quarter of ASEAN's trade is between the six member countries; although some 12,650 products traded within the group enjoy "preferential tariff arrangements", only 2 per cent of intra-ASEAN trade is affected thereby.

expressed by member countries within the area included the US cut in the region's sugar quota (see paragraph 57 of sub-section A.II) and the need for the United States to eliminate or reduce the number of items on the exclusions list. In 1985, combined US imports from CBERA beneficiary countries totalled $6.8 million, or only 2 per cent of overall US imports (see also C/W/448/Rev.1, paragraph 19 and C/W/470/Rev.1, paragraph 22).

40. CARIBCAN: On 28 November 1986, the CONTRACTING PARTIES adopted the decision granting a waiver to Canada to extend duty-free treatment for the countries benefitting from the CARIBCAN initiative until 15 June 1998 (L/6102; see also previous reference L/6087, paragraph 21).

41. US/Mexico: According to report, discussions relating to the negotiation of a framework agreement on trade-related investment were reactivated in January of this year. In June, the United States and Mexico are expected to exchange draft proposals detailing their respective points of view (see previous reference L/6087, paragraph 23).

42. US/Canada: In January 1987, President Reagan in his State of the Union address, promised that his Administration "will work to complete an historic free-trade arrangement between the world's two largest trading partners, the US and Canada." The United States and Canada form the world's largest bilateral trading relationship with two-way exchanges exceeding $120 billion. Various reports have indicated that after 10 months of negotiations, a draft agreement appears within reach, the framework of which is expected to be in place in June 1987. An agreement must be presented to the US Congress by early October if the "fast-track" negotiating authority accorded to the Administration expiring next January, is to be complied with (see also L/6087, paragraph 22).

43. Israel/EC: According to report, tariffs on industrial products imported into Israel from the European Community were reduced by 60 per cent on 1 January 1987 and will be eliminated completely by the beginning of 1989. The twice postponed reduction is being made in accordance with the Israel/EC free trade and cooperation agreement signed in 1975. According to report, the implementation of Israel's draft agricultural access agreement with the European Community (following its enlargement) is being held up pending differences over Israel's signature of a "protocol of adaptation", consequent to Spain's accession to the EEC whereby, inter alia, Israel would reduce its tariff barriers, during the transitional period, on imports of Spanish industrial products.

44. Israel/United States: Under the terms of the Israel/US bilateral agreement, duties on imports from the United States were cut by 60 per cent as of 1 January 1987.

45. EC/Central America: On 1 March 1987, the cooperation agreement between the EC and six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) entered into force (see L/6025, paragraph 27).
46. EC/CMEA (Council for Mutual Economic Assistance, also referred to as COMECON): The EC Commission and representatives of the CMEA continued their second round of talks on 18 March on establishing trade relations between the two groups. A draft proposal, submitted by the 10-nation CMEA bloc for forging economic links with the EC for the first time since the latter was formed thirty years ago, was the main subject of examination. Total EC trade with the CMEA, according to figures from the UN/ECE, amounted to around $47 billion in 1986 (see also L/6087, paragraph 26). In addition, the EC Council has mandated the Commission to negotiate agreements between the EC and Czechoslovakia, Hungary and Romania, respectively.

47. US/Caribbean: Duty-free treatment of ethanol imports distilled in the Caribbean that met the substantial transformation test have lost their duty-free status as a result of having been legislatively overruled by the US Tax Reform Act of 1986, according to a recent decision of the US Court of International Trade (see legal report on National Corn Growers Association V. von Raab, 10 December 1986).

A.II. Sectoral Developments

48. This sub-section deals with developments in a selected number of trade sectors: agriculture, steel, petroleum, motor vehicles, electronics and machine tools, footwear and textiles and clothing. To a greater or lesser extent market-sharing trends continued to predominate with little evidence of any attenuation in the administrative management of trade.

(i) Agriculture

49. The period under review was notable for at least one major positive development, the establishment of the Uruguay Round Negotiating Group on Agriculture. The Negotiating Group held its first meeting in February 1987. Acknowledgment that the problems in agricultural trade are serious and urgent appeared general—focused by mounting costs of farm support policies in a number of producers—though significant differences were apparent over their causes and the priorities for action. Meanwhile conflicts continued to arise from mutually incompatible trade effects of national agricultural policies, underlining the need for improved GATT rules and disciplines in this sector called for by Ministers at Punta del Este.

50. A settlement was reached in the dispute between the United States and the EEC over the farm trade implications of the accession of Spain and Portugal to the Community, and between the United States and Japan over fish imports, but other disputes, e.g. between the United States and Japan over the latter's import restrictions on a number of agricultural products became formalized in GATT. While several major producers undertook or proposed measures aimed at correcting their domestic supply/demand imbalances, the pressure of subsidized competition on international
markets was increased by a number of policies announced during the period, particularly in the grains and dairy sectors.

51. Among other developments to be mentioned are: the continued operation of the EEC's system of export restitutions and the US Export Enhancement Program; steps by Australia and Canada, both of which have been squeezed by competition for third markets, relating to exports of grains; the establishment by the United States of a new Dairy Export Incentive Programme; the EEC's pasta export restitutions; the EEC's so-called third country meat directive; and the EC's proposed vegetable oils and fats stabilization mechanism. Market access restrictions also intensified for sugar, and new measures affecting (for example) casein were proposed (see also sub-section B.VI Prospective Developments, paragraphs 351-359).

52. Concern at the growth in public spending in the EEC and United States (where only the direct budgetary costs of farm support programmes for 1987/88 have been estimated at $23 billion and $26 billion, respectively) saw the resumption of proposals for making agricultural output more responsive to market forces. US Presidential proposals in the State of the Union message in January 1987 were aimed at uncoupling income from output, while the EC Commission continued its efforts towards bringing Community prices more in line with the world market level and bringing production under control.

53. EC/United States: The most important positive development during the period was the last minute resolution of the US/EC difference over the effects of the Community's enlargement on American agricultural exports, particularly maize and sorghum. On 29 January, two days before the United States was scheduled to raise tariffs on certain agricultural imports from the EC to 200 per cent, to which the EC intended to retaliate by levying additional charges on US gluten feed and rice, an agreement was reached. The original dispute centred on the changes necessary in the agricultural régimes of Spain and Portugal as of 1 March 1986, consequent upon their applying the Common Agricultural Policy of the Community and the effect, thereby, on US exports of maize, sorghum and soybeans, etc.

54. The accord contains three major points:

- first, third-country producers will be allowed to supply a minimum annual level of 2 million tonnes of maize and 300,000 tonnes of sorghum to Spain. To ensure this, reduced levy quotas are to be applied in Spain and/or direct purchases will be made on the world market under the Commission's authority. The commitment runs from 1 January 1987 to 31 December 1990; the quantity for 1987 is to be additional to any EC obligations outstanding with respect to the interim agreement of 1 July 1986 (see L/6025, paragraph 47);
second, the EC agreed that a clause in Portugal's treaty of accession, which guaranteed that Portugal would buy at least 15 per cent of its feedgrain imports from EC countries, would not apply until 31 December 1990. The US will, in these circumstances, relax certain of the quota ceilings announced in May 1986 (covering apple juice, beers and white wine, candy and chocolate);

finally, the EC agreed to unilaterally reduce present duty rates on a whole range of processed foods and some industrial products (the 26 items include avocados, bourbon, cigars, nuts, plywood, polyesters and silicon wafers).

55. The agreement will be subject to a major review in July 1990 shortly before the end of its four-year term. Based on statistics from American and Community officials, the pact is estimated to cover about $220 million worth of grain exports; total compensation, when the tariff concessions are included, has been estimated at $255 million (see also L/6025, paragraphs 47 and 48, and L/6087, paragraph 36).

56. EC/Mediterranean countries: EEC Ministers agreed, on 21 October 1986, on a new negotiating mandate for the European Commission so as to restart the negotiations which had been stalled for some months with the Community's Mediterranean trading partners. The new mandate allows further concessions to be made so as to ensure that these countries maintain, following Spain and Portugal's accession to the EEC, their traditional export flows (see L/6087, paragraph 24). Approval was also given to the Commission for the terms to be proposed by the EEC for an eventual customs union with Cyprus - Cyprus is already linked to the EC by a 1973 Association Agreement which provides for preferential trade treatment (see also L/6087, paragraph 29). It is reported that negotiations have now been concluded.

57. United States: President Reagan's Budget message to Congress in January contained five major proposed changes to the farm programme (see L/6025, paragraphs 40 to 42) which would not go into effect until 1988. The proposals were: to remove the incentives for farmers to overproduce by "de-coupling" support payments from an obligation to harvest grains, rice and cotton; to cap the total of federal payments each farmer may receive at $50,000 (down from $250,000); to close loopholes that make current payment limitations ineffective for a large number of farmers; to reduce production subsidies paid for grains, rice and cotton, by 10 per cent per year; and to phase out price support for sugar producers while providing adjustment assistance to current sugar growers. While the new budget calls for no changes in the Export Enhancement Program (which requires using at least $1,000 million in surplus US commodities over a three-year period to assist US agricultural exports facing subsidized foreign competition), it does propose a $30 million cut in the Department of Agriculture's Targeted Export Assistance Program - as established under the Food Security Act of 1985.
58. Earlier, on 25 October 1986, the USDA announced — in reaction to a background of surplus crops and depressed prices — a programme for reducing the costs of income subsidies and storage. According to report, compensation totalling $2.5 billion will be offered to farmers prepared to leave idle 15 per cent of their coarse grain acreage in addition to the 20 per cent required to qualify for regular price support in 1987. It is expected that at least $0.5 billion of the costs will be offset by resulting savings in income subsidies and storage costs.

59. US/Farm Export Legislation: A comprehensive farm trade bill which is part of a bi-partisan omnibus trade bill (S490) was introduced into the Senate in early February. The bill proposes that the United States reduce its commodity price supports and export subsidies only if US trading partners do the same. In addition, it pledges to support farm programmes at current or increased spending levels if it is necessary to promote exports and maintain a competitive world position. The bill would also require US trade negotiators to seek elimination of agricultural trade barriers from countries with large overall trade surpluses, notably the EC, Japan and South Korea.

60. US/Dairy: A new US export program for dairy products under the 1985 Farm Act was unveiled on 4 February by the Department of Agriculture. The programme will expire on 30 September 1989. Working along the same lines as the Export Enhancement Program, the new Dairy Export Incentive Program (DEIP) will help promote US dairy product exports by enabling exporters to meet prevailing world prices for targeted dairy products to 33 selected destinations, mostly in Africa, Latin America and the Middle East. Export sales of dairy products from commercial sources will be subsidized with dairy products from the inventory of the Commodity Credit Corporation. The bulk dairy products eligible under the DEIP are butter, butteroil, anhydrous milkfat, non-fat dry milk, whole milk powder, cheddar cheese and bulk American cheese for manufacturing. The quantities involved — 140,000 tons of butter and butteroil, 372,500 tons of milk powder, and 73,000 tons of cheese represent substantial shares of world trade, and other dairy exporters feared they could have a detrimental effect on the market.

61. EC Commission Price proposals: On 16 February, the Commission presented its 1987/1988 package of farm price proposals for consideration by the EC's Agriculture Ministers. Essentially, the Commission has proposed a freeze on farm prices for the 1987/88 season, with cuts for cereals and citrus fruit. The price package also plans to curb intervention, phase out positive Monetary Compensatory Accounts (MCA) plus green rate devaluations for some "negative" MCA countries while imposing a new stabilization mechanism for oils and fats.

62. The above stabilization mechanism has been presented as a means to finance the increasing costs of the EC's vegetable oil régime (which has grown over ten years from 268 million ECUs to 4 billion ECUs); it is also
central to the Commission's proposals for farm prices in the coming season. The "consumer price stability mechanism" which would come into operation in July 1987, if accepted, would be calculated according to the difference between the average price quoted in the market for refined soya oil (1980-1985) and the price quoted in the previous marketing year. Thus, if market conditions were to change and the second figure was higher, a subsidy would be paid - hence the emphasis on a "stabilization mechanism" rather than on a "tax". The new measure - to be imposed on crushers of oilseeds - would apply equally to imported and domestic production and would have a maximum ceiling of 330 ECUs (approximately $375) per tonne. The proposal has created considerable controversy - because it has been seen as a tax on vegetable oils - not only within the Community (both at the association and governmental level) but it has also been attacked by ASEAN exporters, the United States, and by the FAO's Intergovernmental Group on Oilseeds, Oils and Fats, all of which have argued, inter alia, that the effect of the measure would discriminate between low-priced and high-priced vegetable oils and against vegetable oil imports (because the EC imports 80 per cent of its requirements, the brunt of the measure would be carried by exporters). Moreover, as the charge would have to be levied at the frontier, it would also constitute a barrier to trade and, finally, the new measures would tend to encourage margarine manufacturers to substitute lard and tallow for vegetable oils. It has also been regarded among many third country exporters as a direct contradiction of the statement of intent on agricultural protection made by Ministers at Punta del Este last September. The Commission, on the other hand, maintains that the proposed measure is non-discriminatory and in full conformity with the provisions of the General Agreement.

63. EC/Cereals: In mid-February 1987, the EC Commission unveiled its long-awaited price proposals for the cereals sector. They include an unchanged intervention price for soft wheat but cuts of 2.6 per cent for rye and sorghum; 2.5 per cent for maize and 4.7 per cent for hard wheat. Furthermore, while the co-responsibility levy for cereals is to be kept at the current level of 3 per cent, the Commission has proposed shortening the period in which farmers can sell to intervention stores to just four months (from February to May).

64. EEC: The EC, after long discussion, initiated further moves designed to reduce the cost of farm support. On 4 March, Ministers of Agriculture adopted a series of Common Agricultural Policy reforms, essentially covering: (a) a 9.5 per cent cut in milk output over the next two years (with compensation for ensuing income losses), and the limitation of dairy intervention purchases, once additional buffer stocks of butter exceed 180,000 tonnes and skim milk 100,000 tonnes (the EC currently has, in intervention stocks, about 1.3 million tonnes of butter and 800 thousand tonnes of skim milk powder); (b) an average 13 per cent cut in guaranteed support prices for beef, partially compensated by higher premiums on raising certain cattle; (c) "green currency" devaluations (implying increased payments in terms of national currencies) for certain French, Greek, Portuguese, Spanish and UK meats; and (d) a structural programme,
including special aid to farmers who adopt, inter alia, environmental protection methods and/or less intensive farming. The net saving on the 1987 Budget is provisionally put at ECU one billion. The twelve Ministers put off until 30 March an initial debate on the Commissions proposals for freezing prices for most farm products and for reducing others during the agricultural marketing year that begins 1 April 1987 (see paragraph 62).

65. The EC Commission recently published a study: "The Common Agricultural Policy and its reform." The main thrust of the report is that the CAP needs to be adjusted rather than scrapped because of its recognized problems. The study draws attention to the central problem: the development of structural surpluses for most products. It remarks that with yields expected to continue rising, "there is an urgent need to bring under control Community production and to align it gradually to market demand". The study also admits that the increase in farm production has not solved the problem of the disparity of farm incomes throughout the EEC. While a single market, Community preference and joint financial responsibility need to remain the basis of the CAP, the study recognizes that a policy adjustment is necessary centred on: a gradual reduction of surplus output; a diversification and quantitative improvement of production; more effective and systematic action to support the income of small family farms; support for farming where it is essential to regional development; making farmers more aware of environmental problems; and a contribution to developing the industries processing farm products.

66. EEC: EEC member States are to extend their present import controls and export restrictions on radiation-contaminated foodstuffs from the end of February until the end of October 1987, pending agreement on acceptable levels in the long term. The limitations, imposed since the accident at the Chernobyl nuclear power station in the Soviet Union in 1986, not only affect food imports from Eastern Europe, but also, in effect, control cross-border food trade inside the EEC and the level of radiation in EEC exports eligible for subsidy (see also L/6025, paragraph 277). Other countries are also restricting imports of radiation-contaminated foodstuffs (see DPC/W/69, 11 March 1987).

67. US/Japan: The US Administration announced on 23 October 1986 that it will not immediately back a Section 301 case filed by the American rice industry. The US Trade Representative indicated that if Japan had not responded in a forthcoming manner with respect to its rice policy by mid-1987, his Office would probably re-examine the issue of accepting the petition by the Rice Millers' Association (see L/6087, paragraph 51).

68. US/Japan: The US and Japan concluded consultations (on 20 March) with regard to Japanese import quotas concerning certain fish products (pollock and herring). Japan will take certain measures to increase access of pollock products and herring to the Japanese market enlargement of quotas.

69. US/China: According to reports in November 1986, China, after a gap of two-and-a-half years, has made a substantial purchase of US maize. The
switch follows a period during which China had suddenly emerged as a major exporter of maize.

70. US/USSR: At the end of April this year, the US Department of Agriculture announced that the Soviet Union had agreed to purchase up to 4 million tons of wheat under the Export Enhancement Program. The USSR has already agreed to buy 3.64 million tons of US maize during the current year.

71. US/Various countries: Under the US export bonus program (EEP), US exporters will, according to reports in January, be able to sell up to 250,000 tonnes of barley or sorghum to Switzerland and 800,000 tonnes of wheat to Iraq (Iraq is a major market for Australian wheat exports). China has made a part purchase out of the million tonnes of subsidized wheat offered under the same program, while other subsidized sales of US grain have been offered to Jordan, Poland, and the Yemen. US sales of subsidized wheat are also on offer to Nigeria despite the Government's current ban on imports of wheat (see L/6087, paragraph 54). Since the EEP program was announced in June 1985, almost $1.04 billion worth of subsidized commodities have been sold.

72. Canada/US: On 6 March 1987, the Canadian Import Tribunal issued a finding of past, present and future injury against certain subsidized grain corn from American suppliers. The amount of duty being assessed on imports is some US$ 85 per bushel. This controversial investigation followed the receipt of a properly documented complaint filed in May 1986 by the Ontario Corn Producers' Association. The action is believed to be the first countervailing move by any country against US exports. Subsequently, the US requested emergency consultations under Article 16:1 of the Subsidies Code to review the Canadian action because, in its opinion, the Canadian finding of material injury was based on other than the required causal link between imports and material injury as stipulated under Article 6:1 of the Code (see SCM/82).

73. Canada/USSR: Beginning October 1986, the Soviet Union signed a five-year grain agreement with Canada calling for sales of at least 25 million tons during the period 1 August 1986 to 31 July 1991. The previous agreement expired on 31 July 1986. The two countries also renewed an m.f.n. trade agreement for an additional five years.

74. Canada: The Federal Government announced early in December 1986 that it would pay grain farmers an average of C$5000 each – with a maximum payout to any individual set at C$25,000 – to compensate them for low international prices. This follows a previous decision earlier in 1986 to guarantee an initial payment of C$130 per tonne for wheat and C$80 per tonne for barley. The total cost of the cash subsidy scheme (the Special Canadian Grains Program) is C$1 billion.

75. Malaysia/Australia: In December 1986, Malaysia extended for a further two years (to 1989) its long-term contract to purchase raw sugar from
Australia. Under the extension, Malaysia will import 200,000 tonnes per year for the two years following the expiry of the current three-year pact at the end of 1987. Malaysia was also reported to have extended its agreement to buy increased quantities of sugar from Fiji for 1988 and 1989.

76. Australia: Reports in February confirm that Australian wheat farmers are to receive direct producer subsidies for the first time. This results from the significant decline in world prices during the last 12 months which makes it likely that the government will have to make a payment under its underwriting arrangements for the first time since the scheme was initiated in 1979. The guaranteed minimum price which is determined as a moving 3-year average of grower returns, calculated on a net basis, moves with world export prices. A payment for the current season will result because returns have dropped significantly below the more gradual decline in recent years as a result of the marketing strategies of Australia's major competitors. The level of a payout to meet the difference between the net pool return and the guaranteed minimum price of A$139.83 per tonne will depend on future export prices and exchange rates until about 1989/90 when the pool is expected to be closed. Export sales by the Australian Wheat Board to all markets - including the major markets of Egypt and China - are made on a commercial basis at prices set to meet the competition from other major exporters including those employing export subsidization (on 21 November 1986, the Australian Wheat Board also confirmed that China had agreed to buy 1.5 million tonnes of wheat; a recent sale of 2 million tonnes of wheat to Egypt was made at a reported price of $82.5 per tonne, including cost and freight which was reported to be below the guaranteed minimum price).

77. Saudi Arabia: Late September last year, the Saudi authorities announced they would cut imports of barley by introducing subsidies for domestic barley cultivation. A subsidy equivalent to $266 per tonne for domestically produced barley has been established, joining the subsidy (equivalent to $532 per tonne) already in place for wheat. Saudi Arabia imports between 5 and 5.5 million tonnes of barley a year; world barley prices currently range around $69 per tonne. According to reports in January of this year, the United States has decided to boost its feed barley exports to Saudi Arabia by 1.25 million tonnes. The move was protested by Australia.

78. EC/Butter: In accordance with the decision taken on 31 May 1985 by the International Dairy Agreement Committee of the Protocol Regarding Milk Fat, allowing the participants to sell under certain conditions "old butter" below the minimum price, the EC Commission approved, on 26 March, the sale of 181,500 tonnes of more than 18-month old EC butter to the Soviet Union at a special low price, while 100,000 tonnes of such EC butter had also been delivered to the Soviet Union in February 1987. These sales are in pursuance of a contract concluded by EC-traders with the Soviet Union on 29 December 1986 providing for the sale of 300,000 tonnes with an option to deliver an additional quantity of 200,000 tonnes.
The sales are part of the recently approved reform of Common Agriculture Policy in the Dairy and other sectors including drastic butter production cuts and destocking measures in addition to reducing the large growing stock of surplus butter through internal disposal schemes and subsidized exports.

79. US/Sugar: US sugar import quotas have been set at just over one million short tons, raw value for 1987: this represents a reduction of more than 45 per cent on the total of the 1986 quotas which actually covered 13 months. Many suppliers have made official representations to Washington about the fall in the outlet for their sugar which some see as a direct result of the budgetary costs of protection being granted to US sugar producers as well as the growth in substitution by artificial sweeteners. According to reports, the USDA will continue to offer surplus stocks of commodities held by the Commodity Credit Corporation to some 30 supplying countries in order to mitigate the effects of the quota decline. Meanwhile, the US Administration had indicated - as part of a package of measures aimed at reducing the cost of the farm support programme (see paragraph 57) - that it will propose a reduction of US$6 per lb in the sugar loan rate to US$12, commencing in 1988. Thereafter, and for a period of four years, cane and beet growers would receive compensation on a declining scale under the proposal, by way of direct income payments.

80. US/Casein: A long-standing issue in Washington - whether to restrict imports of powdered casein, the major protein component in milk - is the subject of bills introduced in early March by farm state members of the Senate Finance and House Ways and Means Committees. The sponsors of the bills argue that subsidized EEC supplies are displacing markets for milk produced in the United States and, at the same time, increase the US government costs for the dairy programme. The bills propose the application of import quotas on casein at half the 1981-1985 average, despite the fact that the International Trade Commission has twice ruled that imports were not significantly affecting the US dairy programme and thus rejected dairy cooperative petitions for import relief. New Zealand and the EEC are the two biggest suppliers; combined they accounted for more than four-fifths of total US imports last year. Both countries have protested the legality, under the GATT, of such proposed action.

81. EC: At their meeting on 3 March, the EEC's Agriculture Ministers adopted the Regulation opening the new tariff quotas with lower duties for citrus fruit and orange juice, as part of the concession offered by the EEC when the citrus/pasta trade dispute was settled with the United States (see L/6087, paragraph 37). The new quotas and duties apply from the beginning of March, but only until the end of April 1987 for the 20,000 tonne quota of high quality sweet oranges (with a duty reduced to 10 per cent ad valorem) and for the 15,000 tonnes quota for Minneolas (citrus fruit hybrids) with a 2 per cent duty. The tariff quota for 1,500 tonnes of frozen, concentrated orange juice applies until the end of December 1987 at a higher duty of 13 per cent. These products may only be
imported under the preferential arrangements if a certificate of authenticity issued by the competent authorities of the country of origin is supplied to the EEC customs authorities. The Regulation stresses that all EEC importers should have equal and uninterrupted access to the quotas but, as they are only open for a short time, individual amounts will not be allocated for each member State. Instead, member States can simply draw on the available quotas and inform the Commission of their requirements. The other EEC concessions offered on an m.f.n. basis to the US (a 10,000 tonnes quota for lemons, with a 6 per cent duty until 14 June; a 45,000 tonne quota until 31 December 1987 for almonds with a 2 per cent duty; a 40,000 tonnes quota for satsumas with a zero duty in any calendar year; reduced duties of 1.5 per cent for grapefruit from November to April and of 12 per cent for roasted groundnuts) will not enter into force until the US Congress has applied the agreed m.f.n. concessions for EEC produce imported into the United States (the products include olives, olive oil, capers, paprika and cider).

82. The above decision by the EEC relates to the settlement of the "citrus dispute"; the US/EC dispute regarding EC export refunds to the pasta industry is still under discussion as per the two sides' agreement to negotiate a settlement by 1 July 1987. If a solution is not found by this date, then the citrus agreement will either become void or subject to renegotiation; the United States, in this case, has not ruled out the possibility of taking retaliatory measures (see last part of paragraph 37, L/6087).

83. EC/Wheat: During the period under review, sales of subsidized wheat from the Community were made, inter alia, to Egypt, Syria, Algeria.

84. EC/New Zealand: The EC Ministers of Agriculture approved, 9 February, a two-year prolongation of the original 1980 arrangement governing exports of sheepmeat to the Community. Under the new accord New Zealand has indicated its intention to limit the increase in its exports to France by 10 per cent per year in 1987 and 1988 given France's status in the agreement as a "sensitive market"; Ireland remains the other "sensitive area" in the agreement.

85. EC/ACP: The EC and the ACP countries agreed to hold, unchanged, prices for imports of ACP white and raw sugar into the Community during the 1986-87 season. Up to 1.3 million tonnes will again be allowed into the EC at 44.92 ECUs per 100 kgs. of raw sugar and 55.39 ECUs for white. The previous season saw an increase of 1.3 per cent in the price paid (see L/6025, paragraph 49).

86. EC/Manioc: EC Ministers gave their approval 9 February to the régime governing the import of manioc. Under the new scheme the following quantities of manioc may be imported annually at a concessionary "ad valorem" levy of 6 per cent: Thailand - 5,250,000 tonnes maximum per year between 1987 and 1990 with an overall total not exceeding 21 million tonnes; Indonesia - 825,000 tonnes per year for the three years ending
1989; China - 350,000 tonnes for each year 1987-1989; other GATT contracting parties (excluding Indonesia and Thailand) 145,590 tonnes for the same three years ending 1989 (see also L/6025, paragraph 50).

87. Argentina: Beginning March, the Argentine Government confirmed that it had started paying higher minimum prices to farmers for hard wheat, sunseed, sorghum and maize. The minimum purchase price for hard wheat is now 9.40 Australs/100 kg. (8.79 previously); sunseed 17.80 Australs/100 kg. (17.00 previously); sorghum and maize 7 and 8 Australs/100 kg. (6.5 and 7.70 Australs previously). Government officials are reported to have said that support prices for other grains would be increased soon (1 Austral = US$1.435).

88. Japan: The Japanese authorities have decided to set up a ¥10 billion fund in April 1987 in an effort to lower surging retail prices of domestic beef. The fund is designed to set a benchmark for wholesale and retail prices (3 per cent below the upper limit of the wholesale price range set by the Government). If the wholesale price exceeds the benchmark, the difference will be compensated from the planned fund for wholesalers observing the benchmark price. Benchmark prices per kilogram in fiscal 1987, for example, will be set at ¥1.575 for high-grade meat and ¥1.175 for meat from cattle raised for dairy breeding. The government plan projects a "stable price range" 13 per cent above and below the benchmark price, but beef prices are expected to remain near the reference ceiling for some time in view of the current supply-demand situation, government sources say.

89. International Dairy Arrangement: With effect from 2 October 1986, the International Dairy Council (IDC) has raised minimum prices for sales on world markets of certain dairy products covered by the International Dairy Arrangement. The new minimum prices in US$ per ton f.o.b., with the previous minimum in brackets, are as follows: certain cheeses $1030 (1000); whole milk powder $880 (830); skimmed milk powder and buttermilk powder $680 (600). The decision to increase these prices was ratified at the IDC's meeting on 1 October 1986 during which concern was expressed at continuing difficulties in the international markets for dairy products (see also paragraph 59 previously).

90. EEC/Apples: According to report, the European Commission has shelved its plan to monitor imports of apples by introducing a system of import licences. It has abandoned an attempt to limit Southern Hemisphere apple imports to below last year's level, after bilateral consultations with Chile, Argentina, New Zealand, Australia and South Africa. Instead, the Commission has established a maximum acceptable import level of 492,000 tonnes for 1987 (166,000 tonnes from South Africa, 130,000 tonnes from Chile, 115,000 tonnes from New Zealand, 70,000 tonnes from Argentina and 11,000 tonnes from Australia). It has pointed out that these levels are neither quotas nor voluntary limits, but it has informed the exporting countries and the import trade of these levels since, if they are exceeded, it would be forced to introduce restrictive measures based on
the safeguard clause. This is not the view of the principal supplying countries.

(ii) Steel

91. The basic problems in the world steel market are surplus production capacity and the difficulty of adjusting to changes in the relative competitiveness of different producers. Reluctance to allow market forces to act has led in particular to subsidization of domestic production, production controls and limitations on access to markets, largely through "grey-area" measures.

92. Prospects for the steel industry in the major industrialized countries remained grim during the period under review. Latest estimates were that steelworks in OECD developed trading nations had only been functioning at about 70 per cent of their capacity while steel consumption in the area was declining.

93. There have been few significant changes in measures affecting international trade reported in previous documents.

94. United States: The network of five-year export restraint agreements already in existence between the United States and 18 major steel exporting nations (with the EC counted as one) continued to limit and regulate steel exports to the US. United States imports of steel fell by 15 per cent in 1986, accounting for 23 per cent of the domestic market. Industry pressure groups in the United States had been particularly concerned about the levels of steel imports from a number of countries or areas that were not signatories to the export restraint arrangements including: Canada, Sweden and Taiwan.

95. Canada and the US held another round of quarterly consultations on bilateral steel trade on 29 January 1987. These consultations have been held to review underlying market conditions affecting Canada/US trade in steel. According to US statistics, Canadian steel exports to the US increased by 11.7 per cent in 1986 and accounted for 3.6 per cent of US steel consumption. While Canada has not been among countries asked to negotiate a voluntary restraint agreement with the US under the President's Steel Program announced in September 1984, pressures continue in the US for action by Canada to reduce its share of the US steel market (see also paragraph 413 and previous reference L/6087, paragraph 63). In announcing the program, the Administration undertook to maintain open access to the US market for fairly traded steel imports.

96. According to report, Taiwan has decided to extend its programme of steel export restraint to the United States until late 1987 (but it continued to resist pressures by the United States to conclude a voluntary restraint agreement).
97. The European Economic Community announced its intention to continue restrictions on steel imports from 12 countries in 1987 (see also Section C.I for further details). To protect its ailing steel industry, the EC agreed with 16 steel-supplying countries in 1978 to set quotas on steel imports. The agreements have been renewed annually since then with the majority of them. According to reports the EC's production of steel remained relatively stable in 1986 as opposed to a decline of 2 per cent for the United States and of 4 per cent for Japan.

98. EC: The Commission is expected to announce a revision of its official "basic" import prices. These basic import prices apply to steel products imported into the EEC from countries which are not among the 12 exporters which have negotiated steel trade arrangements with the Community; they also act as the trigger level for anti-dumping level complaints by EEC steel producers. According to reports, for most products the prices will be lower reflecting radical changes in production costs, stemming principally from cheaper raw materials and energy, together with the decline in the value of the US dollar.

99. EC (Eurofer): The EC steel cartel system of production quotas is due to come to an end in 1987 two years after the Commission started phasing out subsidies. According to reports in mid-March the Commission is, however, expected to propose that Eurofer be given the green light to go ahead with its plan for organized voluntary capacity reductions, backed by continuing quotas for flat and heavy products.

100. Portugal/EC: The EC Commission has authorized Portugal to continue for 1987 its curbs on imports of steel products from Spain. Restrictions on imports were first introduced on wire rod, bars and sections, on 15 October 1986 following Portuguese complaints of surging imports.

101. US/EC: In September 1986, the US Authorities rescinded certain ceilings on imports of semi-finished steel (see L/6087, paragraph 277). As a result of the new quota the EC will be permitted to ship a somewhat larger volume of semi-finished steel to the American market.

102. Japan: According to reports, the Ministry of International Trade and Industry has approved an export price cartel for seamless tubes and pipes to be exported to countries other than the United States and the EEC; it will run for one year from 1 April 1987. The move has been described as necessary to avoid excessive competition and maintain orderly exports.

(iii) Petroleum

103. The main event in this sector during the past six-month period was the attempts by the OPEC to establish a new production and fixed-price agreement, and the subsequent evolution of prices. The December 1986 setting of new quota-ceilings demonstrated a collective purpose by the 12 member States to reach a target price of $18 a barrel of crude oil on the
world market in 1987. Although the latest agreement brought a stop to the excessive volatility that characterized prices since November 1985 (when prices fell from around $28-30 a barrel to an average of $15 per barrel in 1986), prices still show little current signs of stabilizing at the hoped for benchmark.

104. Spot prices strengthened temporarily to $20 a barrel in early January. Towards the end of the present reporting period world oil prices fell, both spot and future, to their lowest level in 1987 as the market reacted to continuing product oversupply, reports of quota breaching by certain suppliers and expectations of slacker demand now that the Northern hemisphere winter season is over. North Sea (Brent) crude, the recognized indicator for charting the movement of internationally traded crude, moved to around $16.40 in March or $2.50 below its level at the beginning of 1987 year after OPEC's December 1986 meeting (see below).

105. OPEC: Oil Ministers (Iraq dissenting) agreed on 22 October 1986 to raise the current OPEC output ceiling of 14.8 mb/d (excluding Iraq) to around 15 mb/d in November and December (with all but Saudi Arabia and the United Arab Emirates gaining increases within the extra quota) and to return as soon as possible to a fixed price system (see also L/6087, paragraphs 66 and 67).

106. OPEC: In accordance with their earlier decision (see above), 12 OPEC states (Iraq dissenting) agreed on 20 December 1986 after their 80th conference to return to a fixed OPEC posted reference price of $18 a barrel as from 1 January 1987, with a one-month phase-out period for current contracts. To achieve equal competitiveness, the maximum differential between Saudi Arabian "Arab Heavy" and Nigerian "Bonny Light" should, it was further agreed, not exceed $2.65 a barrel. The new pricing structure is to be defended by limiting overall oil production to a ceiling of 15.8 mb/d for the first half of 1987 (some 7-7.5 per cent below expected demand) and to an as yet unspecified level for the rest of the year. In addition, OPEC members committed themselves to eliminate, with effect from 1 February 1987, all netback deals which are alleged to have contributed to prevailing low prices.

107. Although OPEC producers have expressed official disapproval of countertrade - because it tends to undermine the price structure - evidence continued to show that such practices had not dried up, with reports of major deals being conducted by Libya and Saudi Arabia. According to estimates made by petroleum specialists, the volume of OPEC crude in 1986 accounted for by countertrade averaged about the same level as in the previous year; in 1986 however, countertrade contributed to a lower proportion of the total than in 1985. (see also Section C.II on Countertrade page).

108. Egypt: According to reports in January, Egypt has stated that it will help OPEC's efforts to bolster prices by maintaining reduced production levels. Norway, Mexico and the Soviet Union, three major non-OPEC
producers, were also reported to be ready to apply voluntary cut-backs in output.

109. **United States**: According to one of the sections in the Appropriations and Deficits Bill, which became law 17 October last, a differential tax will be imposed on crude oil as from 1 January 1987 in order to finance the American toxic waste disposal programme. Under the Bill, crude oil produced in the United States will be levied at $0.082 per barrel, while crude oil from abroad will be taxed at $0.117 per barrel. The new tax has caused concern among oil exporting countries and has been raised in the GATT (see also Section B.VIII, paragraph 10).

110. **African Petroleum Producers' Association (APPA)**: Representatives of nine African oil-producing countries met in Lagos on 26 January 1987 to inaugurate the African Petroleum Producers' Association. The newly constituted group of eight includes four members of the OPEC (Nigeria, Algeria, Libya and Gabon) plus Angola, Benin, Cameroon and the Congo.

(iv) **Motor vehicles**

111. The main developments in this sector related to trade between Japan and the United States (the world's largest market) and between Japan and the European Communities (the second largest).

112. Although Japan recorded its first overall decline in motor vehicle unit exports since 1982, shipments to the US and to the Community were up, despite the yen's appreciation, by about 10 per cent in volume terms, according to the Japan Automobile Manufacturers' Association. The decline in unit export sales was mainly due to a sharp fall in the shipments to the developing countries and China.

113. Producers in both the United States and Europe have continued to express concern about imports from Japan. Japanese manufacturers have agreed, once again, to extend their self-imposed limit on passenger car shipments to the US market. With respect to the EC, a variety of reports indicate that Japanese car makers have agreed to aim for zero growth of finished car exports in order to head off growing protectionist pressure on the European Commission by the domestic industries. Concerns have also been voiced about the imbalances in bilateral trade in motor vehicles and parts and the contribution that this makes to overall bilateral trade balances. Faced with obstacles to their exports, the Japanese have been building cars in both the United States and Europe and have begun to face demands for domestic content requirements.

114. **Japan/US**: According to Japanese reports, the Government has decided to maintain its unilateral voluntary export restraint on passenger car exports to the United States at last year's level of 2.3 million passenger cars for a further twelve-month period, beginning 1 April 1987. The export limitation, which was initiated in fiscal year 1981 with a quota of
1.68 million cars, has thus been extended for the sixth consecutive fiscal year. Due to a shift in the composition of shipments to higher-priced cars and more automotive parts and price increases linked to the appreciation of the yen, the dollar value of Japan's motor vehicle exports to the United States increased by more than one-third to $25.9 billion. Imports of Japanese passenger cars contributed to more than one-half of the increase in the US bilateral trade deficit with Japan in 1986.

115. US/Japan: During the second set of Market-Oriental-Sector-Selective (MOSS) talks with Japan, discussion focussed on automotive trade in both original equipment and what is known as "aftermarket" parts. According to report, the Japan Automobile Manufacturers Association will collect relevant commercial data covering transaction between US auto parts and Japanese motor vehicle manufactures with respect to five categories of sales, viz: (a) power trains, engines, drive trains and transaxles; (b) electronics, including audio equipment and batteries; (c) interior/exterior parts including furnishings, bumpers, etc; (d) suspension and differential-type gearing; and (e) stamping equipment, sheet metal and tyres. A final monitoring plan is to be worked out for completion during the next MOSS talks in April 1987 (see previous reference in L/6087, paragraph 84).

116. Japan/EC: According to unconfirmed reports, the Japanese press have stated that Japanese car manufacturers have accepted the need to make "orderly exports" to the EC. As a result, monthly exports to the Community are reportedly to be held to about 95,000 units, the 1986 level, so as to attenuate criticism regarding the sectoral trade imbalance. Last year Japan exported 1.14 million vehicles to the EEC, up 10.9 per cent over 1985 (see also L/6068, paragraphs 75 and 76). There are marked differences among the EC member States in respect of market access for Japan's car exports. This led to sharp differences in export growth to individual EC member States. EEC car manufacturers are reported to have made proposals to the Commission whereby imports of Japanese cars would be limited until such time as the EEC has attained 5 per cent of the Japanese domestic market, as against its current level of 2 per cent. They have also proposed that Japanese cars assembled in member States of the Community should have an 80 per cent local content before qualifying as a European vehicle and thus be exported freely to other countries in the area. In this connection, the European Parliament adopted on 23 January (by 100 votes to 12) a report proposing reforms for the European motor industry. The report, which will now go before the EC Council of Ministers, opposes the development of more foreign assembly operations in Europe which would, it says, increase further the present excess capacity and technological dependence on Japan. It further calls for Japanese and any other third country investments in the production of motor vehicles in the EEC to be channelled through truly European companies with headquarters, research and development, engineering and management, all located only within the EEC area.
117. Republic of Korea: The South Korean authorities announced, in February, that imports of passenger cars - which are at present banned from the domestic market - with an engine displacement of 1,000 cubic centimeters or smaller and of 2,000 cubic centimetres or larger and jeeps will be allowed into the country beginning 1 July 1987 - a full year ahead of the original schedule. Lifting the ban on imports of smaller models between 1,000 cubic centimeters and 2,000 cubic centimeters (which represents a far larger market), however, will be put off until 1988 instead of the second half of 1987, according to the report. South Korean tariffs on passenger cars are presently imposed at the General Duty Rate of 50 per cent ad valorem. Tariffs are to be reduced to 40 per cent ad valorem in 1988 and to 30 per cent ad valorem in 1990 as part of the effort to open the market to foreign-made passenger cars. The Trade and Industry Minister was also reported in the press to have said that the Government will advise the local automobile industry to limit, in the light of world market considerations, its annual capacity to a level of one million units in 1988 - production in 1986 was less than 600,000 units. In addition, South Korean motor vehicle shipments to the United States (the number one market) are to be closely monitored with a view to helping the adjustment in the level of future capacity expansion.

118. India: In October 1986, the Industry Ministry was reported to be considering a new policy for passenger cars which would, if adopted, limit domestic production to existing producers.

119. Philippines: In early February, the Philippine Government lifted a ban on imports of used industrial vehicles. Trucks decontrolled under the new policy are those models of which deadweight tonnage is more than five tons and which are not more than six years old after being sold for the first time on the market. Japan is the principal supplier of used trucks and cars to the Philippine market.

120. F.R. Germany/EC: According to reports, the West German Automotive Industry Federation (VDA) has called for restraints on imports of Japanese cars. After motor vehicle imports from Japan increased by 77 per cent in dollar terms, the Federal Republic of Germany became the second largest export market for Japan after ranking fifth only in 1985. Japan's sales of cars on the German market rose by 32 per cent or nearly twice as fast as the domestic market. The Japanese car producers' market share rose from 13 to a record 15 per cent. The authorities in Bonn have categorically refused the VDA's request. The Federal Republic - which has the EC's largest vehicle park - is, along with Denmark, Ireland and the Benelux, among the few Community members which have no specific limitative arrangements with respect to motor vehicles from Japan (see also L/6087, paragraph 76).

121. Spain/EC: By a Decision dated 23 January 1987, the Commission has authorized Spain not to apply Community treatment to motor vehicles (within heading 87.02 of the Common External Tariff) originating in Japan and in free circulation in the other Member states. The period applicable runs
from 10 January 1987 to 30 September 1987. This is the second such exemption (see L/6087, paragraph 79).

122. **Italy/EC**: Under the provisions of Article 115 of the Rome Treaty, the Commission has exempted Italy from applying Community treatment to Japanese cars (heading 87.02 ex B of the Common External Tariff) and in free circulation within the other Member states. The Decision is applicable from 2 January to 31 May 1987. An earlier Decision also allowed Article 115 suspension of Community treatment by Italy in respect to motor vehicles and cross-country vehicles for the period 10 October 1986 to 31 May 1987. In 1987, sales of Japanese passenger cars increased sharply (more than 200 per cent; nearly 9,000 units), largely due to indirect imports.

(v) **Electronics**

123. Trade policies affecting the electronic sector were dominated by events triggered by complaints from the United States that Japan was dumping semi-conductors, culminating in the US President's decision at the end of the reporting period to retaliate by imposing discriminatory tariff increases on Japanese exports of certain electronic consumer goods to the United States.

124. The electronic industry depends on access to competitively-priced supplies of semi-conductors (see L/6087, paragraph 85). What is presently estimated to be in the region of $30 billion world market for semi-conductors fuels an electronic industry with annual sales of $300 billion. The Japanese electronic industry faced shifting fortunes in overseas sales because of the strong yen, but has a large trade surplus with both the United States and the European Communities, a fact which has attracted much interest during the period under review.

125. A bilateral arrangement on trade in semi-conductors concluded in September 1986 between the United States and Japan (L/6076) remained an issue of major concern in trade policy. The European Communities expressed concerns related in particular to those aspects of the arrangement which dealt with market access in Japan for semi-conductors and to its provisions regarding third country markets. The Community requested consultations on the matter both with the United States and Japan under Article XXII:1 of the General Agreement (L/6057). A number of other contracting parties noted their trade interest in this sector and shared the EC's concerns over the United States-Japan agreement (C/M/202). During the Council meeting on 4 March 1987, the Community asked for the establishment of a Panel to examine whether the agreement complied with GATT rules; the request was approved at the Council's 15 April meeting.

126. Japan and the United States engaged in talks on their semi-conductor trade arrangement in the first quarter of 1987 amid continuing complaints that the agreement was not being fully honoured by the Government of Japan.
Japanese exporters complained - in the light of production costs and export price data supplied by them to the Ministry for International Trade and Industry (MITI) in Japan - about many of the individual prices set for their chip exports to the United States, i.e. the so-called fair market values (FMVs) which were fixed by the US Department of Commerce. The FMVs are drawn up with the aim of stopping any unfair dumping of Japanese chips in the United States. The United States' semi-conductor industry argued, on the other hand, that the Japanese were circumventing the pricing arrangement by selling their products to third countries for re-export to the United States at prices lower than the FMVs.

127. Disagreements between the US and Japan over the operation of the chip agreement took a new turn when, on 19 March, the US Senate passed a non-binding resolution (by 93 votes to 0) calling on the President to retaliate against Japan for failing to abide by two major trade agreements. At the end of March, the US increased tariffs on a number of Japanese consumer-electronic products; the duties were to be aimed at goods made by certain Japanese companies producing semi-conductors which were said to be dumping micro chips in third-country markets. Effective 17 April 1987, the United States imposed 100 per cent ad valorem tariffs on three types of Japanese electronic consumer goods: (i) certain portable and desk-top micro-computers (the more advanced models that process data in units consisting of 16 bits of information); (ii) colour television sets whose diagonal screen sizes range from 18 to 20 inches; and (iii) three types of power hand tools. The three product groups represented, in 1986, annual imports of $180 million, $90 million and $30 million respectively. This action was taken because the US Administration had determined that the Government of Japan was not fully living up to the terms of the arrangement. The President of the United States said that the sanctions will be lifted as soon as the United States has "firm and continuing evidence" that Japan has started complying with the semi-conductor agreement (see paragraph 126 above). Japan considered that it had not only lived up to the semi-conductor agreement but that it had taken additional steps to further the objectives of the agreement. United States officials complain that Japan's Ministry of International Trade and Industry has not put enough effort into monitoring Japanese semi-conductor sales at below cost in the third country markets.

128. On 17 April 1987, the Government of Japan requested consultations with the United States under Article XXIII:1 of the General Agreement concerning the above US decision (L/6159). Japan considered that such US measures contravened the United States' obligations under the relevant provisions of the GATT, inter alia, those of Articles I and II, and constituted a prima facie case of nullification and impairment of the benefits accruing to Japan under the GATT. Japan requested that consultations be held urgently with a view to reaching a satisfactory solution of this matter which should include immediate withdrawal of the US measures.

129. Subsequently, the Commission informed the EC Council of Ministers Article 113 Committee that it was launching an immediate surveillance
procedure to monitor trade flows of the Japanese products affected by the new 100 per cent US import tariffs; it intends to present proposals for preventing trade deflection next month.

130. On 8 June, the US President announced a partial relaxation of the sanctions imposed on 17 April (paragraph 127). The sanctions release, which was said to be "strictly proportional" to progress made by Japanese producers towards selling DRAMs (random access memory) chips at fair prices, applies specifically to 20-inch colour television sets. The new relief valued at $51 million is equivalent to 17 per cent of the previously imposed tariff sanctions package.

131. Japan: According to press reports from Japan in mid-March, Japanese semi-conductor manufacturers have begun to voluntarily restrain integrated circuit exports to third countries. Japanese producers are reported to be making a stricter selection of semi-conductor traders who sell integrated circuits to third countries. In addition, the Ministry of International Trade and Industry (MITI) is reported to have taken steps to more strictly apply its monitoring system. These initiatives are expected to help rule out microchip exporters resorting to shipments to the United States through the so-called "grey market".

132. EEC/Japan: In December 1986, the EEC semi-conductor makers lodged an anti-dumping complaint against Japanese competitors for allegedly selling EPROM (erasable programmable read-only memories) in the EEC at below cost. A formal complaint that dynamic random access memory (DRAM) microchips originating in Japan are also being dumped on the EEC market was lodged with the European Commission in February 1987 by the European Electronic Component Manufacturers' Association (EECA) (see also sub-section B.VI, paragraph 347). Moreover, anti-dumping duties were imposed on several finished products imported into the European Economic Community by Japan, including electronic typewriters and photocopiers (see also Section B.IV). However, in February 1987 the EEC's Council of Ministers decided to withdraw two types of electronic typewriters (Canon S61 and Epson "World Bank") from the definitive anti-dumping duties imposed from June 1985.

133. The European Communities announced on 10 April 1987 an anti-dumping investigation into Japanese exports of EPROM chips. The Commission said that there was enough evidence of dumping of Eprom chips to justify an inquiry. The inquiry is a response to complaints of dumping by the Japanese made by the European Electronics Component Manufacturers Association. The Association claims that the price of Japanese exports of semi-conductors has been so low as to force Community producers to sell their output at abnormally low prices - or 30 per cent below the level which would have been reached under normal conditions of competition. Between 1984 and 1986 Japanese manufacturers of Eproms ranging from 64K to 256K raised their exports from 9m to 29m units, increasing their share of the EEC market from 60 per cent to 78 per cent, the Commission says.
134. In December 1986, the United States released details of the commitments by Japan (by far the most important supplier) and Taiwan to limit over the next five years their shipments of certain numerically-controlled machine tools to the United States (see also Section C.II). It also suggested limits on exports of machine tools from Germany and Switzerland and warned South Korea, the United Kingdom, Singapore, Brazil, Spain, Italy and Sweden not to allow their exporters to fill the gap caused by new restraints. The Federal Republic of Germany and the European Economic Community had refused to recognize upper limits on market share as binding and considered that the measures announced by the US Administration violated both Article XI of the General Agreement and the "standstill" commitment of the Uruguay Round. Switzerland also continued to resist pressures for formal voluntary restraint arrangements (VRA) on exports of machine tools to the United States (see Section C.II).

135. For EC complaint regarding the United States Department of Defence procurement policies with respect to certain machine tools, see sub-section B.VI, paragraph 362.

136. After the US Administration held public hearings under Section 301 of its trade law on Brazil's trade policies on informatics, it announced its intention to take retaliatory action before December 1986. In November 1986, the Brazilian delegation to the Council of Representatives' meeting reaffirmed that the Brazilian Government could not accept the claim by the US to have a right to resort to unilateral actions, based on domestic legislation, as announced publicly by high US trade officials, without due regard to GATT rules and to the specific obligations assumed by the US under such rules, thus nullifying or impairing benefits accruing to Brazil, and reserved all its GATT rights on this matter. This statement as well as the US delegation's reaction to it are summed up in document C/M/204. In December 1986, Brazil decided to streamline its administrative procedures for imports and to specify those sectors of the market which were open to foreign computers. Thirteen items were removed from the list of products requiring special import approval and import licence procedures were simplified for another six. The US was still seeking a greater protection for software copyrights in Brazil and a larger rôle for US companies in joint ventures with Brazil. The Administration decided to delay until 30 June 1987 any decision on possible retaliatory action.

137. Canada: According to the Federal Budget of 1987, presented on 18 February last, the Canadian government withdrew retaliatory tariffs imposed on imports from the United States of computer parts (3.9 per cent) and semi-conductors (5.4 per cent) (see also sub-section B.IV, paragraph 320 for fuller details).

138. Japan: For details of the controversy regarding the Japanese decision to market digital audio tapes "DAT" (see Section B.VI on "Prospective developments and current discussion").
139. Republic of Korea: According to report, South Korea will end all restrictions on imports of semi-conductors as from 1 July this year. No restrictions are currently imposed on chips imported for use in export items but a recommendation by the Electronic Industries' Association of South Korea is still needed to import certain foreign chips for domestic use. However, as of 1 July 1987, imports of foreign made chips for domestic use will be completely liberalized.

140. Following the anti-dumping enquiry into imports of microwave ovens and video cassette recorders from Japan, South Korea and Singapore, opened by the EC Commission in December 1986, South Korean domestic producers of electronic goods have reportedly agreed to raise their export prices by 10 per cent and to impose limits on their exports to EEC member States.

(vi) Footwear

141. During the period under review, pressures for protection have continued in this sector in the three major import areas: Canada, the European Communities and the United States. No additional import restrictions have been imposed, although proposed legislation in the US Congress providing for a standstill in non-rubber footwear imports at the 1986 level were a focus of attention, and reports indicate that non-traditional measures have been proposed for meeting the concerns of local producers.

142. Canada: The International Trade Minister assured Canadian footwear producers that the Canadian Government would ask a number of footwear exporting countries to ensure that recent surges in their exports of footwear to Canada would not continue. Italy and Spain have been requested to maintain their footwear shipments to Canada at traditional levels while consultations have begun with the Taiwan Shoe Manufacturers' Association to ensure a prudent export policy. Canadian quotas on footwear imports were withdrawn in November 1985 (see also L/6025, paragraph 268).

143. United States: The proposed legislation to limit US imports of textiles (the Textile and Apparel Trade Act (see paragraphs 149-152, sub-section A.II(vii)) which was introduced to Congress in February, contains provisions for freezing imports of non-rubber footwear at 1986 levels. In addition, the President would be given the authority to reduce duties on these imports by a maximum of 10 per cent, to be staged equally over a period of five years. This is seen as a concession by the bill's sponsors over last year's Jenkins' Bill on textiles - which failed to muster enough support to override the previous Presidential veto - and which contained a provision calling for a sharp cutback in footwear imports (see L/6025, paragraph 99). Previously, orderly marketing arrangements (OMA's) were in effect from June 1977 to June 1981 between the United States and Korea and Taiwan Province of China.
144. European Communities: By legislation (EEC) No. 4089/86, the Commission extended, until 31 December 1987, its a posteriori control of imports of footwear into the Community. Retrospective control, which goes back to 1979, was originally introduced to monitor the threat of injury to EEC producers resulting from the pressure of third country imports. While there are no formal restraint agreements in place with the EEC's major suppliers (Brazil, Hong Kong, Korea, China, Taiwan Province of China), the Commission maintains close contacts with the authorities in these areas so as to ensure that their trade in footwear does not disrupt the Communities' domestic market.

145. New Zealand: The basis for licensing imports of footwear is to be changed as of 1 July 1987. Value instead of volume will be the new yardstick; in addition, import access levels are to be enlarged through licence tendering.

146. US/Italy: In February, the Italian Association of Footwear Manufacturers and the US National Shoe Retailers Association approved a letter of agreement that standardizes nearly all aspects of footwear transactions, including terminology and conditions of sale. The letter reportedly spells out the terms of purchase and shipment arrangements.

147. Australia: The Government announced on 28 November 1986 a longer term (seven year) programme to restructure the footwear, textiles and clothing sectors. The plan will become effective from 1 March 1989 (for fuller details, see A.II(vii), paragraph 166).

(vii) Textiles

148. The textile scene over the last six months has been highlighted by two events: the negotiation of many bilateral agreements under the the provisions of the newly extended MFA IV (see L/6087, paragraphs 100 and 101) and the submission of legislative proposals in the US Congress in the same vein as the previously vetoed Jenkins' Bill (see L/5915, paragraphs 8 and 90; L/6087, paragraph 103).

149. During the period there was some evidence of relaxation in the way in which the extended MFA IV was evolving, in part as a response to the fact that the domestic textile and clothing industry in a number of major import markets showed substantial strength in 1986. Continuing protectionist pressures in one import market were reflected in minimal growth rates for the major suppliers and demands in that market for quotas on hithertofore unrestrained items, not to mention a degree of unilateral action pending subsequent renegotiations with the exporting country concerned. Although the Multifibre Arrangement states that restraints should not normally be applied on exports from exporters regarded as least developed, the last six months has seen the notification of restraint agreements with Bangladesh, Haiti and the Maldives, as well as with small non-MFA suppliers such as Costa Rica, Malta, Mauritius and Trinidad and Tobago.
150. **United States:** Legislation to extend protection to the American textile industry was introduced in both Houses of Congress on 19 February last. The proposed legislation before the House of Representatives (HR 1154) was introduced by the Chairman of the Congressional Textile Caucus (Representative Derrick), with the support of almost 100 co-sponsors. Senators Hollings and Thurmond introduced their textile bill before the Senate (S549).

151. The bill before the House, "The Textile and Apparel Trade Act of 1987", is alleged to be different from the Jenkins' Bill vetoed by the President on 17 December 1985, and which eluded an override attempt in the House on 6 August 1986 (see L/6087, paragraph 103) by only eight votes.

152. The basic premise underlying the proposed legislation is that the domestic industry has been injured by imports (non-rubber footwear have also been added on so as to obtain relief for the footwear industry). As a result of this implicit finding, the Commerce Department would be required to impose and "administer" global quotas on all textile and apparel imports - including shipments from the European Community and Canada - so as to hold imports to their 1986 levels. The subsequent growth in quotas would be tied to the predicted one per cent growth of the domestic market, with 1986 serving as the base period. The quotas would, furthermore, be for an unlimited period, although a provision would require the Commerce Secretary to review the legislation after ten years and report the findings to Congress. Other features of the bill would give the President authorization to negotiate reductions in US textile and apparel tariffs as compensation for trade partners affected by the legislation. The tariff cuts can be up to 10 per cent of the existing tariff (from the 25 per cent average currently) and such reductions are to be staged equally over five years. In addition, the President would also be given authority to reduce duties on footwear covered by the bill by up to 10 per cent, spread in equal stages over five years.

153. According to its sponsors, the new bill is consistent with Article XIX because it incorporates the notion of a Congressional "finding of injury", while authorizing the Administration to compensate affected countries. The proposed bill has been attacked by the Retail Industry Trade Action Coalition, who have also provided data to show that "economic facts refute the textile industries' plea for further special protection". The US Administration has made its opposition clear: the proposed bill not only goes far beyond the MFA, violates GATT Articles and commitments, but would also subvert a series of existing bilateral negotiations with other textile exporters. The European Commission has also warned that if the bill were to be adopted, the Community would be obliged to adapt its own textile policy so as to avoid the diversion of trade; it would also take retaliatory measures against American products.

154. **US/Portugal (EC):** The rising quantity of US imports of Portuguese textiles and clothing - by 13 per cent in 1986 - has caused the US Administration to consider imposing new quotas under the MFA, unless the
surge is contained by the Portuguese. Previous US import quotas were lifted following on Portugal's accession to the EEC in January 1986 (see also L/6025, paragraph 133). Under a long-standing "gentlemen's agreement", the US and the EEC have agreed not to curb their textile shipments to each other (see L/6025, last part of paragraph 133). In a related development, the US domestic industry is reported to be trying to revive a 1979 dumping case against Italian exports of yarn and fabrics. Domestic industries have the opportunity, once a year, to request a review which must be accepted by the Department of Commerce. Imports from Italy rose by 75 per cent last year; the 1979 case resulted in a 48 per cent duty on key products but that was reduced to 5 per cent in 1985 after an Administrative review.

155. US/Japan: In November 1986, the US and Japan finally reached an agreement on textiles. Under the new pact (which replaces one that expired at the end of 1985) the growth of Japanese textile and apparel shipments to the United States will be limited to 0.8 per cent a year through to 1989. The 0.8 per cent a year import ceiling will be retroactive to January 1986 (see L/6087, paragraph 105).

156. United States: In a case of first impression under US Customs' textile country-of-origin rules issued in 1985 (see C/W/470/Rev.1, paragraph 58), the Court of International Trade ruled that "so-called marginal processes" performed in Hong Kong were not sufficient to amount to a substantial transformation, and thus the goods could not be considered the product of Hong Kong. The case, which was ruled on 14 January 1987 concerned cotton piece goods manufactured in their most basic form in the People's Republic of China, which were then subject to certain processes in Hong Kong before shipment to the United States, where they were denied entry as products of Hong Kong.

157. Morocco/EC: On 17 December 1986, Morocco renewed its undertaking to limit its textiles exports to the EEC for a further period running from 1 January 1987 to 31 December 1989 (see previous reference C/W/470/Rev.1, paragraph 60).

158. Agreements outside the MFA or with non-MFA participants: A number of bilateral agreements, or modifications thereof, covering trade between signatories to the MFA and non-participating countries were notified to the TSB during the period (see also sub-section (f), Appendix II). They were between the United States and three countries: Mauritius (an amendment), Jamaica (a non-signatory at the time of notification), and the Maldives (three-year extension), and between Canada and Vietnam, North Korea, the Maldives and Pakistan, respectively. Finland also concluded an agreement with China and Pakistan, neither of which had adhered until then to the new MFA, as did Norway with China.

159. MFA: At the time of writing, thirty-one signatories - counting the EEC as a single signatory - to the Protocol extending the MFA for the
period 1 August 1986 to 31 July 1991, have been recorded: Austria\(^1\), Bangladesh, Brazil\(^1\), Canada, Colombia, Czechoslovakia, EEC, Finland, Hong Kong, Hungary, India, Indonesia, Jamaica, Japan, Republic of Korea, Portugal on behalf of Macao, Malaysia, Mexico, Norway, Peru, Philippines, Poland, Singapore, Sri Lanka, Sweden, Switzerland\(^1\), Thailand, Turkey\(^1\), United States, Uruguay and Yugoslavia\(^1\).

160. Thailand: In January, the National Textile Policy Committee announced the partial lifting of a two-year ban on the establishment of new textile factories. Under the latest plan, new spinning and weaving plants may be opened provided they guarantee that they can export all their additional output. New dyeing and other finishing factories will also be permitted.

161. United States: According to reports in January, the US Administration has made requests for quotas on certain goods entering the US from China, Indonesia, Malaysia, Panama and Sri Lanka. The items in question are not currently controlled; mandatory quotas will be established if agreed shipment levels cannot be reached with the parties in question. Again, in late March, further requests of a similar nature were made with respect to Bangladesh, China and Romania.

162. EC/Article 115 of the Treaty of Rome: Under this Article, the Commission may grant authorization to a certain region of the Community to exclude from Community treatment (i.e. not to apply the principle of free movement of goods within the EEC) a given product emanating from a particular exporter. The following member countries have been granted such permission: Ireland - women or girls suits and various shirts from Hong Kong (16 December 1986 to 30 September 1987); various shirts and jumpers from Taiwan (2 March to 30 September 1987); men and boys shirts from Macao (10 January to 31 December 1987); blouses and shirts from India (25 February to 31 October 1987); woven shirts from the Republic of Korea (20 May to 31 October 1987); France - woven fabrics of cotton from Pakistan (23 February to 30 November 1987); handkerchiefs from China (19 February to 30 November 1987); shirts and T-shirts from the Republic of Korea and Taiwan (4 February to 31 August 1987); bed linen from Pakistan (27 January to 30 September 1987); woven fabrics of cotton and synthetic fibres from Thailand (13 January to 30 June 1987); woven fabrics of synthetic fibres from Romania (2 January to 30 June 1987); and Italy - discontinuous synthetic fibres, waste fabrics (28 February to 30 June 1987), woven fabric of cotton (8 May to 31 October 1987) and tents (27 May to 31 December 1987); from the Republic of Korea woven cotton fabrics from China and India (17 February to 30 November 1987); woven fabrics of cotton from the Republic of Korea (20 April to 31 October 1987); Spain - toys and dolls (22 February to 30 June 1987) VTR (23 April to 31 December 1987) from the Republic of Korea and Denmark - mens and boys

\(^1\)Subject to ratification
suits (1 May to 31 December 1987), woven breeches, short trousers (1 May to 31 December 1987) from the Republic of Korea.

163. EC/Yugoslavia: Yugoslavia has signed a new textile Protocol to their co-operation agreement with the EC following the expiry, at the end of 1986, of the preceding one whereby a number of quantitative restrictions on several major categories of textile products have been abolished. The EEC was also reported to have substantially increased (by an average of 50 per cent from last year) quotas on imports of other textiles categories from Yugoslavia.

164. EEC: The EC surveillance system for imports of certain textiles products originating in Egypt, Malta and Turkey was renewed at the end of 1986; the monitoring system has been extended to 31 December 1987.

165. Japan: According to the Japanese press, the Ministry of International Trade and Industry (MITI) has reportedly asked Taiwan's and South Korea's textile companies to consider curbing certain textiles shipments (such as knit sweaters and outerwear) to Japan. This matter was first reported in 1985 (see L/5915, paragraph 76).

166. US/EC: On 20 March, the Commission announced the result of its investigation into a complaint brought by AKZO, a Dutch synthetic fibre manufacturer, against the procedure used by Dupont under Section 337 of the United States Tariff Act of 1930 (see L/6025, paragraphs 130, 142 and 143) which resulted in the US banning imports of certain aramid fibres made by AKZO. The New Commercial Policy Instrument investigation (under Regulation EEC No. 2641/84, which allows complaints to be made by the Community's industry against illicit trade practices of third countries) led to the conclusion that, as Section 337 gives the US International Trade Commission separate jurisdiction over imported products, a Community producer does not have the same possibility for defending itself before the ITC as it would have in a normal American court. Since the EC Commission considered that such a situation is contrary to the purpose of Article III of the General Agreement, it has decided to initiate consultations and dispute settlement procedures under Article XXIII:(1) of the GATT with respect to the conformity of Section 337 procedures (see L/6160).

167. Australia: The Australian Government announced, on 28 November 1986, a comprehensive seven-year plan to restructure the country's textile, clothing and footwear industries. The plan will come into operation on 1 March 1989 when the current plan, introduced in January 1982, expires. The aim of the plan is to produce a more efficient and competitive industry in Australia under the dual stimuli of greater exposure to international competition and a positive structural adjustment policy. A key feature will be the phasing out of all tariff quotas against imports by 1996. Protection will then be provided by tariffs only, which will be 60 per cent for clothing and 50 per cent for footwear. Duties applying to textiles
will range from free to 60 per cent. At the end of the plan, in 1996, the Australian Government estimates that the average effective rate of assistance to the industry will have fallen by some 40 per cent from the average level under the current plan.

168. Other important features include:

- The phase down of bounties on yarns to a uniform level of 30 per cent;
- During the period that they will be in operation, allocation of quotas by auction will be progressively increased so that full tendering is achieved by 1992 (in 1987, 38 per cent of the quota was allocated by tender);
- While quotas remain, they will be increased automatically by 1.2 per cent per annum of the volume of goods supplied to the market in the previous year;
- Under the current arrangements, quotas are increased by 1 per cent of local production per annum plus an amount equal to assessed market growth.

169. Positive adjustment programmes will be introduced to encourage industry to improve their competitiveness through greater innovation and concentration on areas where the industry has natural advantages. Provision will be made for adjustment assistance for individuals and regions that may be adversely affected by the reduction in barrier protection.

170. **ANZCERTA**; Australia and New Zealand, in the context of their closer economic relation trade agreement (ANZCERTA), have announced that arrangements have been agreed for liberalizing trans-Tasman trade in apparel. The arrangements will apply from 1 January 1988 until free trade is achieved in 1995. In addition, each country will accord the other exclusive tendered access for clothing imports equivalent to $10 million a year until 1994. Arrangements for liberalization of trade in textiles and footwear in accordance with the agreement are already in operation (for details of ANZCERTA agreement see L/6168).

171. **Republic of Korea**; at the recent high-level meeting in April between the European Commission and the South Korean administration, it was indicated that South Korea would increase its quota on woollen textiles to 200,000 square yards in the second half of 1987 - from 25,000 square yards in the second half of 1986 - and would phase out the quotas completely by 1 January 1988 (quotas on woollen textiles were due to be abolished under the liberalization programme on 1 July 1986; instead, the Government implemented a surveillance system on woollen imported textiles which will also be eliminated on 1 January 1988).
172. The following section provides details of specific measures, falling within the ambit of the General Agreement, of which the secretariat became aware for the period October 1986 to March 1987.

I. Tariffs and related matters

173. The number of tariff measures applied by contracting parties has remained at about the same level as the number of instances noted during the previous six months. Compared to the same period one year ago, there has been a decline in the number of reports of such measures. However, while tariff increases were noted, as in the case of Argentina and Bangladesh, many instances of tariff reductions were also reported by New Zealand, Australia and Brazil.

Notified

174. Under M.E. Resolution No. 476/85 of 11 June 1985 Argentina increased import duties by ten points for an initial period of 180 days. This was extended by M.E. Resolution No. 268/86 of 20 March 1986 to 31 December 1986 (BOP/261/Add.1).

175. The European Communities and Greece further relaxed the deposit on imports into Greece by the exclusion, from October 1986, of products listed in the Annex to document L/5945/Rev.1/Add.2. As from 1 February 1987, the rates of the import deposit applied in Greece were reduced by half. The products concerned are now subject to rates of 20 and 40 per cent deposit respectively (L/5945/Rev.1/Add.3).

176. India reduced the number of auxiliary duty rates from 11 to 3 (zero, 25 and 40 per cent). India announced at the meeting of the Council on 12 March 1986 (C/M/196) that auxiliary duties no longer applied to GATT bound items (BOP/W/101).

177. Peru notified the following Supreme Decrees (No. 405-86 EF of 16 December 1986; No. 019-87 PCM of 17 February 1987; No. 020-87 PCM of 17 February 1987; No. 021-87 PCM of 17 February 1987; and No. 022-87 PCM of 17 February 1987) reducing ad valorem duties on a range of products. The items concerned are certain types of paper and paper board, glycol ethylene, fere-phthalic acid, cellulose acetate, manila hemp, fibres of sisal, cabuya or fugue, machines for the manufacture of babies napkins and sanitary towels and certain types of steel (see L/5798/Add.1).

178. Effective 1 January 1986, Executive Order No. 1062 of 7 November 1985 of the Government of the Philippines lifted the imposition of the additional 5 per cent import duty on imported articles as provided for by
Executive Order No: 988. Executive Order No. 26 of 1 July 1986 abolished the export duties on all export products except logs (BOP/269).

179. On 1 February 1987 New Zealand implemented tariff reductions on sixteen tariff items in the field of agriculture. The goods are 2, 4, 5-T phenol and salts thereof, saddlery, nose rings, rabbit traps, aluminium tube and pipe fittings, spades, pick axes, wire strainers, submersible pumps, pasteurizers and dairy coolers, weighing machines, spraying machinery, potato plants, weed and scrub cutting machinery, electric fence controllers and trailers. Tariffs on a number of other items are subject either to phased reductions or to reduction of rates under the general tariff reduction programme (L/6133).

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

180. Australia announced a major rationalization of its tariffs for the chemicals and plastics industries in October 1986. This will result in a simpler tariff structure and greater uniformity of import duties on these goods. Many anomalies existing in the tariff have been removed. Moreover, the new arrangements will significantly reduce the tariff rates applying to a large number of products. In place of duties which previously were as high as 45 per cent, a new maximum rate of 15 per cent will be phased in over three years; initially, reductions took place on 1 February 1987. In the case of some basic chemicals, current duty rates will be reduced to 10 per cent or minimum rates over a five-year period; goods included in these reductions include caustic soda (from 40 per cent to zero), PVC (30 per cent to 15 per cent), polyethylene (30 per cent and 45 per cent to 15 per cent) and plastic products (mostly 30 per cent to 15 per cent). A limited number of items will have their duty rates increased, to 10 per cent or 15 per cent, so that specific anomalies such as different rates for substitutable products can be removed from the tariff. These include some nylon and acrylic goods and small packs of detergents. Where goods are not produced locally and have no substitutes, concessional tariff entry at minimum rates will apply.

181. Bangladesh increased import duties and adjusted tariff values (the basis on which import duties and the 20 per cent sales tax are computed) on edible palm oil and refined soybean oil. The measure resulted in a net increase of import charges of 28 per cent for palm oil and of 82 per cent for refined soybean oil. Bangladesh waived the import duties and sales tax on small cars, auto-rickshaws and mini-buses.

182. Brazil made a large number of import tariff amendments, published in the Diario Oficial da Uniao of 30 June, 28 July and 28 August 1986. The amendments which are part of routine action taken by the Commission of Customs Policy (which reviews, on a yearly basis, several cases regarding tariff changes) concern temporary import tariff reductions, in most cases to zero. The goods include certain live animals, certain types of meats,
certain types of milk and milk products, maize, unrefined soya, ovine fat, sugar, certain man-made fibres, copper and certain articles thereof.

183. By Decree No. 779, published in the Official Gazette of 15 October 1986, the Chilean Ministry of Finance introduced an additional import duty of 8 per cent on rubber tyres, tyre cases, and inner-tubes.

184. On 22 January 1987 China adopted a new Customs Law which will enter into force on 1 July 1987. It will replace the Provisional Customs Law of 1951.

185. By Ordonances Nos. 29/86 and 30/86 of 24 September 1986, the Congo imposed a complementary tax, which varies from 10 per cent to 35 per cent, on a great number of imported goods.

186. Within the framework of its Finance Act for 1987, the Côte d'Ivoire increased the special tax on imported rice (10.06.41, 42 and 49) from CFAF 5 to CFAF 20 per kg.

187. Effective 5 February, India imposed an import tax of 25 per cent on various types of beans.

188. India exempted lamp black and carbon black (chapter 28) from customs duty in excess of 55 per cent ad valorem; x-ray image intensified tube and distributor optics and certain high speed lens (chapter 85 and 90) from customs duty in excess of 40 per cent ad valorem; L-Base, R-Base, S-Base (chapter 29) from customs duty in excess of 60 per cent ad valorem; and polytetra fluoro ethylene tapes (chapter 39) from customs duties in excess of 75 per cent ad valorem.

189. Indonesia eliminated import tariffs on 59 products and reduced import tariffs on 94 other goods. Tariffs were abolished on items ranging from raw materials to parts and components for industry. They were reduced to 5 per cent from a range of 10 to 40 per cent for the other 94 products. Furthermore, the rules under which 165 commodities could only be imported by appointed traders, as single agencies under quotas, were abolished and replaced by import tariffs.

190. Japan reduced import tariff rates on unwrought aluminium from 9 per cent to 5 per cent on 1 April 1987; they will be reduced to 1 per cent on 1 January 1988. The import tariff rate on aluminium plate, sheet and strip was cut from 9.2 per cent to 6.1 per cent on 1 April 1987, and will be decreased further to 3 per cent on 1 January 1988.

191. Korea introduced the following tariff revisions for 1987: 27 items were added to a list of goods which are subject to tariff quotas and benefit from a tariff reduction (the items include frozen fish, pearl oysters, rape and colza seeds, filter paper, spinning machine and weaving machine parts, cotton yarn, polycrystal silicon, nickel ingot, etc).
192. Nine tariff items were removed from the 1986 list of tariff quotas and are now subject to increased rates. The items include paraffin, waste paper, magnesium ingot, rye and others. The import duty was lowered on Kraft paper from 25 per cent to 0.4 per cent, and on synthetic wig fibre from 20 per cent to 0.7 per cent. An emergency tariff increase from 20 per cent to 30 per cent was imposed on acetaminophen until 30 June 1987.

193. Effective 1 January 1987, the simplified rate, which combines customs tariffs, defense taxes and domestic import taxes was lowered on wrist watches (from 170 to 150 per cent), grand pianos (from 100 to 80 per cent), upright pianos (from 90 to 70 per cent), black and white TV sets (from 60 to 50 per cent), cosmetics (from 60 to 50 per cent) and beverages (from 110 to 100 per cent). The simplified rates were increased on video tape recorders (from 80 to 110 per cent) and microwave ovens (from 70 to 90 per cent).

194. As of 1 July 1987, Korea will reduce import tariffs on 41 manufactured products by five percentage points. The products include black and white film, colour film, photocopying papers, ABS resins, cable cranes and mechanical shovels. Import tariffs on 9 tobacco and cigarette items will also be reduced by 30 percentage points as of that date.

195. As of 1 January 1987, importers in Madagascar have to pay a duty equal to 10 per cent of the import licence. Enterprises which derived more than 50 per cent of their total annual turnover from exports are exempt from the payment of the fixed duty of 10 per cent mentioned in Articles 2 and 6 of the Decree. They are authorized to import all inputs, spare parts and equipment necessary for their production activities intended for local consumption as well as for export. Enterprises which derived less than 50 per cent of their turnover from exports are exempt from the payment of the fixed duty of 10 per cent. They are authorized to import exempt from this duty the spare parts and small equipment necessary for their production activity intended for local consumption as well as for exports, and also, under the temporary admission régime, inputs intended for their export activities. This duty of 10 per cent is non-returnable, but may be taken into account in the determination of the cost price of the imported products.

196. As part of the new measures announced under the 1987 budget, Malaysia reduced import tariffs on a number of goods from 5 per cent to 2 per cent. The products include maize, malt, phosphoric esters and their salts, certain refractory goods, glass fibre and articles made thereof, tube and pipe fittings, lifting and loading machinery, certain valves, cocks and taps, roller bearings and time switches, clock and watch movements.

197. Malaysia also reduced the export duty on ground white pepper from 2,388.59 to 2,327.34 ringgit per tonne and on unground white pepper from 2,238.50 to 2,177.34 ringgit, effective 1 February 1987. The export duty on black pepper was reduced from 1,134.46 ringgit to 1,148.01 per tonne.
198. During the period, tariff changes by Mexico affecting about 250 items (including significant increases on most items) were noted. This was part of the Government's programme of implementing its policy of substituting tariffs for prior import permits.

199. Nigeria reduced import duties on a wide range of products by 10 to 30 per cent. The goods concerned are foods, consumer durables and cars.

200. Pakistan increased the import tariff on edible oil by 12 per cent and imposed an additional duty of 3,000 rupees per ton on imports of refined palm oil.

201. By Executive Order No. 70 of 25 November 1986, the Philippines introduced import tariff increases for goods whose import was previously liberalized. Thus the import tariff on meat (fresh, chilled and frozen) was increased from 5 to 20 per cent; from 5 to 10 per cent on milk and cream, eggs, dried vegetables, meat offal, pulses, meat and fish meal, certain types of iron, waste iron and steel, rails, ingots of iron and steel; from 0 to 10 per cent on blocks and similar parts of iron and steel; from 0 to 20 per cent on warm and cold rolled plates of iron and steel.

202. With effect from 1 October 1986, Thailand imposed an import surcharge of 5 per cent on the c.i.f. price of coated art paper (48.07) and of 25 per cent on the c.i.f. price of fatty acids (15.10 and 29.14). The surcharges are to remain in force for twelve months.

203. Effective 18 December 1986, Thailand also decreased import tariffs for 13 products including provitamins and vitamins for animal feeds (30 to 10 per cent); certain composite chemical reagents (35 to 10 per cent); women's, girls' and infants' outer garments, other than for fire protection (100 to 60 per cent); certain copper clad laminate (25 to 10 per cent); and cameras (40 to 10 per cent).

204. According to a publication in the Tunisian Official Journal of 16 December 1986, Tunisia agreed with Jordan to exempt trade between these two countries from customs duties. The agreement includes two negative lists containing certain products which are subject to the customs duties normally applied in both countries.

205. Under its Act of Finances 1987, Act No. 86.106 of 31 December 1986, Tunisia reduced its highest import tariff rates from 231 per cent to a maximum of 45 per cent.

206. Turkey: On 30 October 1986, Turkey increased the import duty from US$1 to US$100 per metric ton for short and medium staple cotton. The duties were rescinded on 12 January 1987.
207. In addition, Turkey reduced customs duties on 163 imports, including textiles, chemicals, pharmaceuticals and computer equipment. At the same time special surcharges have been levied on 108 new items, such as iron and steel products and most agricultural and foodstuff imports (see also Section (f) following).

208. United States: In April, the US Customs Service set the 1987 tariff-rate quota for imported tuna fish at 91.5 million pounds, an increase of nearly 10.5 million pounds over last year's level. The tariff-quota is set each year by law at 20 per cent of the total US tuna pack in the preceding year. Imports below the quota enter the United States under TSUS category 112.30 at a dutiable rate of 6 per cent ad valorem. Imports in excess of the quota are classified under TSUS 112.34 and pay a duty of 12 per cent ad valorem. Last year's quota of 81,092,100 pounds was the lowest in the past several years.

209. Uruguay abolished the 5 per cent import surcharge and reduced the maximum import tariff rate to 50 per cent. Import tariffs now range from 10 per cent for essential goods and raw materials to 50 per cent for luxuries and finished goods. For several hundred items, which are assessed on the basis of a reference price rather than an invoice price, the reference price was reduced by 10 per cent. In effect this amounts to a tariff reduction for these items.

210. Zaire abolished all duties and taxes relating to exports in respect of all goods except for crude petroleum, coffee, rough timber and mineral products. For imports, all exemptions from import duty were removed except for imports under the new investment code and those by diplomatic missions. A minimum import duty of 10 per cent was instituted for all imports, excluding major consumer goods, petroleum products and textiles. Agricultural inputs are subject to an import tariff of 5 per cent. The maximum rate of import duty has been set at 60 per cent; but higher import duties are imposed on cigarettes and large capacity vehicles.

211. By Act No. 18/1986 of 19 September 1986 Zambia introduced substantial changes to its import tariff. The import tariff chapters affected by the Act are 01 to 03, 05, 07 to 09, 12, 15 to 22, 25, 27, 29, 32 to 35, 38 to 44, 46, 48 to 63, 69 to 71, 73, 76, 78, 80, 82 to 85, 87, 90, 95, 96, 98, 100.

II. Generalized System of Preferences

212. Changes in GSP schemes mainly concerned the review of the US Generalized System of Preferences, improvements and changes made by the EC, Japan, Sweden and New Zealand to their schemes and a number of modifications introduced by Canada and Switzerland. Apart from adjustments either with respect to coverage, widening margins of preference in ceiling and quota amounts or adding certain benefits for least-developed
countries, in two GSP schemes countries were removed from the list of beneficiary countries.

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

214. Following a review of representations made to the Government of Canada by the Canadian Steel Trade Conference, it was decided to withdraw the General Preferential Tariff (GPT) on most specialty and carbon steel mill products, effective 19 February 1987. Their withdrawal will raise the rate of duty on the affected imports - some 65 products supplied mainly by Argentina, Brazil, South Korea and Taiwan - by between 2.5 and 7.5 percentage points. The General Preferential Tariff has been withdrawn on goods under 65 tariff items (L/4027/Add.24).

215. The European Communities improved the GSP scheme to the extent that they increased by an average of 5 per cent the value of the preferences accorded to imports of industrial products. The preference scheme for 1987 covers some 19,000 million ECU of exports from developing countries.

216. A dual and complementary approach in respect of industrial products is to be applied. The GSP scheme is being liberalized by a reduction in the number of products on the list of sensitive products (6) and the elimination from this list of 24 individual quotas. Improvements consisting of increases of over 20 per cent in the preferential limits on 15 products and from 10 per cent to 15 per cent on 30 other products are being made. However, in adherence to differentiation strategy, the selective exclusion of 29 product/country cases is made, the supplier countries in question having demonstrated their competitiveness by accounting for over 20 per cent of the Community's total third country imports of the products concerned. Examples include certain petrochemical products, alarm clocks and pneumatic tyres. The amounts withdrawn from the most competitive suppliers will be redistributed to other less competitive supplier countries.

217. The scheme for agricultural products is improved. In particular, two products of special importance to Latin America are included in the schemes: fresh carnations and coffee, the latter within the limits of a fixed quota. Furthermore, 16 improvements in preferential margins on products already included in the scheme and also the restoration of the real value of the preference accorded for Virginia "flue-cured" tobacco are introduced. With regard to the least-developed countries, the coverage is extended to three products hitherto not included: frozen strawberries, grape juices and pineapple juices.

218. With effect from 1 April 1987, Japan drastically reformed its GSP scheme. The structure of the scheme is basically altered in order to allow more imports under the GSP through a drastic decrease in the limitations for GSP entry. Ceiling limitations are removed on a broad range of industrial products. The products covered by such action represent about
one-half of Japan's industrial tariff items (about 40 per cent in terms of the amount of ceilings). These product groups are administered under an escape clause system. Under the system, preferential imports may be suspended only when imports under the GSP threaten to injure domestic industries. As to those products which remain subject to ceiling limitations (e.g. organic chemicals, sports requisites, apparel, artificial resins, steel, etc.), the ceilings are increased by 30 per cent on average: individual ceilings are increased by either 50 per cent, 30 per cent, or 10 per cent, depending on the sensitivity of the product. With respect to 11 product groups, however, the ceilings are not increased because the domestic industries concerned are in serious difficulties.

219. Preferential tariff rates are newly applied to such items as woven fabrics of man-made fibre containing more than 10 per cent of silk. As a result, industrial products excluded from the GSP are reduced to 17 items.

220. A zero GSP rate is applied to 9 "selected products" which have been subject to GSP rates corresponding to one-half of the relevant m.f.n. rates, such as toys. On the other hand, 3 products among those newly subject to the GSP are classified as "selected products". As a result, the number of "selected products" is reduced from 36 to 30.

221. Japan has given special consideration to the trading position of least-developed countries and, as from 1 April 1989, will add "yarn of jute (57.06)" to the list of products for special treatment for the least-developed countries.

222. In an attempt to improve the distribution of GSP benefits among beneficiaries, the country limitation of one-third of the amount of each ceiling is modified to one-fourth. However, to avoid the reduction of GSP benefits for individual beneficiaries, the amount of country limitation for the FY 1986 is maintained if it is larger than one-fourth of the amount of the FY 1987 ceiling (L/4531/Add.14).

223. New Zealand reviewed its GSP policy in 1986 and has implemented the following decisions:

As from 1 July 1986, New Zealand has adopted a standard means for calculating the LDC (developing country) tariff rate for items where the normal duty rate is being reduced or where an LDC rate is being created for the first time. In these instances, the LDC tariff rate will be calculated at 80 per cent of the normal rate. Where the 80 per cent calculation results in a figure higher than the existing tariff rate, the existing rate will continue to apply.

The coverage of the GSP has been extended to cover approximately 50 items (the majority being food items, surface coating preparations or glue products) for which there was no developing country preference.
Those goods covered by industry plans will not be affected immediately by the changes. It was also decided that, as the items under study come up for their tariff reviews, consideration will be given to applying the same principles as for other rates. Items with an excise component will continue to be excluded from New Zealand's scheme. Duty-free rates for Least-Developed Countries will remain. Hong Kong, Spain and Portugal ceased to be covered by New Zealand's GSP schemes on 1 July 1986, while Poland became a new beneficiary. However, for Hong Kong, LDC rates have been reinstated on over 100 items following consultations. Consultations are also continuing with Singapore and Brunei and the reinstatement of LDC rates for 41 items has been agreed on (L/4366/Add.18).

224. With effect from 1 February 1987, Sweden introduced a number of amendments to its GSP scheme.

225. All imports originating in the least-developed countries will be given duty-free treatment, provided that the notification procedure under the Swedish scheme has been fulfilled. The following products have been included in the scheme in favour of all GSP beneficiaries excluding Bulgaria, Romania and China: 20.05 jams, fruit jellies, marmalades, and ex 20.07 fruit juices and vegetable juices. Due to an m.f.n. duty reduction, item ex 06.01 (bulbs, tuberous roots, etc.) is now duty free from all sources and consequently deleted from the list of products eligible for preferential treatment. The value limit for the use of Form APR is increased to SKR 16,000.

226. Sweden also modified its safeguard clause which now reads as follows:

"In critical circumstances of market disruptions, or threat of market disruptions, the Government of Sweden reserves its right to reintroduce m.f.n. treatment in the tariff field to the extent to which the GSP treatment applies. Such safeguard measures can be introduced against imports from that or those countries whose exports cause or threaten to cause market disruptions or against all beneficiary countries" (L/4472/Add.5).

227. Switzerland implemented on 1 January 1987 the last stage of the reduction of import duty rates decided in the Tokyo Round, and in parallel, it reduced the preferential rates for developing countries in respect of items that do not receive duty-free treatment (certain agricultural products, textiles, clothing, footwear and umbrellas, unworked aluminium and dry-cell batteries) (L/4020/Add.14).

228. The United States initiated a review of the proposed conversion of the Generalized System of Preferences (GSP) to the Harmonized System Tariff Nomenclature (L/5153/Add.8). Following a two-year examination of the Generalized System of Preferences, the United States reduced preferences previously granted to 290 products imported from Taiwan, the Republic of Korea, Brazil, Mexico, Hong Kong, Singapore, Argentina and Yugoslavia.
Another three countries – Romania, Nicaragua and Paraguay – were removed from the eligibility to receive GSP treatment because of what the United States considered as their failure to uphold workers' rights. The most advanced developing countries mentioned had their duty-free access to the United States reduced by more than 20 per cent, or by about $2 billion worth of trade. The review also increased GSP benefits on 95 products from 10 countries.

229. Attention has been drawn to the fact that the US Administration, in its latest review of preferential status regarding certain products from beneficiary developing country exporters, has taken into consideration new areas such as intellectual property rights and the degree of access for third country services and investments as part of its review criteria. According to report, Korea, Malaysia, Singapore, the Philippines and Thailand are among the countries affected. The Brazilian Authorities have raised questions in the GATT Council as to the conformity of such actions in the light of the basic principles established in the Decisions of the CONTRACTING PARTIES of 25 June 1971 (letter b) and 28 November 1979 (paragraph 4(a)). The Council decided to keep the item in its agenda and revert to it at the next meeting. Meanwhile, the President of the Council shall conduct informal consultations with interested contracting parties on how to pursue the issue raised by Brazil.

III. Quantitative restrictions and other non-tariff measures

Licensing

230. Fewer non-notified licensing measures were noted by the secretariat than in the previous period. However, since a much larger number of licensing measures or changes in licensing measures were notified than before, the overall number of licensing measures, both notified and non-notified, rose from 11 to 23, i.e. a near doubling of measures, if one compares with the same period one year earlier. It seems, therefore, that governments used licensing more extensively than before.

(a) Changes notified in licensing arrangements

231. Argentina notified that prior authorization of the Camaras empresarias – which are associations of manufacturers – and the consent of the National Directorate of Industry, are required for all products that are already subject to prior authorization (L/5640/Add.27/Corr.1).

232. Australia notified Customs (Import Licensing) Regulations covering industrial products and Customs (Prohibited Imports) Regulations – Regulation 5 and accompanying Fourth Schedule to the Regulations covering narcotic drugs and certain psychotropic substances (L/5640/Add.13/Rev.1). Import licensing is used by the Government to restrict and monitor the quantities of the controlled drugs imported.
233. **Austria** submitted a notification updating and replacing the data previously made available on the import licensing system in document L/5111 as amended by L/5111/Corr.1, L/5640/Add.3 and Corr.1 and L/5640/Add.30, L/5640/Add.35).

234. **Canada** provided a notification on its import licensing procedures, replacing previous information already notified (L/5640/Add.10/Rev.2).

235. As of 1 January 1987, **China** applied import licensing to 42 kinds of commodities whose import value amounted to about one-third of the total value of imports. The total number of export commodities which are subject to export licences was 212 (L/6125).

236. **EEC Commission/(Federal Republic of Germany and the United Kingdom)** notified updated information on their import licensing procedures, supplementing the data contained in L/5640/Add.21/Rev.1 of 5 November 1985 (L/5640/Add.21/Rev.1/Suppl.2).

237. **Hong Kong** notified information which updated and replaced the information previously given in document L/5640/Add.4 and Corr.1 and Rev.1 on its import licensing system (L/5640/Add.36). It also notified new regulations regarding imports from South Africa (L/5640/Add.36/Suppl.1).

238. **India** notified information on import licensing procedures which replaced information previously contained in document L/5640/Add.7/Rev.1 of 9 October 1985 (L/5640/Add.7/Rev.2).

239. **India**: see import measures notified for balance-of-payments reasons, page 52.

240. **New Zealand** notified that 340 categories of products which were subject to import licensing were moved to licence-on-demand status from 1 July 1986. From that date there was no restriction on the value or volume of those goods which may be imported. Licence on demand lasts for twelve months to be followed by complete exemption (L/5640/Add.18/Suppl.1).

241. **Nigeria**: see import licensing notified for balance-of-payments reasons, paragraph 263.

242. **Peru** notified a list of products, which are subject to prior import licensing. The goods are contained in 189 import tariff headings (L/5640/Add.34). Supreme Decree No. 246-86-EF of 28 July 1986 specified that for imports of capital goods, whose f.o.b. value exceeds $50,000, the appropriate prior import licence must be obtained before the operation is carried out. Supreme Decree No. 034-86-ICTI/IND of 24 September 1986 authorizes the issue of global prior import licences to state enterprises on request (L/5640/Add.34/Corr.1, see also BOP/263, sub-section (c) following).
243. South Africa notified changes in its licensing system. The list of goods subject to import licensing was published in the Government Gazette No. 9764 of 30 May 1985. This list was amended by Regulation 1659, dated 26 July 1985, Regulation 307, dated 21 February 1986, and Regulation 1620, dated 1 August 1986. These Regulations removed 508 items from import licensing (L/5640/Add.17/Rev.2).

244. Sweden provided details of its import licensing system which replaced information previously contained in document L/5640/Add.14 and Corr.1 (L/5640/Add.14/Rev.1).

245. Turkey provided new information on its import licensing procedures which updated and replaced that previously submitted in documents L/5640/Add.29, Corr.1 and Suppl.1. The notification contained a list of 245 items of the Turkish import tariff which were subject to import authorization in 1986, reduced from 601 items in 1985 (L/5640/Add.29/Rev.1).

246. Under the new import régime, which came into force on 27 November 1986, Turkey reduced the number of items subject to import licensing from 245 to 111. All other products not included in the list of 110 items can be imported freely (NTM/W/6/Rev.3/Add.5).

247. In document L/5640/Add.20/Rev.1, Yugoslavia submitted information on its import licensing procedures which replaced the data previously supplied in documents L/5146/Rev.1 and L/5640/Add.20. The document contains a list of 89 tariff headings subject to import licensing.

248. Zambia notified the import licensing system in effect from October 1985. At the same time a new system of auctioning foreign exchange was introduced (see also Section B.VII, paragraph 387). Importers were, in principle, allowed to bring in any type of product, with a few exceptions, on the basis of import permit and proforma invoices, which gave the right to bid for foreign exchange at the Bank of Zambia (L/5640/Add.31).

(b) Non-notified changes in licensing arrangements

249. The following information on import licensing measures is drawn from sources other than notification to the GATT. Fewer non-notified licensing measures were noted by the secretariat during this period than in the previous period. However, since a much larger number of licensing measures or changes in licensing measures were notified than before (see introductory comment), it would still appear to suggest that governments were availing themselves of licensing procedures more extensively than heretofore.

250. As of 1 January 1987, China introduced changes to its export licensing list. Forty-three items are no longer subject to export licensing. The goods include wines, edible oil, potatoes, Chinese cabbage, certain metals, natural rubber, furniture, batteries, certain cotton products and others.
Twenty-two items were added to the list subject to licences, including certain non-metal products, walnuts, sporting rifles and ammunition, certain pharmaceuticals and others. The present list of goods subject to export licences contains 212 items.

251. China reported that plywood, civil aircraft and sodium-cyanide have been added to the List of Commodities subject to Import Licensing.

252. Fiji imposed import licensing on knitted fabrics.

253. With effect from 6 October 1986, Ghana introduced a new import licensing system. It created three categories of import licences, A, S and G. "A" Licence is issued to importers who rely on national foreign exchange resources. Holders of this type of licence have automatic access to the foreign exchange auction. "S" Licence is issued to importers who use their own foreign exchange resources. Holders of "S" Licence are excluded from the auction. "G" Licence is issued to cover government imports.

254. The new system of import licensing is not intended as an instrument of control. Together with the new system of determining the exchange rate of the cedi which came into effect on 19 September 1986, the new system of licensing is expected, inter alia, to promote trade liberalization through the elimination of controls and trade payments.

255. Korea's import licence requirements were gradually lowered. The ratio of liberalized items to the total number of categories stands at present at 91.5 per cent and according to a recent government announcement, a further 167 items will be liberalized as of 1 July 1987; this will raise the ratio of liberalized items to 93.6 per cent. The ratio will be further raised to 95.4 per cent by July 1988. The items concern mostly those of the heavy and chemical industry including machine tools, heavy construction equipment and medium-sized computers (BOP/267; see also NTM/W/16/Add.4).

256. On 1 January, Malaysia added a further twelve items to its list of electrical apparatus/equipment requiring approval by the Malaysian chief electrical inspector before imports are permitted (Customs [prohibition of imports] Order 1987). The items are food mixers and blenders, immersion water heaters, hi-fi sets, mosquito mat vapourisers, toasters, table fans, television sets, vacuum cleaners, video players, washing machines, refrigerators, rice cookers.

257. On 26 September 1986, Mexico published in the Diario Oficial a list of goods comprising 12 additional import tariff positions which are subject to import licences from 26 September 1986 to 31 October 1988. The goods include cablejau, milk powder, certain brands of cheese, rice, linseed, certain alcoholic beverages and mixed drinks.

258. With effect from 20 September 1986, the United Kingdom permits imports of the following products originating in the United States under open
general licence: fats of bovine cattle, sheep or goats (US 9/ex 15.02); certain fertilizers such as monoammonium and diammonium ortho-phosphates and mixtures thereof (US 10/ex 31.05); bleached paper and paperboard (US 11/ex 48.07). These products had previously been subject to quantitative restrictions.

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


260. Affected by this measure are some 2,200 items - industrial goods and certain raw materials. According to the Bank of Brazil, this measure increases the number of items affected to 5,600. Under Communiqué No. 133 (which has been superseded by Communiqué No. 172) the Agency for Foreign Trade (CACEX) allowed imports of products included on the import suspension list only if: they are donated; they come from and are included on agreements with ALADI countries (Latin American Association of Development and Integration); they are purchased by the government to meet essential needs; they are delivered at the free zone of Manaus; and they are traded under a drawback system.

261. Within the framework of its seventh Five-Year Plan (1985/86-1989/90), India set up a three-year import-export policy (1985-88) whose main features are the following:

(a) Abolition of the "automatic licensing" category. 467 items previously under "automatic permissible" licensing were transferred to Open General Licence (OGL); the remaining 60 were transferred to "limited permissible". The move to OGL removes the obligation for importers to obtain certificates of past consumption, and to apply for import licences. Government departments are now also permitted to import goods for their own use under OGL.

(b) Removal of 53 items from the "canalized" list, of which 17 (including some iron and steel items, colour television tubes, viscose filament yarn, calculator chips, winchester drives and certain electronic watch components) were shifted to OGL and others to Limited Permissible or Restricted lists. Certain import items such as petroleum and petroleum products, edible oils, iron and steel, non-ferrous metals, newsprint, etc. remain "canalized".

(c) Liberalization of import facilities for computer systems: computer systems up to a value of one million rupees ($83,000
approximately) may be imported under OGL for the importer's own use. Some liberalization of spare parts was also provided for.

(d) 201 items of industrial machinery, mainly for use in the automobile, petroleum, leather, electronics, jute manufactures, garments, hosiery, made-up textiles, pen manufacturing, and canning industries, were newly allowed under OGL.

(e) At the same time as these generally liberalizing measures, some items were moved from less restricted to more restricted import categories or had import allowances reduced. Thus, a few iron and steel items, vinyl acetate monomer, vinyl acetate, and flint buttons, (previously canalized items) were put into the "restricted" list; having regard to domestic availability, seven items of raw materials and components were moved from "limited permissible" to "restricted" and 67 from OGL or "automatic permissible" to "limited permissible"; import of animal rennet was banned. In addition, the possibilities for import of raw materials under OGL by traders (as against actual users) have been reduced.

262. As regards export policies, India introduced measures to give extra impetus to export efforts. The most general was a provision to allow amounts of up to 50 per cent of profits derived from export sales to be placed in special funds for export development and exempted from tax. Similar provisions were extended to the tea industry, linked to modernization programmes. Export duties were removed from most products in 1984 and remained in force only on coffee, unmanufactured tobacco, hides and skins, and certain types of mica. For established export manufacturers, an Import-Export Passbook scheme was introduced in order to simplify procedures for, and expand the product coverage of, importing supplies under duty free concessions in connection with export production. Improvements were also made in the capital goods import allowances for raw materials and components for registered exporters under "advance" and "replenishment" licence schemes (BOP/W/101).

263. In a communication dated 11 February 1987, Israel informed the GATT that the special import deposit on a limited number of luxury goods, first notified on 28 February 1985 and re-notified on 13 August 1986, (L/5855/Add.2), has been reduced as of 1 January 1987 to 12 per cent ad valorem. This rate will be further reduced as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 1987</td>
<td>9 per cent</td>
</tr>
<tr>
<td>1 July 1987</td>
<td>6 per cent</td>
</tr>
<tr>
<td>1 October 1987</td>
<td>3 per cent</td>
</tr>
<tr>
<td>1 January 1988</td>
<td>0 per cent</td>
</tr>
</tbody>
</table>

These changes are implemented following a continuing review of balance-of-payments measures and in line with Israel's 1985 balance-of-payments consultations (L/5855/Add.3; see also L/6087, para. 181).
264. Nigeria introduced a Second-Tier Foreign exchange market (SFEM) in which the exchange rate for the Naira is determined freely by the interplay of supply and demand. For this system to function effectively the elimination of trade controls is necessary. Nigeria therefore decided to eliminate the existing administrative controls on trade and prices. Thus all import licensing requirements were abolished. Also the export licensing requirements were removed except in the case of exceptional circumstances (health, national security, nature conservation, etc.). Nigeria furthermore reduced the import prohibition list from 72 to 17 items (BOP/268).

265. Peru notified information on import licensing and import prohibitions in respect of over 1,500 tariff headings (around 40 per cent of the tariff's schedule (see NTM/W/6/Rev.3/Add.3 and BOP/263).

266. Under Exchange Resolution 023-86-EF/90, Peru has drawn up a list of 362 tariff headings, mainly foodstuffs, medicines and other products, for the import of which, as regards payment of cost and freight, the finance authorities are empowered to sell foreign currency from the Single Exchange Market (13.98 intis per US dollar). Similarly, in the context of its exchange policy for 1987, the government has fixed a monthly devaluation rate of 2.2 per cent.

267. The Philippines abolished on 1 January 1986 the additional 5 per cent import duty levied on all imported goods. Under its import liberalization programme the Philippines committed itself to liberalize an additional 1,232 items starting 30 April 1986. As of September 1986, 929 items had been deregulated while 54 banned/regulated items were scheduled for liberalization not later than the end of April 1988. Effective 1 August 1986, the foreign credit financing requirement for importation of machinery and equipment, aircraft and vessels valued at P 50,000 per calendar month was lifted as well as the requirement of prior Central Bank approval and endorsement of concerned government agencies for the importation of machinery and equipment for agriculture and for export-oriented enterprises (BOP/269).

268. On 2 February 1987, the Philippines notified a list of 290 import items which are scheduled for liberalization not later than April 1988 (BOP/269/Add.2).

269. The Social Plan of Yugoslavia for the 1986-1990 period stipulates provision of additional protection, through the import régime, to be provided particularly in the fields of energy, primary production for basic agricultural products and foodstuffs, as well as for products of significance to domestic production and the market. In 1986, a classification was made of goods under various import régimes as follows: liberalized imports account for about 2.5 per cent of the total number of tariff items, conditionally free imports encompass the largest number of goods - about 75 per cent - quotas account for 21 per cent and licences for only 1-5 per cent of the total number of tariff items. Import and export
liberalization in the 1986-1990 period should be carried out depending on: the balance-of-payments equilibrium, trade balance, the coverage of imports by exports of Yugoslav products and services, the structural adjustments of production, the increase of competitive position and export orientation, the decrease in the level of indebtedness and the release of a larger share of foreign exchange inflows for the paying of imports (BOP/266).

(d) Notification of emergency action

270. With effect from 19 March 1987, Austria introduced quotas on imports of broken rice (ex CCCN 10.06) under the provisions of Article XIX. Imports of broken rice had risen by 39.3 per cent from 1985 to 1986, and the price had fallen by 34.2 per cent. As a consequence, broken rice was more and more being used as a substitute for coarse grain (L/6144).

271. Chile published, in the Official Gazette of 26 June 1986, Treasury Decree No. 471 under whose provisions new specific duties and tariff reductions have been established on imports of edible vegetable oils. The measure is to remain in effect until 31 October 1987 (L/5935/Add.2). The same Official Gazette published Decree No. 469 under which specific duties and tariff reductions have been established on imports of cane sugar and beet sugar in the solid state. These specific duties and tariff reductions are to be in effect from 1 April 1987 to 31 March 1988 (L/5672/Add.3).

272. Under Treasury Decree No. 904, published in the Official Gazette of Chile of 31 December 1986, new specific duties and tariff reductions have been established on imports of wheat and meslin, to be in effect until 15 December 1987 (L/5861/Add.4).

(e) Other notified quantitative restrictions

273. Bangladesh notified information on quantitative restrictions applied to products under 26 tariff positions (see NTM/W/6/Rev.3/Add.3).

274. Korea and Thailand provided complete notifications of their quantitative restrictions (see NTM/W/6/Rev.3/Add.1 of September 1986).

275. Pakistan: notified information (see NTM/W/6/Rev.3/Add.2).

276. Philippines: notified information (see NTM/W/6/Rev.3/Add.9).

277. Senegal notified liberalization measures that will be taken in 1987 with respect to the agri-food sector (March 1987) and the chemical sector (July 1987) (L/6139).

278. Sri Lanka submitted a notification of quantitative restrictions applied on items contained under 41 CCCN numbers (see NTM/W/6/Rev.3/Add.4).

279. Turkey: notified information (see NTM/W/6/Rev.3/Add.5).
280. Yugoslavia notified its import régime by listing in respect of its import tariff (tariff nos. 01.01 to 99.06) the restrictions applicable to the items, such as conditionally free imports, quotas fixed by quantity, quotas fixed by value, licence, prior approval, etc (see NTM/W/6/Rev.3/Add.2).

281. The following countries provided supplementary information to earlier notifications as follows: Australia (NTM/W/6/Rev.3/Add.10); Canada (Add.2 and 7); Chile (Add.5); EEC (Add.2); Finland (Add.8); Norway (Add.6); South Africa (Add.5); Sweden (Add.7); and the United States (Add.2).

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

282. 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. The number of references to non-notified import control and non-tariff measures taken by governments during this period had remained at the same level as during the previous period and during the same period a year earlier. However, of the trade-restricting measures noted by the secretariat, a large percentage should, under existing commitments, have been notified to the GATT.

283. On 22 October 1986, Australia prohibited, as dangerous products, imports of Shuriken throwing irons and similar devices in terms of item 18 of the Second Schedule of the Customs (Prohibited Imports) Regulations - goods which require permission of the Minister to import.

284. Australia decided on a seven-year programme to become fully operational by 1 March 1989 - to restructure the textile, clothing and footwear sectors (see A.II(vii), paragraph 166).

285. As of 2 October 1986, Benin prohibited imports of sugar, mineral water and non-alcoholic beverages, animal and vegetable oil, noodles and couscous, printed textile tissues, cement, petroleum products, matches and soap.

286. Colombia abolished the import deposit, which was equivalent to 100 per cent of the value of the goods which importers of capital items and products for immediate use had to make with the Central Bank.

287. Colombia opened an import quota for 10,000 cross-country vehicles (camperos). A general import prohibition for motor vehicles applied previously.

288. The Côte d'Ivoire passed a new law which obliges all importers to insure their cargoes with domestic companies.
289. Cuba expects, as a result of the negative factors that have weighed on the economy in 1986 (low prices of sugar, petroleum and its derivatives, prolonged drought and the effects of Hurricane Kate, as well as the depreciation of the dollar and its effect on the currencies of Cuba's trading partners which has occasioned losses of more than $450 million), a growth of only 1.5–2 per cent with imports reduced, consequently, by 50 per cent, or by about $600 million.

290. As from September 1986, Cyprus added to the list of prohibited imports tomato paste, lemonades and chocolate milk flavoured beverages, grape juice and grape vinegar.

291. The European Economic Community, during the period under consideration, published a large number of Council regulations which opened Community tariff quotas for fresh or chilled tomatoes from the African, Caribbean and Pacific States and the overseas countries and territories; for cod (wet and salted); for cod (fresh or chilled); for deep-frozen fillets and minced blocks of Alaska pollock; for certain oils and fats of marine animals; for concentrated pear juice originating in Austria; for table cherries, excluding morello cherries, originating in Switzerland; for yarn, spun entirely from waste silk; for yarn entirely of silk, other than yarn of noil or other waste silk; for raw silk (not thrown); for certain fishery products originating in Sweden; for frozen cod fillets; for silver hake; for a certain type of ferro-chromium; for certain hand-woven fabrics, pile and chenille; for boysenberries, preserved by freezing; for sweet, clear-fleshed cherries, marinated in alcohol; for manioc originating in Thailand, Indonesia, GATT member countries (other than Thailand and Indonesia, China) and other third countries (see also paragraph 444, Section C.1); for imports into Spain of milk and milk products; for manioc and sweet potatoes from Thailand, China, Vietnam, Indonesia and Brazil.

292. Greece requires importers to seek prior approval for certain imports including clothing, furniture and electrical equipment. As concerns foodstuffs and beverages prices must be approved before import approvals are given for these goods.

293. By Decree No. 6'9146' of 8 October 1986, the Greek Ministry of Trade abolished the import deposit requirement for products contained in the import tariff chapters 53, 70, 84 and 87. The goods include yarns, wool, furniture, refrigerators, ventilators, industrial ovens, drying ovens, lifting machines, weaving machines, sanitary articles, automobile chassis and glass products.

294. As a condition for the release of the second ECU 875 million tranche of the EEC loan to Greece, Greek export subsidies are to be completely removed by 1990 and the import deposit scheme by end April 1987.

295. India: Exports of tea were restricted in 1984/85 (April–March) and part of 1985/86. These restrictions were withdrawn in October 1985;
according to the Chairman of the Tea Board on 4 March 1987 this policy will remain unaffected.

296. By a Decreee of the Ministry of Trade of Indonesia, effective 23 January 1987, cotton not carded or combed (tariff no. 55.01) can only be imported against an obligation to purchase domestically-produced cotton. The quantity that may be imported has been set at 10 times the amount of domestic cotton purchased.

297. Japan established tariff quotas for leather and leather footwear for the period October 1986 - March 1987 of 208,000 square meters for bovine and quine leather, 196,000 meters for goat and sheep leather and 1,226,500 pairs for leather footwear. Under this tariff quota system a 15-30 per cent import duty is applied to leather and leather footwear, a 60 per cent duty on leather, and 60 per cent or 4,800 yen/a pair of shoes, whichever is the greater, on leather footwear exceeding these levels.

298. By Inter-ministerial Decree No. 5618/86, Madagascar has liberalized, foreign exchange permitting, as of 2 January 1987, imports of certain spare parts, small equipment and consumer goods, with the exception of food and fuel products. The importers must submit an import application prior to eventual authorization.

299. Malta introduced the following restrictions on imports of shoes: import quotas for women's shoes; import prohibition for men's shoes; imports of children's shoes are free up to size 22 but subject to import quotas from size 22 to 26.

300. As of 5 October 1986, Mauritania has prohibited all imports as well as the sale and consumption of alcoholic beverages.

301. South Africa prohibited imports of blue-molded cheese, other than those made from sheep or goats' milk, where domestic production was considered sufficient for domestic consumption. Previously this product was subject to import quotas.

302. As of 23 December 1986, Turkey increased the stamp duty imposed on imports from 4 per cent to 6 per cent by Decision No. 86/11,308 of the Council of Ministers. By Decision No. 86/11.282, Turkey also increased, as of 13 December 1986, the premium for the price stabilization fund, which is payable on imports, from 2 per cent to 4 per cent of the c.i.f. value of the goods. The revenue from this tax is intended to finance the Fund for the support and stabilization of prices (these measures, will be notified in time for Turkey's next balance-of-payments consultation in June 1987).

303. As of 1 January 1987, the United States decided to limit, for a period of five years, imports of certain machine tool categories from the Federal Republic of Germany and Switzerland to their share of the US market in previous years and to retaliate against seven further competitor countries if they take advantage of these limitations (see also Section C.1).
304. On 19 February 1987, the United States announced the restoration of Poland's m.f.n. tariff status and the lifting of the ban on that country's eligibility for official US credits and credit guarantees. This terminated sanctions imposed in 1981 and 1982.

305. Under the resolution concerning the policy for the implementation of the social development plan of Yugoslavia in 1987, both imports and exports of goods are projected to grow at 4 per cent. The same growth rate is envisaged for imports of goods and services, while exports of goods and services are expected to increase by 4.5 per cent.

IV. Subsidies, anti-dumping and countervailing actions

306. The situation noted in the previous report in respect of over-production, reduced market access, competitive subsidies and depressed market prices particularly affecting trade in many agricultural and certain industrial products continued to exist during the period under review.

Subsidies

307. Six notifications have been received during this period. They concerned mainly agricultural subsidies by the European Communities and Switzerland, agricultural and industrial subsidies by Australia and Sweden, export incentives, agricultural price and pest-control subsidies and fisheries development loans by New Zealand, and freight subsidies, customs drawbacks to exporting organizations and incentives for agricultural production by Yugoslavia. Apart from official subsidy notifications the Republic of Korea provided details of various incentives contained in a programme aimed at reducing the trade imbalance with Japan.

308. Australia notified subsidies on imports of agricultural tractors and equipment, fresh apples and peas, bed sheeting, books, commercial motor vehicles, computers, dairy products, dried vine fruits, nitrogenous fertilizers, phosphatic fertilizers, grain harvesters and equipment, injection moulding equipment, metal-working machine tools and robots, paper, penicillin, shipbuilding, steel-mill products, high alloy steel products, sugar, textile yarns, and two-stroke engines (L/5947/Add.9).

309. The European Communities notified information which updated that on subsidies contained in documents L/5603/Add.15 and Suppl.1 and L/5768/Add.8. The measures notified concerned only products which are the subject of the Common Agricultural Policy, namely cereals, rice, bovine meat, pigmeat, sheepmeat, eggs, poultry, oils and fats, sugar and isoglucose, dairy products, fishery products, fruit and vegetables and products thereof, tobacco, wine, fibre flax and hemp, hops, seeds, silkworms, peas and certain beans used in animal feed, dehydrated fodder, soyabeans and products of the agri-foodstuff industries. The measures notified include all the price support measures introduced by the Common
Market organizations that involve participation either by the Community's financing organization or by the government of a Member State, to the extent that such measures derive from Community regulations (L/5947/Add.13).

310. **EEC/Greece:** Finance Ministers agreed on 8 December 1986, *inter alia*, to release the second ECU 875 million tranche of the EEC loan to Greece on condition that export subsidies are completely removed by 1990 and the import deposit scheme (introduced in October 1985) by end-April 1987, and to make available loans of up to ECU 13.9 billion (ECU 2 billion less than in the current programme which expired at end-1986) over the next two years to those member countries with balance-of-payments difficulties (see also L/6025, paragraph 326). The import deposit scheme was abolished with effect from 1 May 1987 (L/5945/Rev.1/Add.4).

311. **Republic of Korea:** In December 1986, the South Korean authorities announced a five-year plan ("Programme Aimed at Reducing the Trade Imbalance with Japan") which provides for major incentives for companies producing goods to replace imports from Japan and for exporters concentrating on selling to the Japanese market. Among the measures that are being considered are the possibility of: tax incentives to exporters; the banks providing soft loans; preferential financing programmes, etc. The authorities have also increased the product list of items, the supply of which should be switched to sources other than Japan. A major object of the current exercise is to help slow the rise of South Korea's trade surplus with the United States.

312. **New Zealand** updated the notification contained in document L/5768/Add.9. The new notification gives information on the Export Performance Taxation Incentive (EPTI), the Export Market Development Taxation Incentive (EMDTI), the Exemption from Sales Tax of some Machinery for Production, the Fertilizer Price Subsidy, the Sharemilkers' Suspensory Loans, the Subsidy for the Control of Potato Cyst Nematode, Agricultural Pest Control, Control and Eradication of Animal Diseases, Noxious Weeds Eradication, Fishing Vessel Refrigeration Suspensory Loans, Fisheries Development Grant Fund and Fishing Vessel Construction Suspensory Loans (L/5947/Add.11).

313. **Sweden** notified information to update that provided in documents L/5603/Add.1 and L/5768/Add.12. The notification concerned industry in general in respect of measures promoting trade, export credits, support for particular industrial sectors and support for branches such as the textile and clothing industry, the woodworking industry and the sector for handmade glass. Support is also given for technical research and development and for industrial development. As regards agriculture, price and market regulations play an important rôle. Prices are supported mainly by means of import levies. Other market regulation measures concern storage and export refunds. The notification covers the period 1983/84 - 1984/85, L/5947/Add.10).
314. Switzerland notified its subsidy information covering the year 1985, thus bringing up-to-date the notifications contained in document L/5603/Add.12. The notification covers both agriculture and industry. In agriculture, the subsidies listed cover support for milk and dairy products, breeding and dairy cattle, wool, eggs, bread grains, feed grains, sugar beets, potatoes, fruit, viticultural products and processed agricultural products. In the field of industry, Switzerland provides subsidies in the form of financial assistance to areas whose economy is threatened, for the promotion of technological development and training for the Swiss Office for the Expansion of Trade and for Swiss film production. Overall, the measures and policies in respect of subsidy have not been modified from the previous period (L/5947/Add.12).

315. Yugoslavia's system of subsidies is based on the Law on Exchange of Goods and Services with Foreign Countries; the policies under the Social Plan for the 1986-1990 period which are derived from this law stipulate that exports shall be stimulated, inter alia, by drawbacks of a part of the freight charges on foreign lines, and by incentives for agricultural products and foodstuffs. Forty-five per cent of revenues from customs and other import charges, as well as the total revenues from special charges collected on imports of certain agricultural products and foodstuffs are allocated for drawback of customs and other charges to exporting organizations (L/5947/Add.14).

Countervailing duty and anti-dumping measures

316. With respect to countervailing duty actions and anti-dumping measures, developments can be summarized as follows: at the end of the period under review, available information in the secretariat indicates that a total of 99 countervailing duty measures and undertakings were in force. As concerns anti-dumping measures, at the end of the period under review, a total of 555 anti-dumping duties and price undertakings were in force compared to 479 at the end of the previous six-month period. There would thus appear to have been an increase in the application of such measures compared to the previous period (82 measures and undertakings). While a mere counting of the number of anti-dumping proceedings is not a sufficient indicator of trends (the range of possibilities runs from an increase in predatory pricing and subsidization to increased sensitivity and, hence, harassment of import competition) the prima facie evidence does suggest, despite a certain lack of uniformity in reporting procedures and the fact that some anti-dumping and countervailing investigations are dropped pursuant to an understanding on voluntary export restraints having been agreed to, that there has been an intensification of the use of such actions, for whatever reason.

317. As concerns semi-annual reports on countervailing duty actions for the period 1 January - 30 June 1986, the following countries notified that they had not taken any countervailing duty action during this period: Austria, Brazil, Egypt, the EEC, Finland, Hong Kong, India, Israel, Japan, Korea,
New Zealand, Norway, Pakistan, the Philippines, Sweden, Switzerland, Turkey, Uruguay and Yugoslavia (SCM/74/Add.1/Rev.1). Countervailing duty actions were notified for the period by Australia, Canada, Chile and the United States as follows:

- **Australia** notified one countervailing duty measure in force in respect of Greece for dried vine fruits. In respect of New Zealand one investigation was initiated, undertakings were agreed in respect of two measures and no injury was found in respect of a fourth measure (SCM/74/Add.3). Compared to the previous six-month period, during which also only one countervailing duty action was initiated, practically no change has taken place.

- **Canada** reported five countervailing duty measures in force in respect of one developing country and four developed countries. Provisional measures were introduced during the period in respect of frozen boneless beef from Ireland and Denmark (SCM/74/Add.2). In the previous six-month period Canada had reported three countervailing duty actions and one definitive duty decision. There has thus been a slight increase in countervailing duty action.

318. On 31 December 1986, the US and Canadian governments reached an agreement to end a US countervailing duty investigation on Canadian softwood lumber. Under the agreement Canada will impose a 15 per cent export tax on exports until such time as the Provincial Governments increase stumpage (or cutting) fees by the same amount.

319. In the 1987 Federal budget presented on 18 February, the Canadian Government withdrew a set of retaliatory tariffs levied on a number of items imported principally from the United States in response to the imposition in June of 1986 by the United States of a 35 per cent tariff on Canadian exports of red cedar shakes and shingles. The rates of duty in effect prior to 6 June 1986 will be reinstated, effective 19 February 1987. Orders in Council will restore the free rates of duty on books and other printed matter. Effective 19 February 1987, duty-free entry will also be restored for tea in tea bags, Christmas trees and teasel, asphaltum oil and diesel motor rail cars. The previous rates of duty for oatmeal and rolled oats, non-sparkling cider and ozone generators or airifiers also became effective 19 February 1987.

- **Chile** notified the initiation of three actions, the imposition of one definitive duty during the period and five no injury decisions. In respect of one product - matches from East Germany - a tariff surtax of 5 per cent for one year was agreed (SCM/74/Add.5). In the previous six-month period Chile had initiated five countervailing duty actions. There has thus been a slight decline in initiations.
The United States notified for the period 59 countervailing duty orders and 17 undertakings in effect as of 30 June 1986. During the six-month period 20 countervailing-duty investigations were initiated, 11 definitive duty actions and one undertaking were decided as well as three countervailing duty revocations (SCM/74/Add.4). In the previous six-month period the United States notified 52 countervailing duty orders and 18 undertakings in effect. There has thus been a slight increase during the period. There were 25 initiations of countervailing duty investigations and eight impositions of a definitive duty. Initiations had thus declined from one period to the next, while definitive duty impositions increased. Overall, one may consider that relatively little change has taken place.

320. As in the previous period, the EEC did not open any countervailing duty investigations.

321. In July 1986, the Committee on Anti-Dumping Practices requested the Parties to the Agreement to submit semi-annual reports on anti-dumping actions for the period 1 January - 30 June 1986. Most of the notifications have been received during the period covered by this report. The following Parties notified that they had not taken any anti-dumping action: Austria, Brazil, Czechoslovakia, Egypt, Finland, Hong Kong, Hungary, India, Japan, Norway, Pakistan, Poland, Romania, Singapore, Sweden, Switzerland and Yugoslavia. Notifications of anti-dumping measures were received from Australia, Canada, The EEC, Korea and the United States (ADP/30/Add.1/Rev.1).

322. As of 30 June 1986, Australia notified that 101 anti-dumping measures were in force and that 20 measures were lifted during the period. Furthermore 22 price undertakings were in force at the same date. A total of 33 anti-dumping actions were initiated during the six-month period under consideration (ADP/30/Add.4).

323. As of 31 December 1985, Australia notified that 166 anti-dumping measures were in force, which signals a substantial decline by 65 measures. During the previous period 23 anti-dumping measures were initiated which shows that new anti-dumping actions had increased (ADP/30/Add.4).

324. Canada notified that as of 30 June 1986, 149 anti-dumping measures and three price undertakings were in force. During the period under review six new anti-dumping actions were initiated, of which one received a no-dumping decision (ADP/30/Add.2). On 31 December 1985, at the end of the previous six-month period, Canada notified that 79 anti-dumping duty findings and orders were in effect. This shows that there has been a substantial increase of these measures. Ten new investigations were initiated during that period (ADP/30/Add.2).

325. The EEC notified that 124 anti-dumping measures were in force as of 1 September 1986 and that nine anti-dumping actions were initiated during
the six-month period (ADP/30/Add.6). At the end of the previous six-month period, the EEC had notified that 127 anti-dumping measures were in force and 13 measures were initiated. There was therefore, no intensification of anti-dumping action (ADP/26/Add.4).

326. Korea notified, for the first time, three anti-dumping actions for which no decisions had so far been made (ADP/30/Add.3).

327. The United States notified that as of 30 June 1986, 122 anti-dumping findings and orders were in effect and that three suspensions had been decided. As concerns the six-month period under review, 34 anti-dumping investigations were initiated and three anti-dumping revocations were decided (ADP/30/Add.5). On 31 December 1985, the United States had notified that 107 anti-dumping findings and orders were in effect. There has thus been an increase over the period. During the same period, 31 investigations were initiated which is about the same as during the period under review (ADP/26/Add.6).

V. Other trade policy developments

328. This section mentions new accessions to the GATT and points out the application of a rarely-used measure, namely Section 305, in a trade dispute by the United States.

329. The Government of Antigua and Barbuda has been applying the General Agreement on a de facto basis, pursuant to the Recommendations of the CONTRACTING PARTIES of 18 November 1960 and of 11 November 1967. On 30 March 1987 the Government advised that it wished to be deemed a contracting party to the General Agreement under the provisions of Article XXVI:5(c). Since the conditions required by Article XXVI:5(c) have been met, Antigua and Barbuda has become a contracting party; its rights and obligations date from 1 November 1981.

330. In April, Algeria, Botswana, Fiji and Lesotho informed the secretariat of their intention to accede to the GATT and to participate in the Uruguay Round; all four countries had previously been applying the GATT on a de facto basis.

331. Also, in April, El Salvador and Honduras communicated their intention of requesting provisional accession to the GATT and of negotiating the terms of their accession during the course of the Uruguay Round negotiations.

332. Morocco: On 19 February 1987, the decision concerning the accession of Morocco to the General Agreement was adopted by a two-thirds majority. In this context, Morocco also agreed to the CONTRACTING PARTIES reviewing, in 1990, the degree of progress achieved with respect to the planned gradual inclusion of their special import tax into the customs tariff, as applied. Morocco signed the Protocol of Accession on 18 May 1987 and,
pursuant to paragraph 6 of the Protocol, Morocco will become a full contracting party to the GATT thirty days after signature. With accession to the GATT, Morocco has granted tariff bindings to other contracting parties at rates not exceeding 45 per cent. Many tariff bindings are at a lower rate.

333. Tunisia: As part of the process applying to their application for accession to GATT, the Tunisian authorities communicated on 18 February 1987 the latest edition of their Import and Export Customs Tariff. This will serve as the basis for any tariff negotiations Tunisia may be called upon to engage by other interested contracting parties.

334. European Commission: In February, the Commission published a report listing US trade practices said to hurt EEC exports. The report, which is an update of one issued in late 1985, is similar to the "Report on Foreign Trade Barriers" presented in November 1986 by the US Trade Representative's office.

335. United States: On 19 February, the President announced that he was restoring Poland's m.f.n. tariff status and lifting the ban on that country's eligibility for official US credits and credit guarantees. The President's action terminated sanctions imposed in 1981 and 1982.

336. United States: Pursuant to its framework decision, the Department of Commerce annulled, on 25 March 1987, the licensing requirement for re-exports to most countries of foreign-made products containing certain strategically sensitive US electronic components so long as the value of these components does not exceed 25 per cent of the product's value.

337. US/Japan: Prompted by US industry complaints of unfair competition, the US Trade Representative's Office (USTR) announced on 10 December 1986 that it was initiating a Section 305 investigation of Japan's supercomputer trade practices. Section 305, which has rarely been utilized by the Administration, requires the USTR to provide information, upon request, about foreign government trade policies or practices, domestic or international proceedings with respect to them, and relevant trade agreements and US legal trade remedies.

338. US/Libya: President Reagan informed Congress last December that the Libya state of emergency barring trade with that country would be extended through 1987 (see also L/6025, paragraph 140).

339. Association of Tin Producing Countries (ATPC): The seven member countries of the ATPC announced on 28 February that they would introduce a tin quota system. The export control programme will run for two-and-a-half years and it is intended to help reduce the current surplus of 81,000 tonnes in order to raise world prices. In the first year, ending 29 February 1988, shipments from the seven will not be allowed to exceed 96,000 tonnes (about 8 per cent below 1986). Brazil and China - both major
tin producers and non-members of the Association have said that they would make efforts to keep their exports at 1985 levels. Prices collapsed in October 1985 when the International Tin Council ran out of money to back the existing price support system (see L/6025, paragraph 167). At the end of April, it was formally agreed at a special session of the International Tin Council to extend the 6th International Tin Agreement for two years, from 1 July 1987.

340. International Natural Rubber Agreement (INRA): A new International Natural Rubber Agreement will take the place of the 1979 INRA that expires on 22 October 1987. The 40 producing and consuming countries, accounting for roughly 90 per cent of the world's natural rubber trade, adopted the new agreement officially on 20 March at the end of a meeting held under the aegis of the United Nations Conference on Trade and Development (UNCTAD). The only major change in the new agreement concerns the reference price review mechanism, which will now be automatic. The new agreement will take effect temporarily as soon as the producing countries accounting for 75 per cent of net exports and consuming countries accounting for 75 per cent of net global imports have deposited their instruments of ratification or informed the depositary of their intentions to do so. A Resolution adopted at the end of the March conference urges the governments concerned to ratify the agreement before 23 October 1987.

VI. Prospective developments and current discussion

341. Certain prospective developments have already been highlighted in the Overview or referred to earlier in sub-section A.II of this report on sectoral developments. Additional items for current discussion are presented in this sub-section concerning mainly: new developments in the trade of certain electronic items (Eproms and Drams) in the EC; a major amendment in EC anti-dumping legislation, proposed dumping and countervailing duty legislation changes in the US, the Republic of Korea's "shopping list" for $2.62 billion worth of US products so as to help stabilize the growth of its bilateral trade surplus; and references to certain trade disputes.

342. Argentina/US: According to an announcement in May, the US President has suspended action (under Section 301 of the trade law) against Argentina's differential export taxes on soybeans and products. The complaint was originally filed by the US National Soyabean Processors' Association in April last year. The Argentine authorities note, with respect to the afore-mentioned action, that the Section 301 legislation dealing with export taxes is not in conformity with the provisions of the GATT (Article VI). Argentina presently imposes a tax of 15 per cent on soybeans and 3 per cent on meal and oil (see also reference in L/6087, paragraph 14); current agricultural policy is to reduce, gradually, the level of all existing export taxes.
343. EC: The European Commission proposed on 11 February a major amendment to its anti-dumping legislation with the object of preventing the circumvention of dumping duties. Under present EEC rules, anti-dumping duties can only be applied on a product once it has been established that it is being sold below a normal value and that it is damaging domestic manufacturers. Backers of the amendment claim that third country manufacturers are getting round the problem by exporting components to the Community and then having them assembled in so-called "screwdriver operations".

344. Under the new proposal such "input dumping" would be targeted provided three conditions are met: (a) the assembled product must be made in a factory affiliated with a third country manufacturer of an exported product subject to a dumping duty; (b) the assembly operation must have been established or enlarged after the dumping investigation was opened; and (c) the value of the imported parts must be 20 per cent greater than the value of all other parts. Finally, (d) the anti-dumping duty would be proportional to the value of the imported parts and not exceed the amount required to prevent circumvention.

345. Japan has strongly protested the proposal which could only go into effect once approved by the EC Council of Ministers. Three objections have been raised. The amendment would be counter-productive as it would raise a direct barrier to inward investment; it would be contrary to both GATT anti-dumping rules and the non-discriminatory principles of Community law. This is because the proposed amendment would, a priori, treat products manufactured in the EEC the same as imported products when imposing the anti-dumping duties, and duties would be imposed automatically without investigating whether dumping or injury to the domestic industry was, in fact, taking place. The proposed new rules are also considered to be discriminatory in that they would impose anti-dumping duties on the EEC affiliates of foreign companies subject to an anti-dumping duty and not on local companies using the same imported parts. Various Japanese Associations have warned that the proposed extension of anti-dumping regulations would "cause uncertainty to enterprises studying the European investment climate for new or expanded investment." The EC Commission insists that the proposal is only a technical adjustment, that it is in full conformity with the GATT, and that it is prepared to discuss the proposal in the Anti-Dumping Committee.

346. EC: In December 1986, the European Electronic Component Manufacturers' Association complained to the European Commission of alleged dumping practices of Japanese erasable programmable read only memories (Eproms) (see sub-Section A.II(v), paragraphs 131-132).

347. Canada: Following an investigation into a complaint that pasta imported from the EC was being subsidized, the Canadian Import Tribunal delivered a ruling of no injury and the CVD case was terminated.
348. Under its 1987 Plan for foreign trade, Hungary has forecast, for 1987, the restoration of its foreign trade equilibrium, after last year's negative balance in convertible currencies trade. In the convertible currencies trade, exports are estimated to increase by 5 per cent, while imports are expected to decrease slightly, in line with the cutback in domestic demand. Both exports to and imports from the CMEA countries are projected to grow by 3 per cent.

349. Japan: In December last year, Japan announced, in response to long-standing complaints, that steps would be taken to reform its system of liquor taxes. Customs duties on liquor have been cut by 30 per cent in principle as from April 1987. Labelling standards on domestic wine were established by the wine industry in December 1986.

350. A number of countries have supported the EC's contention that these proposals did not go far enough - the revised tax would only be applicable in 1988 while the tax level itself was still above comparable taxes in the Communities as well as the United States. In addition, the revised system of classification, as proposed, would still be discriminatory because it imposed much smaller duties on lower grade local liquor than on high-quality imports. As decided on 4 February last, the whole issue will be adjudicated under the GATT's dispute settlement procedures.

351. United States: Dumping and countervailing duty law changes have been proposed as part of a bill introduced into the US Senate 3 February. The bill's provisions would (a) revoke the injury test for domestic firms seeking relief after the US Trade Representative has established that another government has reneged on its commitments to phase out subsidies; (b) prohibit the Commerce Department from accepting mere promises from other countries that they will apply an "offsetting" export tax as a basis for suspending a countervailing duty case; (c) tighten provisions of existing law dealing with import surges in the early stage of investigation; (d) clamp down on diversionary dumping; and, (e) impose anti-dumping duties on the ultimate US purchasers in retaliation for foreign exporters' circumvention of US import restraints. The new proposal has been referred to the Senate Finance Committee.

352. United States/EC: The US Administration has raised complaints, since the beginning of 1987, regarding what are considered to be unfair subsidies by certain EEC member States to "Airbus Industrie" (the aircraft manufacturer owned by a consortium of French, West German, UK and Spanish companies). The US contends that subsidies of between $7 to 15 billion to the A-320 (the Airbus new 150-seater plane) have allowed Airbus to undercut cost-price by 25 per cent. On 20 February 1987, the United States requested an immediate meeting of the Committee on Trade in Civil Aircraft - in accordance with the provisions of the Agreement on Trade in Civil Aircraft - in order to examine the interpretation of certain Articles. According to the American position, some Articles of the Agreement (relating to government supports, inducements to purchasers and other policies on sales), are being violated. The EEC countries contest this
and, for their part, maintain that US aircraft manufacturers benefit from indirect subsidies as a result of Pentagon defence and NASA contracts and that the US already has 80 per cent of the world market in civil aviation.

353. **US:** Senator Heinz, on 19 February, reintroduced legislation in the Senate (S.543/S.5286 in the Ninety-ninth Congress) to reimpose levies on subsidized EC pasta imported into the United States. The proposed bill seeks to offset the amount of the EC's subsidy (which, according to the proposal, represents 60 to 70 per cent of the wholesale price of EC pasta production) by reinstating a duty on EC pasta imports. The US had had a tariff in effect in 1985 but it was dropped subsequent to the US/EC citrus trade pact reached 27 October 1986 (see also L/6087, paragraph 37).

354. **CEPAC:** The European Confederation of Pulp Paper and Board Industries (CEPAC) complained again, in February 1987, to the EC Commission about ever-rising imports of cheap graphic paper, printing and writing grades, magazine paper and bleached kraft packagings, mainly from Austria, Finland and Sweden, which are aggravating existing over-capacity on the EC market. A further complaint related to the state subsidies for new investments in paper plants in these countries. The CEPAC has requested the Commission to use its influence on EFTA (notably through Joint Committee meetings) to prevent any further damage to the EC's paper industry.

355. **EC:** As a result of a decision by the EEC Council of Ministers in December 1985 to ban all hormones, whether natural or synthetic, in meat and livestock traded within the EEC whether imported or exported (except in a few limited cases of authorized treatment), all so-called "growth promoters" are to be banned. The decision had prompted controversy as the EC considers that wide use of hormonal substances in meat for human consumption constitutes a health hazard, while the US reportedly claims that the ban constitutes an unjustified non-tariff barrier to trade. US officials in the Department of Agriculture have allegedly warned that - as the EC market absorbs about one-sixth of US red meat exports - the US could legally retaliate for any trade loss it may incur as a result of the EC sanction. The matter will be brought before the Technical Barriers to Trade Committee.

356. **EEC/Italy:** A proposed bill amending the fiscal duty system on the consumption of bananas is at present awaiting approval by the Italian Parliament. Under the amendment, the fiscal duty on consumption would not be applicable to fresh and dried bananas and banana flour imported from EC member States, including overseas countries and territories associated with the EEC, as well as ACP countries, and neither would it apply to bananas exported by any of the above-mentioned States, even if produced in a third country. Colombia, the leading GATT supplier to the Italian market, considers that the proposed amendment would disadvantage other exporting countries and is, accordingly, in breach of Articles I and II of the General Agreement; consultations have therefore been requested with the EEC.
357. United States: On 5 February, the Senate Finance Committee introduced an omnibus trade bill ("Omnibus Trade Act of 1987- S490). The provisions address a wide array of trade issues including "fast-track" authority for trade agreements, export targeting, State trading, intellectual property protection, agricultural trade and provisions for modifying anti-dumping and countervailing duty laws. In addition, the proposed bill would substantially revamp Sections 201 and 301 of the existing US Trade Act by stripping away Presidential discretion in granting relief to companies injured by imports and unfair trade practices. The bill would increase the power of the International Trade Commission and, in some cases, would oblige the office of the US Trade Representative to self-initiate Section 301 cases against countries that are considered to have closed their markets to US exports. In a letter to the Senate Finance Committee Chairman, the EC's representative to the US noted that several provisions of the proposed bill would contravene certain rules of the General Agreement.

358. Earlier in 1987, the Chairman of the Democratic Caucus also introduced an omnibus trade bill in the House of Representatives (the HR 3- bill is identical to HR 4800, the bill approved by the House last year of which the US Administration was highly critical). The proposed bill again addresses the problems of dealing with countries (such as Japan, Taiwan, South Korea and West Germany) that have "excessive" trade surpluses with the United States, but it significantly modifies the provision that caused the Administration the greatest concern last year. The new version would drop the arbitrary percentage reduction for these countries exports (10 per cent) and would set instead a six-month limit for negotiating an end to unfair trade procedures. If negotiations fail the President would have to decide how to retaliate. Other provisions include granting the Administration six years (instead of the requested ten) to negotiate in the GATT as long as it consulted closely with Congress. At the end of April, the House of Representatives voted 218 to 214 to approve an amendment by Representative Gephardt to its trade bill whereby nations with large trade surpluses with the United States would have to reduce these imbalances by 10 per cent a year or face retaliation in the form of tariffs or quotas (the omnibus trade bill as a whole was passed by a 290-137 vote, on 30 April last).

359. A textiles bill "Textile and Apparel Trade Act" was introduced into both Houses of Congress in February. The proposed measure (see Section A.II(vii)), which is backed by US textile makers but opposed by the US Administration, would curb US textile imports by limiting growth to one per cent annually, based on 1986 levels. It would also freeze imports of non-rubber footwear at 1986 levels. A number of textiles exporting countries and the European Community have protested against the proposed legislation (see Section A.II(vii) for further details).

360. EC: The Commission in February issued its proposals for a new fats and oils measure (stabilization mechanism), despite considerable opposition by both European consumers and third-country producers (see sub-section A.II (paragraph 61) for details).
361. Japan: According to wide report, Japanese electronic manufacturers are ready to market a controversial product, the digital audio tape recorder (DAT) which is the tape version of the compact disk. Recording companies and some European electronic-equipment makers have demanded that the Japanese makers build a "spoiler chip" into the machines to block taping of pre-recorded music. The Recording Industry Association of America has reportedly persuaded the US Administration to add a Section in its trade bill requiring DAT players sold in the US to incorporate an anti-copying device; the UK recording-industry group is allegedly lobbying the European Community to impose punitive duties on imported DAT products until such time as legislation is passed requiring "spoiler chips" to be built into such items.

362. EEC: The EEC has requested consultations with the United States under the GATT Agreement on Government Procurement as it considers that the House Joint Resolution 758 on Continuing Appropriations for fiscal year 1987 is not consistent with the provisions of the Agreement. The resolution in question provides that the US Department of Defence may only procure certain machine tools if they have been manufactured in either the United States or Canada.

363. EEC/UK: On 2 April, in the context of Japan's response to the application of the Cable and Wireless Co. for full and substantial participation in the Japanese telecommunications market, the UK Government made it clear that it would invoke provisions contained in the Financial Services Act which will enable them to refuse new licences for Japanese banks and insurance companies wishing to operate from London.

364. Republic of Korea: On 25 April, following a visit to the United States, a South Korean buying mission was reported to have contracted purchases estimated at $2.62 billion worth of American products ($2.14 billion in capital goods, raw materials and farm products to be imported by South Korea's private sector and $480 million in equipment to be bought by government agencies). The South Korean Government plans to provide $2.5 billion out of its foreign exchange reserves for low interest loans to help finance purchases of foreign products with the object not only of correcting the imbalance in the trade surplus, but also to expand imports of capital goods and raw materials. (The merchandise trade surplus with the United States alone grew to $7.4 billion last year from $4.3 billion in 1985). According to reports, the Government also intends to widen the market for foreign goods and services, reduce tariffs, remove other import barriers and restrain some exports in order to constrain the growth in the trade surplus.

365. EEC(France): According to report, France has decided to reinforce its import control measures with respect to certain Japanese products (microwave ovens, various frozen foodstuffs, etc.). In order to be imported into France, such products must now obtain the required certification from either a French or a recognized European testing agency; previously the Japanese exporter only needed to self-certify that the
product in question conformed to the required standard. Other member States have reportedly taken similar action.

366. In January 1987, the United States General Accounting Office published a report ("Trade Law Remedies Under Floating Exchange Rates"). The study preferred the view that quantitative restrictions, rather than tariffs, should be the Federal Government's preferred method of protecting domestic industries, because the effectiveness of tariffs is impeded by floating exchange rates. It also suggested that, as import quotas are costly and can be challenged, the Administration ought to look into the feasibility of auctioning import licenses in Section 201 cases. The auction quota proposal was objected to by the Administration when it was originally a part of last year's House of Representatives trade bill (HR 4800). The provision was subsequently removed by the House Ways and Means trade sub-committee so as not to jeopardize the negotiation of the MFA's extension in 1986.

367. EFTA: Six EFTA countries and the EC Commission initialled a Convention intended to simplify the paperwork involved in connection with EFTA-EC trade in goods. The Convention will introduce a single administrative document (SAD) for trade between the EFTA countries and the Community and among the EFTA countries. The new document will replace the existing variety of national formalities required to process imports, exports and transit traffic. This "Convention on the simplification of Formalities in Trade in Goods" is the first multilateral agreement of this sort between the EFTA countries and the Community. To ensure that the Convention is properly implemented, a Joint Committee will be established in which all the parties are represented. The Convention will enter into force on 1 January 1988 once it has been ratified by the two parties. The formal signature of the agreement took place on 20 May 1987.

VII. Movements in exchange rates

368. Exchange rates: Exchange rate uncertainties and a possible further erosion of the US dollar following its renewed slide over the New Year and Easter were the hallmarks of the period. Particular attention focused on: a so-called appropriate rate for the dollar in the light of prevailing macro-economic conditions and policies in the United States and its main trading partners; the perceived difference between the real exchange rate needed to improve the US trade balance and the purchasing power parity rate; and the impact on Japanese business volumes and profits from the continued appreciation of the yen - a process that goes back to March 1985. The dollar's decline had little apparent effect on its relationship with a number of foreign suppliers whose dollar export prices to the US have shown a less than expected change either because their currency has been pegged to the dollar, or because the appreciation of their currency has been held down, or because exporters have accepted narrower profit margins in order to preserve their shares in the American market. Apart from this there were a number of devaluations by developing countries, reflecting responses
to the prolonged slump in commodity prices and the deterioration in export earnings.

369. In the two years that elapsed between the peaking of the dollar in March 1985 and the "Louvre Accord" of 22 February 1987 (see paragraph 17) when Finance Ministers from six major industrial countries agreed that prevailing exchange rates were about right and that the dollar should be kept stable at roughly its present rate, against the yen and D-mark, the US dollar has depreciated by 29.2 per cent, while the yen and the D-mark have appreciated by 40.5 and 15.9 per cent, respectively, in trade-weighted terms. During this period, the US current account deficit swelled to record heights. The predicted switch in American expenditures towards home-made products, with the low dollar also making exports cheaper in foreign currency terms, have apparently continued to be masked by the valuation effects of the dollar's depreciation.

370. While much play has been made about the massive turnaround of the dollar, especially in nominal terms, and its sharp depreciation against the yen and the D-mark, the picture is somewhat less sharp when the real effective exchange rate is calculated. According to an index based on 18 industrial countries and 22 developing country currencies, the dollar had fallen by 19.1 per cent between end-1985 and February 1987; by contrast, there was an appreciation of 23.8 per cent in the yen, and of 16.4 per cent in the D-mark. Against the Hong Kong (pegged since 1983) and Canadian dollar, the US dollar has shown virtually no change since its peak; since February 1985 the rise of the new Taiwan dollar has been 9 per cent while the South Korean won has fallen by 2 per cent against the dollar.

371. The expected effect on current imbalances of these exchange rate changes has been far less than forecast. While import and export volume flows are beginning to show evidence of having been affected, as one would expect, the continued series of declines in the nominal value of the US dollar against major currencies has meant that these shifts have not shown up to the same extent in the trade balance, perhaps because of the succession of "valuation" effects created thereby (the latest Press Release of the GATT - No. 1409 - notes that there is evidence that the United States' export performance has improved. It also analyses the "apparent absence of the expected effects" of the major realignment of exchange rates on the principal trade and current account imbalances). The Louvre Accord notes that changes in foreign exchange rates on their own will not bring about the desired effect until the underlying fundamentals change, too, hence the call for greater co-ordination of economic policies among the majors.

372. The following additional exchange rate changes have taken place. It should be noted that the references only refer to officially announced

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1 To February 1987
changes in foreign exchange parities where the currency in question is either pegged to a specific currency (US dollar, pound 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 which float independently, are obviously not included (for previous changes and references for the preceding six months see L/6087, Section B.VII—page 43).

373. Argentina: During the last quarter of 1986, the austral was devalued 18 times and 13 times in the first quarter of 1987. On 30 December, it was 1.255/1.259, representing a total devaluation of 15 per cent. There has been no adjustment after 27 February when the rate was set at 1.535/1.541 Austral per US dollar (-6.49 per cent).

374. Brazil: On 16 October 1987, the cruzado was devalued by 1.8 per cent to C3 14.02/14.09 per US$ from 13.77/13.84 per US$. It was the first time the rate had been adjusted since the new currency was introduced on 28 February 1986. On 21 November, Brazil announced that it had resumed its former policy of periodic mini-devaluations, as and when considered necessary. On 30 April 1987, the cruzado was devalued by 0.925 per cent against the US dollar and again, on 5 May 1987, by 8.48 per cent.

375. Guyana: In January 1987, the Government of Guyana announced that its currency had been devalued by 56 per cent. According to the authorities the previous exchange rate - set after a 20 per cent devaluation in 1984 - had proved to be a "disincentive to exporters". The new official rate is $G 10 to 1 US$.

376. Hungary: According to an announcement made 11 March by the Hungarian National Bank, the Forint has been devalued by 8 per cent against major hard currencies. Before the devaluation the published hard currency rates were Ft. 45.9/$1 and Ft. 24.8/1DM. The reduction was the second since 28 September 1986 when the Forint was also devalued by 8 per cent (see L/6087, page 44).

377. Indonesia: The Indonesian rupiah was devalued against the US dollar by 45 per cent on 12 September 1986.

378. Israel: On 12 January 1987, the Central Bank announced that the shekel would be devalued - for the first time in more than 18 months. Under the new exchange rate the shekel's weighted average against an international basket of currencies moves from 1.52 to 1.68 (by 10.2 per cent) - this means that its value against the dollar will shift from 1.49 to 1.64 (or by 10.1 per cent).

379. EEC/EMS: EEC Ministers and Central Bank Governors decided, for the eleventh time in eight years, on 12 January 1987, on further relative changes within the European Monetary System (EMS). The new rates were +3 per cent for the Deutsche mark and the Dutch guilder, and +2 per cent for the Belgian and Luxembourg francs, with immediate effect. Other rates
remained unchanged. In terms of the ECU, the resulting central rate adjustments are +2.5 per cent for the Deutsche mark and the guilder, +1.5 per cent for the Belgian and Luxembourg francs, and -0.5 per cent for the Danish krone, French franc, Italian lira and Irish pound. The Monetary Committee and the Committee of Central Bank Governors were also instructed to examine measures to strengthen the operating mechanisms of the EMS. Subsequently, on 14 January, negative Monetary Compensatory Amounts were automatically raised for all member countries except Belgium, West Germany, Luxembourg and the Netherlands to neutralise artificial agricultural trade advantages stemming from the above realignment (see L/6025, paragraph 340).

380. Gulf Cooperation Council: The six members of the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) announced on 22 February that they have agreed, in principle, to introduce a unified currency grid, broadly similar to the EMS. The coordination which has been mooted for several years was referred back to the GCC Central Bank governors in March for further discussion. It is still expected to receive formal approval at the annual GCC summit in November this year.

381. Peru has changed the rate of exchange applicable on most imported goods with the effect of increasing their cost by about 25 per cent in addition to introducing a monthly 2.2 per cent devaluation of its currency beginning in January for all of 1987. The new measures permit only 360 items, mostly essential foods and medicines, to be imported at the official rate of exchange of 13.98 intis per US dollar.

382. Malawi: On 7 February, the Reserve Bank announced that the Kwacha had been devalued by 20 per cent against a basket of currencies. As with the previous devaluation in August 1986, the Central Bank said that the measure was part of efforts to ensure competitiveness of Malawi's exports. No official details were given of the new exchange rate; the Kwacha has been trading at around $1 = Mk. 1.8.

383. Poland announced the devaluation of the zloty against major currencies as of 1 February 1987. The US$ is now worth 240 compared to 197.50 zlotys previously (-17.7 per cent). According to the Polish authorities, the exchange rate will be adjusted any time the difference between domestic prices and export prices exceeds 3 per cent or if 30 per cent of exports falls below the average profitability indicator for exports as a whole.

384. Tunisia: Under the complementary budget adopted on 30 August 1986, the Tunisian dinar was devalued by around 10 per cent in comparison with "competing" countries (Greece, Morocco, Spain, Portugal and Turkey).

385. Turkey: On 30 October 1986, the Central Bank announced a new set of currency regulations including a 2.3 per cent devaluation of the Turkish lira against the US dollar and restrictions on selling rates for foreign currency.
386. **Bolivia**: On 28 November last, Bolivia announced that it will introduce a new currency called the "Boliviano" on 1 January 1987 (this will simply remove six zeros from the current monetary unit, the Peso), without affecting existing currency rate relationships.

387. **Zambia** raised interest rates and introduced new deposit requirements for foreign-exchange bidders on 4 November 1986 in an attempt to slow the fall of the kwacha. The bank rate will rise to 30 per cent from 25 per cent, effective immediately, and bidders for dollars will have to make an interest-free deposit equivalent to 30 per cent of the value of their bid when they submit their applications (see also L/6025, paragraph 338).

388. The "Louvre Accord" (see also previous reference to the "Plaza Accord", L/5915, footnote to paragraph 108): Finance Ministers of the Six (Canada, France, Japan, the United Kingdom, the United States and West Germany) announced on 22 February 1987 that they had agreed to stabilize currency exchange rates around their current levels and to pursue policies designed to reduce existing trade imbalances. According to a joint statement of the Six, "substantial new fluctuations in currencies could damage growth and adjustment prospects" which was why agreement had been reached "to cooperate closely to foster stability of exchange rates around current levels". The statement itemized a set of desirable economic policies for co-ordination among the countries concerned as "a matter of high priority" in order to reduce "large unsustainable trade imbalances". The Ministers also reiterated their concern over continuing pressures for protectionism; they agreed that efforts to deal with economic problems by erecting trade barriers were self-defeating and pledged to intensify their efforts to resist protectionism.

389. In comments reported after the Paris meeting, the Finance Ministers made clear that their agreement would be supported practically by central bank intervention on foreign exchange markets, when necessary. There was no indication, however, of what the upper or lower limits of acceptable current levels might be.

VIII. **Relevant Developments in other fields**

390. The striking developments in this sub-section were the announcement by Brazil to suspend interest payments on medium- and long-term foreign debt, similar action by Ecuador and the threat of such action by Argentina. Other developments include extra State aid to certain industries by France, the easing of monetary policy by West Germany and Switzerland, and economic policy measures taken by Japan and the United States.

391. **Brazil**: According to an announcement on 20 February 1987, Brazil will suspend interest payments on medium- and long-term foreign debt - around
$68 billion of commercial bank medium and long-term debt is involved. The
decision, according to reports, was taken to preserve the country's $3.9
billion foreign exchange reserves until a definitive and lasting solution
is reached with respect to Brazil's debt problem. According to
President Sarney, too great an effort to pay foreign debt interest would
slow internal investment, reduce job creation and thus risk provoking
social unrest. On 25 February Brazil also announced that it would freeze
payment of interest of short-term trade credits and interbank deposits
(totalling about $15 billion) that would have expired by 31 March 1987.
Subsequent understandings between the Brazilian authorities and the banking
community have secured the continuation of inter-bank and trade deposits
and short-term credits, despite the expiration of the relevant agreement on
31 March 1987.

392. Argentina: In a vein similar to that of Brazil's noted above, the
 Argentine authorities stated that they might also have to stop payments on
 their $53 billion debt - if a new loan of $2.15 billion is not forthcoming.
 The Government said it would feel bound to give priority to the growth of
 GDP rather than to debt servicing.

393. Ecuador: On 12 March, Ecuador announced that it would cancel its
 foreign debt payments for the rest of 1987. The Government said it could
 not afford to continue making payments on its $8.2 billion debt because of
 revenue losses to its all important oil industry caused by the recent
 series of earthquakes. Apart from the three countries mentioned above, six
 other Latin American countries (Bolivia, Costa Rica, Cuba, Honduras,
 Nicaragua and Peru) have already stopped some time ago - for various
 reasons - the full servicing of their foreign debt.

394. EEC/France: On 7 January 1987, the Government announced that the
 steel industry and the major state-owned car manufacturer will receive
 extra State aid totalling FF8 billion in 1987, in addition to the FF8.8
 billion already planned. In view of the European Commission's veto of any
 State aid to the steel sector as from 1 January 1987, the Government has
 stated that it will derive the extra funds from its 1986 budget.

395. EEC/Federal Republic of Germany: On 22 January 1987, the Bundesbank
 announced reductions in the official discount rate from 3.5 to 3 per cent
 and in the Lombard rate from 5.5 to 5 per cent with effect from 23 January
 (decreases by the same amount took place on 7 March 1986, and
 16 August 1985, respectively). In addition, to neutralize most of the
 DM 17 billion accrued in January as a result of foreign exchange market
 interventions, it cut rediscount quotas granted to banks by DM6.5 billion
 with effect from 2 February and increased minimum reserve ratios on banks'
 liabilities by 10 per cent across the board, with effect from 1 February;
 with the intention of draining DM 5.5 billion out of the system.
 Subsequently, the Bank also lowered its planned securities repurchase
 facilities from about DM 30 to 25 billion.
396. Japan: The Government proposed on 30 December last year to raise "general account" expenditure for 1987-88 (April-March) by 0.5 per cent (the lowest rate in 32 years) to Yen 54,101 billion and receipts by 1.1 per cent over 1986-87 in order to reduce the financing requirement from Yen 10,946 to 10,501 billion, or from 3.3 to 3 per cent of GNP. Above-average increases in social security and defence spending (the latter slightly exceeding the so-called ceiling of 1 per cent of GNP set for such outlays in 1976) are nearly equivalent to cuts in education, science and public works. The underlying assumptions for 1987-88 include, inter alia, real GNP growth of 3.5 per cent (after 3 per cent in 1986-87), a virtually unchanged dollar exchange rate and an external current account surplus of $77 billion ($886 billion).

397. On 29 May, at the Ministerial Conference for Economic Measures, the Government of Japan decided on a special eleven-point package of Emergency Measures. The package as a whole is designed to provide a major stimulus to the economy as well as to rectify Japan's current account payments imbalances (for details, see L/6183).

398. United States: Congress passed legislation on 7 October 1986 (subsequently signed by the President on 15 October) which, inter alia, extended the life of the US Export/Import Bank for 6 years with retroactive effect from 1 October; it also provided the Bank with $300 million (approval still pending) to support low-cost export credit and match subsidised programmes in major OECD competitor countries.

399. United States: Congress adopted a bill (the "Superfund") on 8 October 1986 providing for an extra $9 billion over 5 years for the continuation of a toxic waste disposal programme, to be financed chiefly by a new two-tier tax on imported and domestic oil (replacing an expiring single-tier, lower-rate oil tax of $0.79 per barrel), with effect from 1 January 1987, a 0.12 per cent surcharge on profitable industries' taxable income under the revised minimum tax system and the prolongation of a tax on chemical feedstocks. The bill was subsequently signed into law by the President on 17 October 1986 (see L/6087, paragraph 264). The differential oil levy ($8.2 per barrel of domestic oil as opposed to $11.7 per barrel of imported petroleum and its derivatives) has been contested by Canada, the EC and Mexico on the grounds that the higher tax on imports is discriminatory, thereby contravening Article III of the GATT. In addition, Mexico considered that the enactment of the legislation violated the standstill commitment provided for in the Ministerial Declaration on the Uruguay Round. By decision of 4 February, the matter will be subject to the dispute settlement procedures of the GATT. The Panel's report appears in document L/6175.

400. On 17 October 1986, Congress passed a bill (subsequently signed by the President on 21 October) which cut the 1986-87 Federal deficit by $11.7 billion and increased the Federal debt ceiling by $189 billion. Nearly two-thirds of the cuts are to be derived from refinancing Federal loans and selling government assets as well as $0.8 billion from a 0.22 per
cent excise duty charged on most imports from 1 December reduced to 0.17 per cent from 1 October 1987 (see also L/6113 and L/6087, paragraph 261). The customs user tax has aroused complaint in that the levy, on imports alone, infringes Articles II and III of the General Agreement because the proceeds are designed to finance the whole system of customs including those areas unrelated to imports. This view has been contested by the US Administration. At its meeting on 4 March 1987, the Council, after recourse to Article XXIII:2 by Canada and the EC, agreed to the establishment of a panel to examine the affair.

401. United States: In his budget for 1987-88 presented to Congress on 5 January 1987, the President submitted measures involving savings and additional revenues totalling $42.4 billion to limit the Federal deficit to $107.8 billion (2.2 per cent of GNP), virtually in line with the $108 billion ceiling mandated by the Gramm-Rudman-Hollings Act (see L/60215, paragraph 165 and L/6087, paragraphs 247-248). This compares with a revised 1986-87 deficit of $173.2 billion (3.9 per cent of GNP), $29.2 billion more than permitted under the above Act.

402. The President also announced, inter alia, that legislation will be proposed to reduce Federal spending on farm programmes by $24 billion over 5 years, in general by cutting income subsidies and direct payments as well as by removing incentives to overproduction.

403. Switzerland: In line with measures by other central banks, the Swiss National Bank, with effect from 23 January, lowered its discount rate from 4 to 3.5 per cent and its Lombard rate from 5.5 to 5 per cent. (The rates had previously been reduced by the same amount on 18 March 1983.)

404. Japan: According to reports in March 1987, Japan has revised the new safety standard for skis ("SG") introduced on 30 January 1985, which was the subject of concern for a number of third country ski equipment manufacturers and exporters (see also L/6087, paragraph 255).

405. Federal Republic of Germany/EC: Mid-March the European Court of Justice ruled that the 470-year old Bavarian Reinheitsgebot - which bans the use of additives in German beers - could not be invoked to stop foreign beers from being sold in West Germany. Under the ruling, the authorities will be required to allow free circulation of foreign brews from other EEC members, provided they comply with the health and food laws of their country of origin.

406. United States: On 10 February, it was announced that the Department of Commerce will change its reporting schedule in order to improve the accuracy of its monthly merchandise trade and GNP reports. Beginning with data for February, the Department will issue its merchandise trade report between 40 and 45 days after the end of the month. This report will replace the statistical month and revised statistical month's reports. Trade data for February will be released on 14 April 1987.
407. China, Italy and the United States: Italy, China and the US signed, in February, the 1980 United Nations Convention on Contracts for the International Sale of Goods - a treaty that provides standardized mechanisms for dispute settlement and other aspects of contracts in international trade - thus bringing the number of signatory countries to 11, one more than required to bring it into force. Argentina, Egypt, France, Hungary, Lesotho, Syria, Yugoslavia and Zambia had previously signed the treaty, which will now take effect on 1 January 1988. The convention is expected to facilitate international trade contract negotiations by establishing norms under which differences among national legal systems can be reconciled.

408. OECD: A 13-point set of principles designed to protect its Member countries' shipping sectors from protection on the part of other countries' fleets was outlined in February 1987 by the OECD. Although the agreement is not compulsory, it provides for countermeasures by the OECD countries against nations which unilaterally protect their own fleets from competition. The agreement contains a code of conduct for the organization of liner shipping and conferences, in an aim to stop them from abusing their cartel status. The OECD will encourage these conferences to make their tariffs available to all shippers, and to conduct negotiations with customers before changing the tariffs. It will further take steps to prevent conference lines members from penalising a shipper for using non-conference carriers, from imposing loyalty contracts and from using loss leaders, which aim to cut out competing carriers outside the conference by offering to carry the cargo below cost. The OECD member countries have agreed on a standstill clause, which will block the addition of any further measures restricting competitive access to international trade and cargoes.

409. OECD: On 17 March, the OECD member countries announced that they had reached agreement to restrict "Tied-Aid Grants". The Tied Aid Credit Agreement, to be implemented in two stages ending in July 1988, raises the minimum aid levels required in any tied-aid package from 25 to 35 per cent. The formula for calculating the foreign aid component of such packages has also been changed (which will raise the cost for those member countries with traditionally low interest rates). Under the new rules, the subsidy level will be based three-quarters on a country's actual interest rates and one-quarter on the difference between those and an arbitrary 10 per cent "norm" rate. Subsidies on loans or guarantees to industrialized countries and the Soviet Union will be prohibited, while the subsidy ceiling on export financing for the poorest developing countries will be raised to 50 per cent from the current 25 per cent. The new agreement was the sixth major revision of the International Export Credit Arrangement during the past five years.
C. NEW TRADE ARRANGEMENTS

I. Export restraint arrangements

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

411. There was an increase, during the period under review, in the number and trade coverage of export restraint arrangements. The most significant developments included the acceptance by Japan and Taiwan of "voluntary" restraints on exports of machine tools to the United States, the continuation by Japan of its "voluntary" restraints on automobile exports to the EC and US markets, the acceptance of several VERs on textiles mainly involving countries not participating in the new MFA IV; the EC/Thailand agreement on manioc; and the conclusion of a US-Canada agreement on export of softwood lumber to the United States. In addition, Canada (footwear) and Japan (certain textile products) reportedly sought restraint arrangements from certain suppliers; certain Japanese companies were also reported to be exercising restraint in shipments of integrated circuits to certain third-country markets.

412. The US-Japan semi-conductor pact remained among the most controversial issues in multilateral trade relations (see A.II). F.R. Germany and Switzerland continued to resist pressures for formal voluntary restraint arrangements on exports of machine tools to the United States. Both contracting parties considered that the acceptance of such an arrangement would violate the spirit and the standstill agreement of the Uruguay Round.

Steel and steel products

413. European Economic Community/Austria, Brazil, Bulgaria, Czechoslovakia, Finland, Hungary, Norway, Poland, Romania, South Korea, Sweden and Venezuela: The European Commission decided to seek renewal of its annual arrangements some of which limit the sales of steel in the EEC market by the aforementioned countries (L/6087, paragraph 274; see also Appendix V(a)). Venezuela has been included for the first time among steel-supplying countries with which this type of arrangements on steel were to be negotiated by the EEC. Due to the introduction of economic sanctions by the EEC against South Africa, there was no need for this type of arrangement with that country. Australia (from which steel imports have been small) has been dropped from the list of countries with which the arrangements are to be concluded. Japan's case was special, as it was bound by arrangements with the EEC in the form of an exchange of letters which took place by the end of 1986. Japan's arrangement has not been renewed in 1987.
414. **United States/Canada:** Canada continued to resist pressures in the US for action to reduce the share of Canadian steel exports in the US steel market. The US Administration has not asked Canada to conclude a voluntary restraint agreement but legislation was reintroduced in the US Congress seeking restrictions on Canadian exports if Canada was unwilling to enter a restraint arrangement.

415. **US/Sweden:** According to reports, the United States conducted "consultations" with Sweden on Swedish exports of stainless steel, tube and pipe to the US market.

**Machine Tools**

416. **United States/Federal Republic of Germany and Switzerland:** The Federal Republic of Germany and Switzerland continued to resist pressures for formal voluntary restraint arrangements (VRAs) on exports of machine tools to the United States (see L/6087, paragraph 287). In December 1986 the United States informed the two countries that if machine tool exports to the US market surged above certain (generally 1985) levels, the President might take "unilateral action" against them. In addition, the White House announced that it would also retaliate against any other major foreign supplier of machine tools whose imports "are capturing an increased market share and undermining the objectives" of the President's 'domestic action plan' for the US machine tool industry. The European Communities and the West German government announced that they considered the US action totally unjustifiable and that it violated the spirit of the standstill agreement of the Uruguay Round. They also said that they would retaliate if the curbs had a negative impact on German exports of machine tools to the United States.

417. Switzerland announced that it, too, opposed any US restrictions on imports of machine tools and that it would not take any measures of self-restraint on exports since such measures "would undermine established principles of trade". The Swiss authorities declared, in December 1986, that Switzerland would defend itself if necessary - against the threatened US restrictions - in the context of GATT.

418. **US machine tool imports from Germany and Switzerland** have declined since September 1986 due, *inter alia*, to the drop in the value of the dollar.

419. **United States/Japan:** On 16 December 1986, the Government of Japan and the Government of the United States of America exchanged notes on the bilateral arrangement concerning trade in certain machine tools. According to the statement by the Japanese government submitted to the GATT secretariat in February 1987 the gist of the arrangement is as follows:
The Government of Japan, upon request by the Government of the United States of America (see L/6087, paragraph 285) agreed to restrain voluntarily certain machine tools exports to the United States for the period 1 January 1987 through 31 December 1991.

Machine tools covered by the arrangement include: numerically controlled lathes, non-numerically controlled lathes, milling machines, machining centers, numerically controlled punching and shearing machines and non-numerically controlled punching and shearing machines.

420. The declared objective of the arrangement is to create a period of stability of trade in certain categories of machine tools between Japan and the United States in order to revitalise the US machine tool industry.

421. According to reports, Japan agreed to reduce its US market share by 24 per cent in numerically controlled and punching and shearing machines, by 21 per cent in machining centres, and by 9 per cent in numerically controlled lathes. It further agreed not to exceed its 1986 market shares in milling machines, and in non-numerically controlled lathes, punching and shearing machines. Executives of Japanese machine tool manufacturing companies consider that the new agreement might reduce the industry’s annual exports to the US market by around 20 per cent.

422. The United States' Administration also revealed that it had warned seven other countries not to allow their firms to fill the gap caused by new restraints. Warnings were addressed to South Korea, United Kingdom, Singapore, Brazil, Spain, Italy and Sweden.

Automobiles and Road Transport Equipment

423. United States/Japan: Japan informed the GATT secretariat that it would continue its voluntary restraints on automobile exports to the United States for another year starting 1 April 1987. The quota for automobile exports is 2.3 million cars, the same level as in the previous two fiscal years. According to the Japanese Ministry of International Trade and Industry (MITI), automobile exports accounted for more than one third ($16.8 billion of $43.3 billion) of Japan's trade surplus with the United States in the fiscal year running from April 1985 to March 1986. Japan first agreed to limit its car exports to the United States in 1981, at 1.68 million units. That quota held for three years, was expanded to 1.85 million in fiscal year 1984 and to the present 2.3 million in fiscal year 1985. In February 1987 Japan supplied the GATT secretariat with a statement on the voluntary restraints.

424. European Economic Community/Japan: In order to avoid new trade frictions the Japanese Ministry of International Trade and Industry (MITI) recommended that the automobile exporters in Japan moderate their car exports to the European Economic Community. Exports of Japanese cars to
the EEC are expected to reach 1.1 million units in fiscal year 1986 ending March 1987, compared with 995,000 units in fiscal year 1985 (see sub-section A.II(iv), paragraph 61 for further details).

Electronic products

425. **United States/Japan:** The arrangement on trade in semi-conductor products concluded between the United States and Japan in summer 1986 (L/6087, paragraph 296) was notified to GATT on 6 November 1986 (L/6076). The European Communities and a number of other contracting countries on several occasions expressed concern relating to certain provisions of the arrangement. The European Communities held consultations with Japan and the United States under Article XXII of the General Agreement on the matter in November 1986 and January 1987. The EEC's aims in these consultations were in particular to obtain the revocation of the clause concerning "monitoring" by Japan of prices of semi-conductors exported to countries other than the United States; to ensure non-discriminatory access to the Japanese market for semi-conductors; and to gather information of legitimate interest to other contracting parties in respect of the arrangement, its functioning and relevant parallel agreements (L/6129). No satisfactory settlement was obtained during the consultations and the Communities asked during the Council meeting on 4 March for establishment of a Panel to examine whether the accord complied with GATT rules; the Panel was agreed on 15 April.

426. The United States and Japan held talks on the semi-conductor trade arrangement amid complaints that the agreement was not fully honoured by either party (see A.II). In February 1987, Japan's Ministry for International Trade and Industry instructed the Japanese semi-conductor industry to cut production by 20 per cent during six weeks. In April 1987, the United States imposed 100 per cent ad valorem tariffs aimed at goods made by certain Japanese companies producing semi-conductors and which, it was claimed, were dumping micro chips in third-country markets (see A.II(v) for fuller details).

Footwear

427. **Canada/Italy and Spain:** In February 1987, the Canadian government was reported to have consulted with the governments of Spain and Italy in an effort to maintain these countries' footwear exports at traditional levels. According to reports, both Italy and Spain have not accepted the need to be prudent in their footwear exports to Canada.

428. **Canada/Taiwan:** According to reports, the Canadian government has also asked the Taiwan Shoe Manufacturers' Association to accept voluntary restraints on shoe exports to the Canadian market.
Textiles

429. EC/Egypt, Malta, Morocco, Tunisia and Turkey: During the period under review the EC Commission established, in the context of Administrative Co-operation Agreements, agreed indicative export quota levels with the afore-mentioned countries.

430. Japan/Republic of Korea and Taiwan: According to Japanese press reports, the Ministry of International Trade and Industry (MITI) of Japan has asked Taiwan's and South Korea's textile companies to curb certain textile exports to Japan (see A.II).

431. United States/Bangladesh, Brazil, China, Egypt, India, Mauritius, Pakistan, Sri Lanka and Yugoslavia: The United States announced in November 1986 that limitations on certain textile and apparel imports from 10 countries, not currently covered under existing control agreements, would be imposed by the US Administration if those countries failed to agree to voluntary restraints on exports to the United States. The deadline was set for reaching agreement before the United States would unilaterally impose mandatory quotas.

432. The following notifications of relevance to this section were made during the period October 1986-March 1987 to the Textiles Surveillance Body in accordance with a request by the Textiles Committee that participating countries notify any actions or measures taken regarding trade in textiles with non-participating countries:

433. European Economic Community/Bulgaria: Additional Protocol to the Bilateral Agreement between the EEC and Bulgaria (COM.TEX/SB/1224).


435. The Textiles Surveillance Body also received the following notifications made under Article 7 and 8 and concerning former participants which had not as yet accepted the MFA as extended by the 1986 Protocol:

Canada/Maldives

436. Canada notified a bilateral agreement concluded with Maldives for the period 1 January 1986 to 31 December 1990, covering several clothing product groups (COM.TEX/SB/1234).

United States/Jamaica

437. The United States notified a bilateral agreement with Jamaica for the period 1 September 1986 to 31 December 1989. This agreement superseded the previous consultation agreement between the parties (COM.TEX/SB/1236).
United States/Maldives

438. The United States notified the extension of its bilateral agreement with Maldives covering merged Category 445/446 by a three-year period from 29 September 1985 to 28 September 1988 (COM.TEX/SB/1237).

Agriculture

439. European Economic Community/Brazil, China, Indonesia and Thailand: The EEC has agreed on the level of imports of manioc at the concessionary ad valorem levy of 6 per cent from Thailand, Brazil, China and Indonesia (see sub-section A.II, paragraph 86 for details).

440. United States/Canada: The United States and Canada reached an agreement on 31 December 1986 to end a US countervailing duty action on Canadian softwood lumber. The agreement stipulates that a 15 per cent export tax will be imposed by Canada on the country's exports of softwood lumber to the United States. The tax is expected to be gradually phased out as Canada's provincial stumpage fees are increased by the same amount. A deadline for the change-over was not set. The Canadian lumber shipments amounted to $2.88 billion in 1985.

Miscellaneous

441. Towards the end of the period under review it was reported that Poland had accepted the need to voluntarily restrain its shipments to Denmark of porcelain.

II. Countertrade

442. Although the extent of countertrade continues to remain controversial, there is no evidence of decline in this form of trading during the period under review. A number of countries including Ghana, India, Turkey and Thailand were reported to have taken steps to intensify their countertrade policies. Government-to-government countertrade arrangements were particularly frequent in the case of crude oil (despite the OPEC's official disapproval of such deals); a number of bulk commodities also figured in such transactions as part of attempts to maintain market shares and for the purpose of pursuing various other objectives in the context of development and industrialization policies. External financial stringency among developing countries and countries of the Eastern Trading Area continued to provide a stimulus to countertrade. Moreover, depressed demand for a number of commodities exported by these countries has increased pressures to engage in compensation arrangements.

443. According to reports, Thailand is set to join Indonesia and Malaysia as the leading South-East Asian trading nations with government-established
countertrade policies. The aim of the wide-ranging countertrade programme initiated by the Thai Government in 1987 is to boost exports of goods affected by low prices and market surpluses. The programme is expected to emphasize the sale of such agricultural primary commodities as rice, rubber, maize and tapioca. State-to-state and state-to-private sector dealings involving countertrade are subject under the programme to government approval on a case-by-case basis.

444. In December 1986, India approved a new policy to encourage countertrading. According to reports, the policy, which is controlled by the Ministry of Commerce, is that government departments and agencies should aim broadly for at least 25 per cent of countertrade in all projects, excluding costs offset by aid. Negotiations on purchases for commodities and defense equipment are to aim for anything between 5 per cent and 100 per cent, depending on the market conditions. There was little countertrade in India until 1985, apart from long-established trade with the Soviet Union and other countries of the Eastern Trading Area.

445. The major aim of a new countertrade policy in Ghana is to use various forms of compensation to finance project work rather than the import of consumer goods. The new policy emphasizes the sale of such goods as furniture, salt, pineapples, copra, fish products (particularly tuna) and aluminium.

446. Turkey started advising foreign companies bidding for tenders that it would give preference to those which can arrange offset deals for Turkish exports to cover part of their costs. This move applies to all public sector import orders of more than $1 million, as well as to all international tenders.

447. Countertrade in the oil markets seemed to continue at the previous pace. Many firms accepted crude oil as payment for execution of large industrial projects in the developing countries or the supply of the industrial equipment. A large portion of the countertrade involving oil relied on government-to-government arrangements.

448. Turkey and Iran have concluded an oil supply deal for 1987, and agreed to study new proposals for oil and gas pipelines. Turkey is to buy Iranian crude oil at official OPEC prices. (A price dispute in 1986 considerably reduced Turkish purchases from Iran in 1986.)

449. Indonesia, itself one of Asia's largest oil producers, has agreed to import, under a countertrade arrangement, large quantities of Iranian crude oil. The crude is to be processed in an Indonesian refinery and possibly resold in international markets. No details were given of the commodities Iran will buy in return from Indonesia. The Trade Ministry of Indonesia announced that, up to the end of July 1986, the total value of countertrade contracts, which were made effective in January 1982, reached more than US$1.5 billion.
450. Sri Lanka has concluded a countertrade arrangement with Iran. In 1987 Sri Lanka is to buy 240,000 tonnes of crude oil from Iran (about 4,800 barrels a day) and Iran has agreed to take at least 13 million kgs. of Sri Lankan tea. Sri Lanka is also involved in crude-for-tea countertrade arrangements with Iraq and Egypt. Iran buys more than half its tea imports under countertrade arrangements with India which continues to purchase large quantities of Iranian crude oil.

451. The existence of linked trading obligations involving crude oil also became apparent in trade relations between France and the Soviet Union. In January 1987 the French Government announced the decision to reduce by about 50 per cent its purchases of oil from the Soviet Union as long as the Soviet state-trading organizations do not increase their imports from France. In 1986 France reported a deficit of FF 4 billion in its trade with the Soviet Union.

452. The European Parliament adopted, in October 1986, a resolution on countertrade (Official Journal of the European Communities No. C297/10). The resolution, inter alia, expressed concerns that countertrade represents a clear departure from the normal procedures of the international trading system, as established by GATT.

III. Bilateral trade agreements

453. The new bilateral trade agreements noted by the secretariat during the period October 1986 to March 1987 are described in more detail in Appendix IV. The number of the agreements listed in the Appendix is not exhaustive and only covers agreements in which at least one country is a contracting party to GATT; a major characteristic of the information obtained by the secretariat is the lack of transparency of such agreements.

454. Compared to the previous period (see L/6087, Appendix IV), the number of new bilateral trade agreements noted has increased from 22 to 26. As in previous periods, the large majority of the bilateral trade agreements were signed with countries belonging to the Eastern Trading Area, for which bilateral trade agreements are important trade policy instruments. Because of the difficulties arising for many developing countries from their foreign exchange and balance-of-payments situation, bilateral trade agreements are also being concluded between these countries so as to encourage growth of their trade.

455. Particularly noteworthy are: the agreement signed between Brazil and the German Democratic Republic which provides for a 50 per cent increase in trade between 1987 and 1990; the agreement between Czechoslovakia and India to increase trade by two-and-a-half times between 1986 and 1987; the agreement between India and the Soviet Union, which makes the Soviet Union India's most important trading partner; and the agreement between Tunisia and Morocco under which goods are to be traded free of import
duties and taxes, except for the taxes applied to the national production of either country.

456. The new trade agreements noted by the secretariat are largely additional to those listed in previous reports for Special Council meetings, many of which remain in force for a number of years.
APPENDIX I

NOTIFICATIONS RELATED TO PARAGRAPH 2 OF THE 1979 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, applicable to contracting parties generally, is provided in documents C/III, 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 October 1986-March 1987 with respect to Articles II, VI, IX, XI, XVI, XVII, XVIII:A,C,D, XXII, XXIII, XXIV, XXV, XXVII 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.)

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

No notifications have been received.

Article IX - Marks of origin

No notifications have been received.

Article XI - Quantitative restrictions

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

1BISD 26S/210
(a) Technical Group on Quantitative Restrictions and Other Non-Tariff Measures

At their November 1986 Session, the CONTRACTING PARTIES terminated the Group on Quantitative Restrictions and Other Non-Tariff Measures and established instead a technical group to update and analyze the existing documentation in accordance with the timetable and procedures agreed by the CONTRACTING PARTIES in 1984 and 1985. The technical group has already held one meeting in March 1987 to finalize the documentation built up by the Group on Quantitative Restrictions and Other Non-Tariff Measures.

(b) Licensing

In accordance with a decision taken at the 28th Session of the CONTRACTING PARTIES, contracting parties are invited every year to communicate to the secretariat by 30 September any data on their licensing systems necessary to bring up-to-date their individual country data (SR.28/6 and L/3756, paragraph 76). L/5640/Rev.3 contains the status of notifications as of 6 March 1987. Since then, notifications have been submitted by Peru, Poland and Uruguay.

Annex I following contains a table showing notifications received since 1981.

Article XVI - Subsidies

On 14 January 1987, contracting parties were asked to submit new and complete notifications on the subsidy measures which they maintain, in accordance with the Decision of the CONTRACTING PARTIES taken at their twentieth session under which every contracting party should submit every third year, new and full notifications (BISD, 11S/58). So far, only two notifications have been submitted by Hong Kong and Finland.

Annex II following contains a table showing notifications received since 1981.

Article XVII - State trading

In accordance with the Decision of the CONTRACTING PARTIES adopted at their twentieth session (BISD 11S/58), contracting parties were requested on 23 December 1986 to submit new and full notifications on their state trading measures (L/6107). Notifications have so far been received from five contracting parties (Finland, Hong Kong, Japan, Sweden and Yugoslavia).

Annex III to Appendix I contains a table showing notifications received since 1981.
**Article XVIII:A,C,D** - Governmental assistance to economic development

No notifications have been received.

**Article XXII - Consultations**

(See also matters listed under the Director-General's report on the status of disputes (C/148)).

In October 1986, the European Communities requested consultations with Japan and the United States with respect to the implications for Community imports and exports of semi-conductors created by the bilateral arrangement concluded on trade in these products by those two countries on 2 September 1986 (L/6039, L/6076). Such consultations were held in November 1986 and January 1987, with the participation of a number of other contracting parties. However, because no satisfactory settlement was reached on the problem, the European Communities requested in February 1987, the establishment of a panel, in accordance with the procedures of Article XXIII:2 (L/6120). At the Council meeting on 4 March 1987, Japan and the United States stated that there were no issues connected to this matter which could be raised in dispute settlement and Japan expressed its willingness to continue the Article XXII:1 or Article XXIII:1 consultations on it. At its meeting held on 15 April 1987, the Council agreed to establish a panel to examine the matter.

In February 1987, Colombia requested consultations with the European Communities, under Article XXII:1 procedures, on an Italian bill which would eliminate the consumer tax for bananas imported only from the ACP countries or territories associated with the EEC, alleging that it violated the provisions of Articles I and III of the General Agreement. The European Communities accepted this request.

**Article XXIII - Nullification and impairment**

In October 1986, the United States requested the establishment of a panel, pursuant to Article XXIII:2, on restrictions maintained by Japan on imports of herring, pollock and surimi, on the grounds that they contravened Article XI (L/6070). Japan considered that in view of ongoing Article XXIII:1 consultations held on the subject, it was premature to review this matter under Article XXIII:2. At the meeting of the Council held on 4 March 1987, the two parties reported that progress had been made in the consultations and the United States did not press for the establishment of a panel, though it reserved its right to do so at a future date, should the issue not be resolved to its satisfaction.

At its meeting on 27 October 1986, the Council established a panel under Article XXIII:2 to examine restrictions by Japan on imports of 12 categories of agricultural products, in pursuance of a request made by the United States in July 1986.
In October 1986, the European Communities asked for the establishment of a panel under Article XXIII:2 to examine customs duties, taxes and labelling practices maintained in Japan on imported wines and alcoholic beverages (L/6078). However, Japan stated that in the consultations held on the subject, the question of GATT legality had not been discussed because attempts had been made to find a practical solution to the problem. It therefore favoured the holding of Article XXIII:1 consultations on the subject. Following consultations among interested parties, a panel was established under Article XXIII:2 at the Council meeting on 4 February 1987.

At its meeting on 4 February 1987, the Council examined requests by Canada and the European Communities for the establishment of a Panel, and by Mexico for the good offices of the Director-General, on the Superfund Amendments and Authorization Act of 1986 which introduced discriminatory taxes by the United States on imported petroleum and petroleum products (L/6085, L/6080, L/6114). Such a panel was established on the understanding that it would look at the specific details of each complaint.

In February 1987, Canada and the European Communities asked for the establishment of a panel to examine under Article XXIII:2 the application of ad valorem customs user fees on imports into the United States, as part of the Consolidated Omnibus Budget Reconciliation Act (L/6130, L/6131). In their view these fees violated the provisions of Articles II and VIII. At the Council meeting on 4 March 1987, the United States responded that the ad valorem fee was neither inconsistent with the General Agreement nor impairing trade. However, the Council agreed to establish a panel to examine the two complaints.

In February 1987, the United States requested the establishment under Article XXIII:2 of a panel to examine the prohibition in Canada of exports of unprocessed herring and salmon, which was held to violate Article XI (L/6132). At the meeting of the Council which was held on 4 March 1987, agreement was reached on the establishment of a panel.

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

At its meeting on 4 February 1987, the Council took note of the most recent biennial reports on the Agreements between the European Communities and the member states of EFTA, Austria (L/6110), Finland (L/6115), Iceland (L/6116), Norway (L/6117), Portugal (L/6118), Sweden (L/6119) and Switzerland (L/6120). A number of contracting parties reserved their rights with respect to the assumption contained in the reports that the free-trade area between the European Communities and the member States of EFTA had been achieved and that therefore no further reports were necessary.

In December 1986, the European Communities communicated to contracting parties the text of the Third Lomé Convention concluded with 66 African, Caribbean and Pacific States which had entered into force on 1 May 1986.
(L/6103 and Add.1). On 4 March 1987, the Council established a working party to examine the Convention in the light of the relevant provisions of the General Agreement, and to report to the Council.

Article XXV – Joint action by the CONTRACTING PARTIES

See Appendix II - Waivers.

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

During the period under review, Australia, Canada, Austria and Czechoslovakia notified their intention to enter into negotiations of their schedules in view of the implementation of the Harmonized System.

Additionally, Austria, Australia and the European Communities have notified changes to their schedules under the provisions of Article XXVIII:5.

Article XXXVII:2(a) – Non-fulfillment of Article XXXII: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. At their November 1986 session, the CONTRACTING PARTIES agreed that consultations should be linked with a view to establishing guidelines for action relating to trade in domestically prohibited goods and that a report on such consultations be submitted to the CONTRACTING PARTIES at their November 1987 session.

Notifications received so far from 32 contracting parties (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 and member States, Finland, Japan, Sweden, Switzerland and the United States contain information on relevant legislation in this area.
ANNEX I TO APPENDIX I

NOTIFICATIONS UNDER GATT PROCEDURES ON IMPORT/licensing

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ANNEX II 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 notifications, as some of the full notifications due in 1981, and which appear in the 1981 column, have been made in 1982 or even in 1983.

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

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¹No notifications have been received since 1978 from other contracting parties.
This Appendix reviews notifications during the period 30 October 1986 to 31 March 1987 under requirements applying only to certain contracting parties.

(a) Accession protocols

- **Romania**, paragraphs 3(b) and 5: the Protocol for the Accession of Romania (BISD 18S/5) provides for biennial consultations to be held between Romania and the CONTRACTING PARTIES in a working party to be established for this purpose, in order to review the development of reciprocal trade and measures taken under the terms of the Protocol. The Council established a working party at its meeting on 5-6 November 1986.

- **Switzerland**: The Working Party established by the Council in October 1984 to conduct the sixth triennial review of the application of the provisions of paragraph 4 of the Protocol of Accession reported to the Council in June 1986. The Swiss authorities presented their annual reports for the years 1984 and 1985, which were circulated in document L/6101 of 22 December 1986.

(b) Waivers

- **ACP - EEC Third Convention of Lomé**
  
  Information concerning the ACP-EEC Third Convention of Lomé was circulated in document L/6109 and Add.1. On 4 March 1987, the Council established a Working Party to examine the Third ACP-EEC Convention of Lomé and to report to the Council (C/M/207).

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

  Egypt informed the GATT on 30 March 1987 that it had abolished the above-mentioned tax on imports by Law No. 178/1986 as from 22 August 1986.

- **United States: Agricultural Adjustment Act**

  On 15 July 1986 (C/M/201), the Council had established a Working Party to examine the twenty-eighth annual report (L/5981 and Corr.1) submitted by
the United States under the Decision of 5 March 1955 (BISD 3S/32). The Working Party met on 29 and 30 October 1986 and 5 March 1987. In response to requests from members of the Working Party, the United States made available additional information which was issued as document L/5981/Add.1.

- **United States - Caribbean Basin Economic Recovery Act**

  On 4 March 1987, the Council considered the first biannual review under the Decision of 15 February 1985 (L/5779) and agreed to revert to this item at its next meeting.

  On 3 April 1987, the United States circulated the second annual report (L/6146) under the Decision of 15 February 1985 (L/5779).

(c) **Committee on Trade and Development**

At the meeting of the Committee in November 1986, the Chairman stated that there appeared to be a general consensus that with the start of the Uruguay Round, the Committee on Trade and Development should have an important rôle in keeping under review the progress of the negotiations from the point of view of developing countries. It was understood that in carrying out this work, the Committee would not duplicate or interfere with the work of the negotiating bodies under the TNC. There was also a general understanding in regard to continuing - given the renewed significance of its rôle - the Sub-Committee on the Trade of Least-Developed Countries. There also was a consensus that the Sub-Committee on Protective Measures should remain on call, to be activated as and when the Committee should deem it useful or necessary (L/6072).

(d) **Protocol Relating to Trade Negotiations among Developing Countries**


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

No notifications have been received.
APPENDIX III

MTN Agreements and the Multi-Fibre Arrangement

The following main developments, relating to MTN Codes and the MFA and of relevance to this report, took place during the period October 1986 - March 1987.

(1) Agreement on Technical Barriers to Trade

The Committee agreed in October 1986 to recommend that any testing and inspection activity developed within the territories of Parties be based on the principles and rules presented in the Guides 25, 38, 39, 43 and 45 prepared by the International Standardization Organization (ISO) and by the International Electrotechnical Commission (IEC). It encouraged Parties to report on the use of principles and rules contained in these Guides as a basis for the activities of governmental and non-governmental bodies in their territories. The Committee agreed to the preparation of a non-exhaustive list subjects related to the Uruguay Round on the basis of suggestions made by a number of individual Parties (TBT/M/23).

On 23 February 1987, Mexico confirmed its undertaking to sign the Agreement (TBT/27).

In March 1987, the Committee granted observer status to the People's Republic of China (TBT/M/24).

(2) Agreement on Government Procurement

At a meeting on 21 November 1986, the Committee on Government Procurement agreed on a series of amendments to the Agreement. The amendments aim at making the Agreement a more effective instrument to open government markets to international competition. The changes are scheduled to go into force on 1 January 1988, thus allowing participating governments necessary time for the appropriate amending legislation. The modifications include inter alia: (i) the lowering of the threshold of the Agreement from SDR 150,000 to SDR 130,000; (ii) the inclusion of leasing, rentals or hire purchases (so far only purchases have been covered); (iii) the prohibition of discrimination against locally established firms, on the basis of their degree of foreign affiliation or ownership, or because they supply foreign goods; (iv) strengthened language to ensure competition (a) if entities seek or accept advice from companies in the process of preparing technical specifications prior to inviting bids, and (b) if they accept option clauses; and (v) strengthened language to ensure that discrimination does not occur, or that unnecessary obstacles are not created when entities qualify potential suppliers. A number of further improvements to the Agreement also include: (i) more minimum information to be given in the tender notices; (ii) increased minimum time-limits in
the various phases of the tendering procedure (generally increased from 30 to 40 days); (iii) a new provision concerning details to be published after the contract award, including value, the name of the winning tenderer, etc; and (iv) technical assistance, where possible, to developing country suppliers in overcoming language problems.

The Committee met on 12 February 1987 and granted observer status to the People's Republic of China. It was also decided that all three areas covered in the service contracts Article IX:6 negotiations, i.e. the broadening and improvements of the Agreement, shall be handled by the Informal Working Group on Negotiations (L/6128).

In February 1987, the European Economic Community requested consultations with the United States under Article VII:3 of the Agreement with respect to the part of House Joint Resolution No. 738 on Continuing Appropriations for fiscal year 1987 which refers to the Procurement of machine tools to the Department of Defense. In the United States, Section 9115 of the House Joint Resolution 758 provides that the Department of Defense may only procure certain machine tools if they have been manufactured in the United States or Canada. In the European Community's view, this amendment is not consistent with the provisions of the Agreement on Government Procurement (GPR/37).

In February 1987, the Committee agreed to a proposal by the EEC for a solution to the VAT dispute (L/6128).

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

At the request of the European Economic Community, the Committee on Subsidies and Countervailing Measures decided in October 1987 to establish a panel under Article 17:3 of the Agreement to review the facts of the countervailing duty investigation by Canada on boneless manufacturing beef from the EEC (SCM/M/32).

The Committee also heard and reviewed the facts related to the request by the EEC for conciliation under Article 17:1 of the Agreement regarding a countervailing duty investigation on pasta products from the EEC carried out by Canada. The Chairman of the Committee encouraged the signatories involved to step up their efforts to find a mutually acceptable solution which would be consistent with the Agreement (SCM/M/32, paragraph 194).

In February 1987, Mexico requested that formal procedures be initiated for Mexico's accession to the Agreement (SCM/81). The United States referred the Committee, under Article 16 of the Agreement, of the matter relating to the imposition by Canada of countervailing duties on imports of grain corn originating in, or exported from, the United States (SCM/82).
(4) Arrangement Regarding Bovine Meat

At its meeting in December 1986, the International Meat Council examined, as usual, national policies linked to trade in bovine meat and live animals and evaluated the world market situation and outlook. The Council also discussed proposals concerned with facilitating future assessments of the existence of a serious imbalance on the world bovine meat market.

(5) International Dairy Arrangement

In October 1986, the International Dairy Products Council expressed its concern at the serious situation in the butter market and stressed that close cooperation was absolutely necessary for solving of the current problems relating to production, trade, stock and prices of butter and milk fat. It also considered possible steps to be taken to deal with the situation (L/6051).

At its meeting of 19 March 1987, the International Dairy Products Council noted that world milk production had continued to increase at a rate of 1.5 per cent in 1986. The growth was expected to level off in 1987, assuming that measures applied in several countries to contain the production would yield the expected results (L/6143).

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

Favourable consideration was given to a request received from the People's Republic of China to be represented at meetings of the Committee on Customs Valuation; the Committee agreed to revert to this matter at its next meeting in May 1987 (L/6088).

The Committee also had an exchange of views on the activities of private companies engaged in the valuation of goods for customs purposes on behalf of governments. Widespread interest and concern was expressed by Parties and the exchange of views will continue.

On 23 February 1987, Mexico confirmed its undertaking to sign the Agreement (VAL/29).

(7) Agreement on Import Licensing Procedures

The Committee agreed in October 1986 to hold informal consultations to discuss the relationship of its work to the Uruguay Round.

At its meeting on 19 March 1987, the Committee was informed that the Council of Ministers of Poland had approved Poland's accession to the
Agreement. Poland had accepted the Agreement, subject to approval, in April 1986. At its March 1987 meeting, the Committee on Import Licensing agreed to welcome the People's Republic of China as an observer. Mexico confirmed its undertaking to sign the Agreement in May 1987 (LIC/11).

(8) Agreement on Trade in Civil Aircraft

In January 1987, the Committee finalized its work on the conversion of the Aircraft Annex into the Harmonized System and approved a Draft Protocol (AIR/62). This Protocol shall enter into force, for those signatories who have accepted it, on 1 January 1988, or on the date of entry into force of the International Convention on the Harmonized Commodity Description and Coding System, whichever is the later.

On 19 and 20 March 1987, a special meeting of the Committee took place at the request of the United States to clarify the interpretation of Articles 4 and 6 (AIR/M/19). The request calls for rules limiting government support for aircraft manufacturers to terms available commercially and for more disclosures by governments of the aid they provide to the aircraft industry.

The Committee met again on 25 March 1987, elected new officers and authenticated the text of the Agreement in Spanish.

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

The Committee adopted a revised standard form for the semi-annual report of anti-dumping actions (ADP/W/129).

Japan submitted guidelines for the conduct of anti-dumping investigations (ADP/Add.8/Suppl.1).


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

The TSB received a number of notifications of actions during the period 1 October 1986 to 31 March 1987. In several cases, one of the parties had not accepted the 1986 Protocol of Extension at the time of notification, but had participated in MFA III; the TSB transmitted such notifications under Articles 7 and 8; these have been marked by an asterisk; some of these parties have since accepted the 1986 Protocol, while others, at the
time of writing this report, have not. All notifications received are listed below:

**Austria**
New agreements concluded with Egypt*, India, Macao and Korea. The restraint agreement with Singapore replaced by a surveillance system.

**Canada**
New agreements concluded with Bangladesh, Maldives*, Turkey and with the following non-participants: North Korea, Mauritius and Vietnam. Modifications of agreements with Brazil and Pakistan*.

**EEC**
A modification of the agreement with Brazil. Additional Protocols to its agreements with the following partner countries following the accession of Spain and Portugal to the Community: Brazil, China*, Czechoslovakia*, Egypt*, Guatemala*, Haiti*, Hong Kong, Hungary, Indonesia, Korea, Macao*, Malaysia, Mexico, Pakistan*, Peru, the Philippines*, Poland*, Romania*, Singapore, Sri Lanka, Thailand, Uruguay, Yugoslavia* (not an MFA agreement) and Bulgaria, a non-participant. Quota adjustment on cotton yarn, notified under Article 8:4 consequent to alleged circumvention of agreement with Brazil; reference under Article 11:4 by Brazil regarding this quota adjustment.

**Finland**
New agreements with China*, Hong Kong, India, Korea, Macao, Pakistan*, Sri Lanka and Thailand.

**Norway**
A new agreement with China*.

**Sweden**
A modification of the agreement with the Philippines. Six-month extensions of agreements with India and Yugoslavia, pending negotiations of new agreements.

**United States**
Extensions with modifications of agreements with Hong Kong (superseding the last two years of the previous agreement), Hungary, Maldives*, Mexico, Thailand and Yugoslavia. New agreements with Czechoslovakia, Haiti*, Jamaica*, Singapore, and with Trinidad and Tobago, a non-participant. Modifications of bilateral agreements with Bangladesh, China*, Korea, the Philippines, Sri Lanka, Turkey and with Mauritius, a non-participant. Actions taken under Article 3:5 with respect to imports from Japan (with agreed bilateral solutions before TSB review). References under Article 11:4 by Brazil and by India regarding actions taken under the provisions of their bilateral agreements with the United States. Following TSB review of cases by Brazil, one action was rescinded and a solution found regarding the other; bilateral solutions were found on cases referred by India before TSB review. Bilateral solution was found regarding action reviewed under Article 3:5 with respect to imports of man-made fibre luggage from China.
Bilateral trade agreements between the following countries (given in alphabetical order) have come to the attention of the secretariat in the period under review (see also Section C.III - bilateral trade agreements).

Argentina - Brazil

Argentina and Brazil signed further agreements in respect of bilateral trade. As of 1987, 350 capital products are to be traded free of duty between the two countries. This list of goods is to be gradually extended with the intention of creating a common market (see Developments in the Trading System, April - September 1986, page 72).

Austria - German Democratic Republic

Austria and the German Democratic Republic signed a framework agreement covering economic co-operation. The agreement is intended to open sizable trade opportunities, with the most important areas being agricultural, consumer and industrial goods. Austria is to export, in 1987, 300,000 tons of bread- and feedgrain and expand substantially its wine and cheese sales to the GDR. The consumer goods agreement covers Austrian exports of $900 million for textiles, shoes, cosmetics and food in 1987. Austrian exports by the nationalized industries together with planned co-operation are valued at $1 billion. This includes exports of chemical products, refined steel, rolled steel and non-ferrous metals.

Brazil - German Democratic Republic

Brazil and the German Democratic Republic signed a trade protocol setting the goal for a $1.5 billion trade flow between January 1987 to December 1990. This represents an increase of 50 per cent above the present annual trade flow of about $250 million.

Canada - Czechoslovakia

In September 1986, Canada and Czechoslovakia signed a ten-year agreement on trade, economic and production co-operation. The trade agreement established a Mixed Commission which will review the execution of the agreement and make proposals for new trade possibilities.

Cuba - Ghana

Cuba and Ghana signed a two-year trade agreement, under which Cuba will export sugar, liquor and rum, explosives for mines, sulphuric acid, batteries, gypsum, pharmaceutical raw materials, refrigerators and gas
stoves. Ghana will export to Cuba cocoa beans, shea butter, logs and processed timber, aluminium products and furniture.

Cyprus - Soviet Union

Cyprus and the Soviet Union signed a five-year agreement 1986-1990 and a protocol extending until 1990 the long-term trade agreement which dates from 1976.

Czechoslovakia - India

Czechoslovakia and India agreed to increase bilateral trade in 1987 to 5 billion rupees from 1.93 billion rupees in 1986. Czechoslovakia will import more textiles, leather goods and machine industry products. India will increase its imports of metals and other goods.

Egypt - Soviet Union

Egypt and the Soviet Union signed a 1987 trade protocol providing for a trade turnover of about US$860 million.

Egypt - Sudan

On 6 February 1987, Egypt and the Sudan signed a trade protocol covering 1987 plus a long-term trade agreement. The trade protocol covers trade valued at $284.5 million, of which Egypt will export goods worth $120 million to the Sudan, while the Sudan will export, reciprocally, $80 million worth of products. The rest will be covered by barter trade amounting to $76 million and border trade of $8.5 million.

Ghana - Bulgaria

Ghana and Bulgaria signed a trade protocol under which Bulgaria will increase its purchases of Ghanaian cocoa by an additional 1,000 tons.

Greece - Bulgaria

Greece and Bulgaria signed two trade agreements under which Greece will import Bulgarian chemicals and other products and export agricultural goods and light manufactured products.

Hungary - Angola

Hungary and Angola signed a scientific-technical co-operation protocol for 1987 which also provides for the expansion of bilateral trade.

India - Poland

On 10 December 1986, India and Poland signed a trade agreement for 1987 in the framework of the five-year trade agreement between the two
countries. Under its provisions, India will import mainly machines, cargo-passenger and fishing vessels, mining equipment, marine engines, sulphur, hard coal, chemical products, non-ferrous metals and rapeseed oil from Poland.

In exchange, Poland will buy feeding stuffs, tea, pepper, cotton and cotton products, jute and jute products, iron ore, mica, textile machines and industrial equipment.

India - Soviet Union

On 12 November 1986, India and the Soviet Union signed a trade protocol for 1987. The protocol adds new items to India's imports from the Soviet Union, including coking coal, abrasive goods, selenium, antimony, soda ash, PVC and polystyrene. India will also increase its imports of crude oil, fertilizers, synthetic rubber and newsprint. The Soviet Union has become India's largest trading partner.

India - Yugoslavia

On 23 October 1986, India and Yugoslavia signed an agreement which extends the 1984 trade agreement until the end of September 1988. The agreement envisages balanced trade between the parties.

Italy - Malta

Italy and Malta signed a bilateral agreement on economic, financial and technical co-operation for the period 1987-1990. Italy is to grant Malta credits of Lira 180 billion under preferential conditions with which Maltese imports of raw materials and manufactured goods, as well as development projects, are to be financed.

Madagascar - Soviet Union

Madagascar and the Soviet Union signed a long-term agreement on trade, economic, scientific and technical co-operation for the period 1986-2000.

Malta - Soviet Union

On 24 November 1986, Malta and the Soviet Union signed a trade protocol for the period 1987-1990. Under the protocol, Malta will import from the Soviet Union cars, machine tools, equipment for ships, oil products, household appliances and other goods. Malta will export to the Soviet Union staple products and will build and repair ships to Soviet specifications.

Morocco - Tunisia

Morocco and Tunisia signed a trade agreement under which goods which, under the rules or origin applicable are considered to be of origin in
either country, can be imported free of import duties and taxes, except for taxes applied to the national production of either country.

Pakistan - Bulgaria

On 20 January 1987, Pakistan and Bulgaria signed a trade agreement which envisages trade worth $150 million in 1987. Pakistan will export cotton, cotton goods, leather and knitwear and will import from Bulgaria transformers, electrical substations, electric trucks and hoists, metals, chemicals, medicines and synthetic fibres.

Poland - Uruguay

Poland and Uruguay signed a five-year trade agreement which will be automatically renewed each year after the five years, unless it is declared annulled.

Rwanda - Uganda

On 13 August 1984, Rwanda and Uganda signed a five-year trade agreement, which is renewable by joint decision. The agreement fixes the list of exports from Uganda to Rwanda and vice-versa, and it also makes provision for trade in services.

Thailand - Yugoslavia

On 21 January 1987, Thailand and Yugoslavia signed a trade agreement for 1987 which provides for trade worth $40 million.

United Kingdom - Soviet Union

The United Kingdom and the Soviet Union signed a long-term credit and financing agreement aimed at British exports of capital goods and equipment to the Soviet Union during the next four years. The agreement allows for the United Kingdom Export Credits Guarantee Department to underwrite commercial loans made by British commercial banks for exports to the Soviet Union.

Yugoslavia - Zambia

On 14 November 1986, Yugoslavia and Zambia signed an economic co-operation protocol which also provides for the expansion of bilateral trade.
## APPENDIX V (a)

EXPORT RESTRAINT ARRANGEMENTS INCLUDING VOLUNTARY EXPORT RESTRAINTS, ORDERLY MARKETING ARRANGEMENTS, EXPORT FORECASTS, BASIC PRICE SYSTEMS, INDUSTRY-TO-INDUSTRY ARRANGEMENTS, ETC.

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<th>Duration</th>
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<td>Price monitoring system</td>
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<td>Global arrangements on steel specifying export quotas</td>
<td>1985-1989</td>
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<td>United States/Venezuela</td>
<td>Steel and steel products</td>
<td>Global arrangement on steel specifying export quotas</td>
<td>1985-1989</td>
</tr>
<tr>
<td>United States/Yugoslavia</td>
<td>Steel and steel products</td>
<td>Global arrangement on steel specifying export quotas</td>
<td>1986-1989</td>
</tr>
<tr>
<td>United States/Taiwan</td>
<td>Steel</td>
<td>Export quota: 20,000-25,000 metric tons per month</td>
<td>1987</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>---------</td>
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<td>----------</td>
</tr>
<tr>
<td><strong>MACHINE TOOLS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>NC lathes and machining centres</td>
<td>Unilateral minimum price monitoring system</td>
<td>1987</td>
</tr>
<tr>
<td>EEC(UK)/Japan¹</td>
<td>NC lathes and machining centres</td>
<td>Industry-to-industry arrangement</td>
<td>1987</td>
</tr>
<tr>
<td>United States/Japan</td>
<td>Machine centres, lathes, punching and shearing machines and milling machines</td>
<td>Voluntary restraint arrangement</td>
<td>1986-1991</td>
</tr>
<tr>
<td>United States/Switzerland²</td>
<td>Machine tools</td>
<td>US unilateral monitoring with reference level (generally 1985)</td>
<td>1987</td>
</tr>
<tr>
<td>United States/Taiwan</td>
<td>Machining centres, lathes and milling machines</td>
<td>Voluntary restraint arrangement</td>
<td>1987</td>
</tr>
<tr>
<td><strong>AUTOMOBILES AND ROAD TRANSPORT EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Automobiles</td>
<td>Monitoring system (Unilateral export moderation)</td>
<td>1987</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>---------</td>
<td>-----------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>EEC(Italy)/Japan</td>
<td>Motorcycles up to 380cc: 1,800 units</td>
<td>Import quota</td>
<td>1977-</td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Forklift trucks</td>
<td>Monitoring system</td>
<td>1986-1987</td>
</tr>
<tr>
<td>EEC(France)/Japan</td>
<td>Automobiles</td>
<td>Import restrictions through administrative guidance to importers: ceiling at 3% of market</td>
<td>1977-</td>
</tr>
<tr>
<td>EEC(France)/Japan</td>
<td>Motorcycles of a cylinder capacity of 50cm$^3$ or less</td>
<td>Import restriction through surveillance system and administrative guidances to importers</td>
<td>1982-</td>
</tr>
<tr>
<td>EEC(Italy)/Japan</td>
<td>Jeeps and other automobiles</td>
<td>Import quota: 3,300 units for 1986</td>
<td>1970-</td>
</tr>
<tr>
<td>EEC(UK)/Japan</td>
<td>Automobiles</td>
<td>Industry-to-industry arrangement (ceiling at 11% of estimated UK sales)</td>
<td>1980-</td>
</tr>
<tr>
<td>EEC(UK)/Japan</td>
<td>Light commercial vehicles up to 3 1/2 tons</td>
<td>Industry-to-industry arrangement (ceiling at 11% of estimated UK sales)</td>
<td>1975-</td>
</tr>
<tr>
<td>EEC(UK)/Japan</td>
<td>Heavy commercial vehicles over 3 1/2 tons</td>
<td>Industry-to-industry understanding that shipments will not be made</td>
<td>1975-</td>
</tr>
<tr>
<td>Norway/Korea, Rep. of</td>
<td>Pneumatic tyres for motor cars</td>
<td>Voluntary export restraints (unilateral quota)</td>
<td>1974-1986</td>
</tr>
<tr>
<td>United States/Japan</td>
<td>Passenger cars</td>
<td>Auto-limitation of 2.3 million cars for the current fiscal year</td>
<td>1981-1987</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td><strong>ELECTRONIC PRODUCTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Colour TV sets</td>
<td>Monitoring system</td>
<td>1983-1986</td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Colour TV tubes</td>
<td>Monitoring system</td>
<td>1983-</td>
</tr>
<tr>
<td>EEC/Japan</td>
<td>Video tape recorders</td>
<td>Monitoring system (Auto-limitation of 1.7 million units a year on a final product basis)</td>
<td>1983-1986</td>
</tr>
<tr>
<td>EEC(Italy)/Japan</td>
<td>Car radios, hi-fi radios, radios, radio recorders, TV sets, cameras and antennae</td>
<td>Import quota set in US $</td>
<td>1970-</td>
</tr>
<tr>
<td>EEC(France)/Japan</td>
<td>Video tape recorders</td>
<td>Visa administratif préalable</td>
<td>1983-</td>
</tr>
<tr>
<td>EEC(UK)/Korea, Rep. of</td>
<td>Television sets (colour &amp; B/W)</td>
<td>Industry-to-industry arrangement</td>
<td>1985-</td>
</tr>
<tr>
<td>United States/Korea, Rep. of</td>
<td>Video cassette recorders, microwave ovens, TV sets</td>
<td>Auto-limitation</td>
<td>July 1987-</td>
</tr>
<tr>
<td><strong>FOOTWEAR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada/Korea, Rep. of</td>
<td>Footwear not covered by global quota</td>
<td>Unilateral export restraint</td>
<td>1986-1987</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------</td>
<td>---------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Canada/Taiwan</td>
<td>Footwear not covered by global quota</td>
<td>Unilateral export restraint</td>
<td>1987</td>
</tr>
<tr>
<td>EEC(UK)/Korea, Rep. of⁵</td>
<td>Footwear</td>
<td>Industry-to-industry arrangement</td>
<td>1977-</td>
</tr>
<tr>
<td>EEC/Korea, Rep. of</td>
<td>Footwear</td>
<td>Industry-to-industry arrangement</td>
<td>1982</td>
</tr>
</tbody>
</table>

**TEXTILES (arrangements concluded outside the MFA)**

<table>
<thead>
<tr>
<th>Importing Country/Exporting Country</th>
<th>Product</th>
<th>Major Element of Restraint</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada/Maldives</td>
<td>Textiles and clothing</td>
<td>Export quota</td>
<td>1986-1990</td>
</tr>
<tr>
<td>EEC/Egypt⁶</td>
<td>Cotton thread</td>
<td>Indicative export quota</td>
<td>1987</td>
</tr>
<tr>
<td>EEC/Egypt⁶</td>
<td>Cotton fabrics</td>
<td>Indicative export quota</td>
<td>1987-1989</td>
</tr>
<tr>
<td>EEC/Malta⁶</td>
<td>Textile products</td>
<td>Indicative export quota</td>
<td>1987</td>
</tr>
<tr>
<td>EEC/Turkey⁶</td>
<td>Textile products</td>
<td>Indicative export quota</td>
<td>1987</td>
</tr>
<tr>
<td>EEC/Tunisia⁶</td>
<td>Woven cotton fabrics and trousers</td>
<td>Indicative export quota</td>
<td>1987-1989</td>
</tr>
<tr>
<td>EEC/Morocco⁶</td>
<td>Apparel</td>
<td>Indicative export quota</td>
<td>1987-1989</td>
</tr>
<tr>
<td>Japan/Pakistan</td>
<td>Cotton goods</td>
<td>Export quotas</td>
<td>1987-</td>
</tr>
<tr>
<td>Japan/Korea, Rep. of</td>
<td>Cotton yarn</td>
<td>Industry-to-industry arrangement</td>
<td>1983-1987</td>
</tr>
<tr>
<td>Japan/Korea, Rep. of</td>
<td>Certain apparel</td>
<td>Request for restraint</td>
<td>1987</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>----------------------------------------------</td>
<td>----------------------------------</td>
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</tr>
<tr>
<td>Japan/Korea, Rep. of</td>
<td>Silk yarn and fabrics</td>
<td>Export quota</td>
<td>1976-1987</td>
</tr>
<tr>
<td>Japan/Korea, Rep. of</td>
<td>Raw silk</td>
<td>Export quota</td>
<td>1974-</td>
</tr>
<tr>
<td>Japan/China</td>
<td>Silk yarn</td>
<td>Export quota</td>
<td>1986-1987</td>
</tr>
<tr>
<td>United States/Bulgaria</td>
<td>Woollen coats</td>
<td>Export quota</td>
<td>1986-1989</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/El Salvador</td>
<td>Cotton yarn</td>
<td>Export quota</td>
<td>1987-1989</td>
</tr>
<tr>
<td>United States/Haiti</td>
<td>Textiles and apparel</td>
<td>Guaranteed access levels</td>
<td>1987-1989</td>
</tr>
<tr>
<td>United States/Mauritius</td>
<td>Certain cotton and non-MFA textile products</td>
<td>Export quota</td>
<td>1986-1990</td>
</tr>
<tr>
<td>United States/Taiwan</td>
<td>Textiles and apparel</td>
<td>Growth rate of exports</td>
<td>1986-1991</td>
</tr>
<tr>
<td>United States/Trinidad and Tobago</td>
<td>Textiles and apparel</td>
<td>Guaranteed access levels</td>
<td>1986-1989</td>
</tr>
</tbody>
</table>

**AGRICULTURAL AND FOOD PRODUCTS**

<table>
<thead>
<tr>
<th>EEC/Argentina, Australia, Austria, Bulgaria, Czechoslovakia, Hungary, Iceland, Poland, Romania and Yugoslavia</th>
<th>Live sheep or goats and meat thereof</th>
<th>Export quota</th>
<th>1980-</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEC/Austria, Finland, Norway</td>
<td>Cheese</td>
<td>Discipline in reciprocal trade</td>
<td>1985-1986</td>
</tr>
<tr>
<td>EEC/Chile/other non-member countries</td>
<td>Live sheep or goats, and meat thereof</td>
<td>Import restrictions for countries with which VERS were not negotiated</td>
<td>1980-</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>----------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>EEC/Korea, Rep. of</td>
<td>Canned mushrooms</td>
<td>Unilateral quota</td>
<td>1978-</td>
</tr>
<tr>
<td>EEC/New Zealand</td>
<td>Live sheep or goats and meat thereof</td>
<td>Export restraint</td>
<td>1980</td>
</tr>
<tr>
<td>EEC/Thailand</td>
<td>Manioc</td>
<td>Export restraint</td>
<td>1987-1990</td>
</tr>
<tr>
<td>Japan/Korea, Rep. of</td>
<td>Tuna</td>
<td>Voluntary export restraints</td>
<td>1976-</td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEC(UK)/Korea, Rep. of</td>
<td>Metal flatware</td>
<td>Industry-to-industry arrangement</td>
<td>1987</td>
</tr>
<tr>
<td>EEC(BNL)/Korea, Rep. of</td>
<td>Metal flatware</td>
<td>Industry-to-industry arrangement</td>
<td>1987</td>
</tr>
<tr>
<td>EEC(UK)/Korea, Rep of</td>
<td>Stainless steel flatware</td>
<td>Industry-to-industry arrangement</td>
<td>1986</td>
</tr>
<tr>
<td>EEC(FRG)/Korea, Rep of</td>
<td>Stainless steel flatware</td>
<td>Industry-to-industry arrangement</td>
<td>1986</td>
</tr>
<tr>
<td>EEC(Denmark)/Poland</td>
<td>Porcelain</td>
<td>Voluntary export restraints</td>
<td>1987</td>
</tr>
<tr>
<td>EEC/Sweden</td>
<td>Kraftliner</td>
<td>Minimum price undertaking</td>
<td>1986-</td>
</tr>
<tr>
<td>Norway/Korea, Rep. of</td>
<td>Leather apparel</td>
<td>Voluntary export restraints</td>
<td>1978-1989</td>
</tr>
<tr>
<td>Importing Country/Exporting Country</td>
<td>Product</td>
<td>Major Element of Restraint</td>
<td>Duration</td>
</tr>
<tr>
<td>------------------------------------</td>
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</tr>
<tr>
<td>Norway/Korea, Rep. of</td>
<td>Ceramic ware</td>
<td>Unilateral quota</td>
<td>1985-</td>
</tr>
<tr>
<td>United States/Korea, Rep. of</td>
<td>Stuffed toys, pianos, leather bags, fishing rods, tarpaulin products and brassware</td>
<td>Auto-limitation</td>
<td>July 1987-</td>
</tr>
</tbody>
</table>

1. 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.
2. Measures objected to by exporting countries.
3. Arrangement applies irrespective of arrangements concluded by Japan with the EEC at the Community level.
4. Superseded by unilateral monitoring on the part of the exporting country.
5. Based on information received from the delegation of Korea. The importing country concerned considers this entry to be premature in the absence of agreement on the notifications of actions other than those of governments.
6. In the context of an Administrative Co-operation Agreement.
7. Excludes some 42 long-term agreements covering shipments of guaranteed quantities of wheat and coarse grains.
8. An understanding between EEC Commission and a few Swedish companies to respect certain minimum price of the exports of the product.
### APPENDIX V (b)

**OTHER MEASURES OF A LIMITATIVE NATURE, AFFECTING ALL SUPPLIERS, 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>Canada</td>
<td>All steel products (carbon and speciality steel)</td>
<td>Prior import/export permits required through monitoring system</td>
<td>1987-1990</td>
</tr>
<tr>
<td>EEC (France)</td>
<td>Tunny for industrial purposes</td>
<td>Embargo</td>
<td>1975-</td>
</tr>
<tr>
<td>EEC</td>
<td>Cultivated mushrooms in brine</td>
<td>Import licences</td>
<td>1980-</td>
</tr>
<tr>
<td>EEC</td>
<td>Preserved mushrooms</td>
<td>Protective measure to prevent circumvention of measures applying to mushrooms in brine and preserved cultivated mushrooms</td>
<td>1981-</td>
</tr>
<tr>
<td>Japan</td>
<td>Certain silk and fibre fabrics, ropes and cables</td>
<td>Prior import permission</td>
<td>1980-</td>
</tr>
</tbody>
</table>
APPENDIX VI

Anti-Dumping and Subsidy Investigations and Anti-Dumping and Countervailing Actions

The following covers instances where anti-dumping and subsidy investigations have been opened, and provisional and final anti-dumping and countervailing actions have been taken during the period October 1986 - March 1987.

- Canada
  - Imposition of countervailing duty

On 7 November 1986, after preliminary determination of subsidizing, Canada announced the imposition of a countervailing duty of US$1.05 per bushel on corn imported from the United States. The duty was imposed as a result of a petition filed by the Ontario Corn Producers Association charging that the United States subsidized its corn exports to Canada and that US price and income support programmes injured Ontario producers. A final determination of subsidizing was made on 2 February 1987. On 6 March 1987, the Canadian Import Tribunal issued an affirmative determination of injury.

- EEC
  - Countervailing duty investigation initiated - opening of inquiries

Imports into the EEC of urea (ex 31.02B and 31.02C) originating in Czechoslovakia, the German Democratic Republic, Yugoslavia, the Soviet Union, Trinidad and Tobago, Kuwait and Saudi Arabia are subject to an anti-dumping investigation. Imports had grown by over 1,000 per cent between the 1983/84 and the 1985/86 campaigns.

The European Commission ordered an anti-dumping inquiry of imports of microwave ovens from Japan, Singapore and the Republic of Korea after sales grew more than four times during the past four-year period.

The British Steel Corporation has filed an anti-dumping suit against imports of sections from Tokyo Steel Manufacturing. The EEC Commission is considering this case.

The EEC commission opened an inquiry into allegations that the Soviet Union is dumping mercury on the European market at below cost prices.
Imposition of anti-dumping duties


Council Regulation (EEC) No. 864/87 of 23 March 1987, published in the Official Journal on 27 March 1987, imposed a definitive anti-dumping duty on imports of standardized multi-phased motors having an output of more than 0.75 KW, originating in Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland and the Soviet Union and definitely collecting the amounts secured as provisional duties.


Extensions of provisional anti-dumping duties

The provisional anti-dumping duties imposed by the European Commission in October 1986 on imports of standardized multi-phase electric motors having an output of between 0.75 KW and 75 KW (ex 85.01 B.I.b) originating in Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania and the USSR were extended until 1 April 1987.

The anti-dumping investigation concerning imports into the EEC of Eastern European electric motors was extended to include imports of these motors from Yugoslavia (Official Journal of the European Communities of 8 November 1986).

In March 1987, the European Commission extended to the Soviet Union the anti-dumping procedures which were opened in respect to imports of ferro-silicium from Brazil in September of 1986.

- **Japan**

  - **Subsidy measure**

    In April 1987, Japan decided to set up a ¥10 billion fund in an effort to lower surging retail prices of domestic beef. The fund is to establish a benchmark ceiling for retail prices 3 per cent below the upper limit of the wholesale price range set by the Government. If the market price exceeds the ceiling, the difference will be compensated from the fund for retailers observing the governmental limit.

- **United States**

  - **Anti-dumping investigations initiated**

    The International Trade Commission initiated a preliminary anti-dumping investigation of certain welded carbon steel pipes and tubes from Taiwan.

    The ITC initiated a preliminary anti-dumping investigation on whether certain silica filament fabric imported from Japan is sold at less than fair value.

    The ITC initiated a preliminary anti-dumping investigation on allegations that fabric and expanded neoprene laminate from Taiwan was being sold in the US at less than fair price.

    The ITC began a final anti-dumping investigation into imports of tapered roller bearings and parts from Hungary, Italy, China, Romania and Yugoslavia.

  - **Preliminary affirmative determinations by the International Trade Commission and the Commerce Department**

    As a result of preliminary affirmative determination, the ITC continued its anti-dumping investigations of imports of tapered roller bearings and parts, and of housings incorporating tapered rollers from Hungary, Italy, Japan, China, Romania and Yugoslavia. On 9 October 1986, the ITC had issued its findings to the Commerce Department.
The anti-dumping investigation of malleable cast-iron pipe fittings from Japan and Thailand have been continued as a result of a preliminary affirmative ruling made on 7 October 1986 by the ITC.

The Commerce Department determined preliminarily on 29 October 1986 that imports of fresh cut flowers from Mexico, Colombia, Chile, Canada, Costa Rica, Ecuador, Kenya and Peru are being dumped in the United States.

The ITC will continue the anti-dumping investigation of welded carbon steel pipes and tubes from Taiwan as a result of a preliminary affirmative determination made on 14 November 1986.

After preliminary investigations, the ITC found in November 1986 that imports of crankshafts were being dumped by the Federal Republic of Germany, the United Kingdom and Japan.

The anti-dumping investigation on welded and seamless stainless steel pipes and tubes from Sweden will be continued as the result of a preliminary affirmative determination made by the ITC on 15 November 1986.

The Commerce Department determined preliminarily that imports of porcelain-on-steel cooking ware from Spain were being sold in the United States at less than fair value.

As a result of an affirmative preliminary determination by the ITC, the anti-dumping investigation of silica filament fabric from Japan will be continued. The preliminary investigation was instituted on 27 October 1986.

The anti-dumping investigation of silica filament fabric from Japan was continued as a result of an affirmative preliminary determination by the International Trade Commission.

According to a preliminary determination by the Commerce Department, tapered roller bearings from China, Italy, Hungary, Romania and Yugoslavia are sold in the United States at less than fair value (Federal Register, 6 February 1987).

The Commerce Department determined preliminarily that industrial phosphoric acid from Belgium and Israel is receiving countervailing subsidies (Federal Register, 5 February 1987).

A preliminary affirmative ruling by the ITC on 6 January 1987 determined that the anti-dumping case involving imports of colour television picture tubes from Japan, Korea, Singapore and Canada will be continued.
According to a preliminary determination, ruled by the Commerce Department on 30 December 1986, disposable paint filters and strainers from Brazil are sold in the United States at less than fair value.

The Commerce Department found in a preliminary ruling that Turkey is subsidizing its aspirin exports to the United States. A final ruling is expected on 11 May 1987.

Imports of urea from Romania, the Democratic Republic of Germany and the Soviet Union were being sold at less than fair value according to a major ruling by the Commerce Department on 29 December 1986.

- **Final rulings**

  The International Trade Administration issued on 7 October 1986 a final countervailing duty determination according to which Iranian growers and exporters of roasted in-shell pistachios were receiving a bounty of 317.89 per cent (Federal Register, 7 October 1986).

  According to a final determination by the Commerce Department certain carbon steel butt-welded pipe fittings imported from Brazil and Taiwan are being sold in the United States at less than fair value (Federal Register, 24 October 1986).

  On 25 November, the ITC gave a final affirmative ruling that anti-dumping duties will be assessed against imports of certain butt-weld pipe fittings from Brazil and Taiwan.

  In a final affirmative ruling by the ITC on 23 October 1986 anti-dumping duties will be assessed against imports of certain pipes and tubes from Singapore.

  On 6 October 1986, the Commerce Department ruled that imports of porcelain-on-steel cookware from Taiwan, China and Mexico are being dumped in the United States and, in the case of Mexico, are being subsidized. The ITC made an affirmative final determination on 5 November 1986. Anti-dumping duties will be assessed against imports of porcelain-on-steel cooking ware from Mexico, China and Taiwan.

  The Commerce Department made a final determination that mirrors in stock sheet and lehr end sizes from the Federal Republic of Germany, Italy, Japan, Portugal and the United Kingdom are being sold in the United States at less than fair value (Federal Register, 2 December 1986).

  In its final determination, the Commerce Department found that brass sheet and strip from Canada and the Republic of Korea was being sold in the United States at less than fair value (Federal Register, 9 December 1986).
The Commerce Department made the final determination that brass sheet and strip from Italy, the Federal Republic of Germany, Sweden and France was being dumped in the United States.

Under a final affirmative injury determination by the ITC of 21 January 1987, anti-dumping duties will be assessed against imports of butt-weld pipe fittings from Japan that are being sold at less than fair value in the United States.

The Commerce Department made a final determination that standard carnations from Chile and certain fresh cut flowers from Mexico were being sold at less than fair value in the United States and that mirrors in stock sheet and lehr end sizes from Belgium were being dumped in the United States.

On 10 March 1987, the Commerce Department determined that frozen concentrated orange juice from Brazil was being sold in the United States at slightly less than fair value.

The Commerce Department made final determinations that fresh-cut flowers from Canada and Ecuador are being dumped in the United States and that they are being subsidized by these countries. Furthermore, imports of fresh cut flowers from the Netherlands, Israel and Chile are being subsidized by these countries (Federal Register, 3 February 1987).

Revocation

An anti-dumping order previously issued against Japanese salmon gill fish netting of man-made fibres is expected to be revoked as a result of Section 751 ruling by the ITC on 12 December 1986.