

40th Session of the Contracting Parties

Ministerial session commitments: Progress in some key sectors



*Dame Anne Warburton,
United Kingdom Ambassador,
chairing the session
of the Contracting Parties
during consultations*



*Ambassador Hans Ewerlöf,
Chairman of the Contracting Parties,
and Arthur Dunkel,
Director-General of GATT*

Speaking to the press at the end of the fortieth session of the Contracting Parties (26-30 November), Arthur Dunkel, GATT's Director-General, said that "the decisions made over these past two weeks will allow GATT to move ahead with a second wind". He was referring to implementation of the work programme adopted two years ago at Ministerial level to ward off protectionist trends and overcome the stagnation that was then besetting world trade, by giving a new impetus to GATT's activities.

Mr. Dunkel told journalists that 1984 marked a pivotal point in the implementation of the programme, which in fact covers action for the decade, and a further stage in a continuous process of discussion and negotiation. The possibility of a new large-scale trade negotiation was taking shape, even though it was still too early to decide on its timing and substantive content. The fortieth session had confirmed that balanced implementation of GATT's present

work programme was an essential first stage.

Addressing GATT members at the conclusion of the session, the Chairman of the Contracting Parties in 1984, Ambassador Hans Ewerlöf of Sweden, said there was "no reason for pessimism". Many of the issues identified by the 1982 Ministerial meeting had been hard-core problems for which no solutions had been found despite considerable efforts over a long period. Some of them would only be solved through a process of negotiation, and work in the last two years had been essentially of a preparatory nature, he said. Despite the great economic difficulties under which many contracting parties had laboured, there had been real progress in some of the most important areas of GATT work. Ambassador Ewerlöf added, "I agree with those who have singled out agriculture as the most encouraging of these because here we see, for the first time in GATT's history, a readiness to confront basic issues which have

hitherto been regarded as too sensitive or too difficult to figure in negotiation under the aegis of GATT".

Referring to the agreements adopted at the end of the session—after difficult negotiations—on services, trade in counterfeit goods, and exchange rate fluctuations and their effect on trade, he said that they "relate to issues of real significance for the future of the world economy. Even where their operational effect may seem largely procedural, the fact that it has been possible to reach agreement on them opens the way for substantive work, and is a highly encouraging demonstration of the shared commitment to work within the multilateral system". This fact was also evidence of the recognition that, despite the difficulty of bringing 90 sovereign States to act in concert, there is no viable alternative to multilateral co-operation based on the rule of law.

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THE COUNCIL, PERMANENT NEGOTIATING BODY

Valuable progress in implementing parts of the 1982 work programme had been largely the result of consultations organized by the Chairman of the Council, Ambassador Jaramillo (Colombia), not only in the course of 1984 but also during the session of the Contracting Parties.

As he underlined at the beginning of that session, 1984 had been a particularly busy and difficult year, in the course of which the Council had been required to consider issues of vital

importance for contracting parties individually and the multilateral system as a whole, and to take on increased responsibilities.

Even though the consultations had proved very useful, Ambassador Jaramillo agreed with his predecessor in 1983 that they should not be overexploited. It was clear that such consultations could be no substitute for the Council's traditional work methods and decision-making process.



*Ambassador Felipe Jaramillo,
Chairman of the Council.*

MAIN AREAS OF PROGRESS

Agriculture: recommendations for achieving greater liberalization

The Contracting Parties endorsed the recommendations put forward by the Committee on Trade in Agriculture on 15 November, after intensive informal consultations at senior policy level under the chairmanship of Mr. Aert de Zeeuw (Netherlands). Under the mandate set by the ministers in 1982, these recommendations are designed to achieve greater liberalization in agricultural trade and to bring substantially all measures affecting trade in agriculture under more operational effective rules and disciplines. They concern, *inter alia*, improvement of market access, stricter discipline over export competition, strengthening of the linkage between the impact of domestic policies and trade measures, and more effective implementation of differential and more favourable treatment for developing countries under the General Agreement.

The recommendations outline various approaches to this end, in respect of:

- all quantitative restrictions and other related measures affecting imports and exports;
- all subsidies affecting trade in agriculture; two approaches are to be elaborated in parallel: one based on improvements in the existing framework of rules and disciplines, the other based on a general

prohibition of subsidies subject to carefully defined exceptions, in conjunction with improvements in the existing rules and disciplines and their application;

- sanitary and phyto-sanitary regulations and other technical barriers to trade.

In addition, it is recommended that the policies and measures of contracting parties affecting trade in agriculture should be regularly notified and reviewed in order to ensure fuller transparency.

In developing the various elements of these approaches, the Committee will have to take account of the need for a balance of rights and obligations, the special needs of developing countries, and the specific characteristics and problems in agriculture.

The Committee on Trade in Agriculture is to examine in depth all these approaches, and report on the progress achieved not later than the next session of the Contracting Parties.

Liberalization of quantitative restrictions and other non-tariff measures: agreement to move ahead

The Contracting Parties took note of the resolution of the Group on Quantitative Restrictions and Other Non-Tariff Measures to pursue its work with a view to achieving greater liberalization, in accordance with the

mandate laid down by the ministers in 1982.

The Group has assembled a substantial amount of documentation¹ and has reviewed existing quantitative restrictions and other non-tariff measures, the reasons for their maintenance and their conformity with the General Agreement. The Group felt that more time was needed to continue this examination and has invited contracting parties to present specific proposals, by the end of April 1985, for eliminating quantitative restrictions not in conformity with the General Agreement and liberalizing other non-tariff measures.

Dispute settlement

The Contracting Parties have adopted a procedure designed to ensure that panels to examine trade disputes are established in a timely manner and complete their work without delay.

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Chairman of the Contracting Parties calls for a return to multilateralism

While noting with satisfaction that world trade increased by 8½ per cent in the first nine months of 1984, Hans Ewerlöf, Chairman of the Contracting Parties, called in his opening statement for a return to a multilateral approach and in particular to observance of the fundamental principle of GATT, that of non-discrimination in trade policy.

Mentioning the currently very unfavourable climate of trade relations and the difficulties encountered by governments in resisting protectionist pressures, Ambassador Ewerlöf said

that "it was a delusion to believe that, when the economic recovery came, circumstances favourable to trade liberalization would evolve naturally".

"Certainly, a broader base is needed if world trade is to continue expanding at its present pace" noted Ambassador Ewerlöf. "Only if commitments made at high political levels are translated into action will trade policies actually improve. If this does not happen then the current up-turn in world trade could be short-lived."

Activities of the Committee on Trade and Development pursuant to Ministerial decisions

In the course of 1984, some progress was made by the Committee on Trade and Development in implementing the ministerial, decisions regarding developing countries. Discussions are continuing on many issues.

There have been significant consultations on Part IV of the General Agreement and on the way in which developed and developing contracting parties have been fulfilling their commitments under that head and under the enabling clause adopted at the end of the Kennedy Round.¹ These consultations have been found very useful and are to be continued in 1985 with other countries.

Intensive consultations have also been held on tropical products exported by developing countries. Since the Tokyo Round some improvements have been made in respect of access for these products to developed-country markets, and new possibilities for further progress have been identified. It has not yet been possible to determine the best solution for moving on from these consultations to the "appropriate negotiations" mentioned by the Ministers in 1982.

Similarly, examination of possibilities for expanding trade between developed and developing countries has revealed substantive problems that would need

Safeguards, a fundamental problem

Identifying among the areas selected for action by the Ministers those where encouraging progress has been made and others in which difficulties still remain, Ambassador Ewerlöf, mentioned the question of safeguards in particular: "This problem is, undoubtedly, fundamental to the urgent need to get the trading system operating more effectively, yet it has defied solution for years. As so-called voluntary restraint arrangements and other market-sharing agreements have proliferated, so the situation has worsened. Gentlemen's agreements to ignore or circumvent the system of rules to which we are committed do not, as is sometimes said, serve to preserve the system itself. In reality, they serve to chip away at the credibility of the system, making strict observance of the rules a less and less attractive political option".

to be analysed before any conclusions could be drawn.

OFFICERS OF THE CONTRACTING PARTIES FOR 1985

At the close of their fortieth session the Contracting Parties elected their officers for 1985:

Chairman of the Contracting Parties	Ambassador F. JARAMILLO (Colombia)
Vice-Chairmen	Ambassador H. BRILLANTES (Philippines) Ambassador P. RANTANEN (Finland) Mr. B. SOSNOWSKI (Poland)
Chairman of the Council	Ambassador K. CHIBA (Japan)
Chairman of the Committee on Trade and Development	Dr M. A.-B. HAMZA (Egypt)

The Sub-Committee on Least-Developed Countries has continued to focus on the situation of these countries and possibilities for promoting their trade interests. In addition, it has held *ad hoc* consultations with Bangladesh and Tanzania. Some improvements have been made in the trading conditions for these countries, and further progress is hoped for.

Lastly, the technical assistance furnished by the Secretariat has continued to develop satisfactorily, as have the commercial policy training courses.

¹ For earlier articles on this topic, see *inter alia* FOCUS No 21 .

MTN agreements and arrangements

The Contracting Parties have invited each body concerned to hold a special meeting to examine the adequacy and effectiveness of the agreements or arrangements adopted in the Tokyo Round, and to determine the obstacles to acceptance of those instruments by a larger number of contracting parties. A working group is to be established to examine the situation and report to the Council in July 1985. The Council will consider any further steps that might be taken having regard to the Ministerial Declaration.

Services

The Chairman of the Contracting Parties has been asked to organize an exchange of information among parties interested in services, and the rôle of the Secretariat in this work has been spelt out. The Chairman of the Contracting Parties is to keep the Council informed of progress made, and will report to the Contracting Parties. The latter will review the results and consider whether any multilateral action in this area is appropriate and desirable.

Trade in counterfeit goods

A group of experts is to examine this matter in order to help the Council to decide whether or not GATT should take any action to deal with problems in this area and, if so, what should be done.

Trade effects of exchange rate fluctuations

While not questioning the fluctuating exchange rates system, the Contracting Parties acknowledged that in certain circumstances exchange market instability can cause uncertainty and lead to increased protectionist pressures; they noted that adjustment to this instability can be more difficult for developing countries, and urged that this concern be taken into account by the IMF in its efforts to review the operation of the international monetary system with a view to possible improvements. There are to be further exchanges of views on this question.

¹ See FOCUS No. 21 and 28.

"The Gatt is both a set of trading rules and a world forum for negotiating and defending them. Its success—and survival—ultimately depend on confidence and consensus. But in the past week we have witnessed something close to a crisis of confidence in the open trading system and the appearance of some dangerous cracks in the institutional consensus (...)

The elements of a new negotiation are, nevertheless, falling slowly into place. The framework for an attack on distortions to agricultural trade has, remarkably, been agreed; the controversy over services has been temporarily defused; and some progress has been made on the methodology for dismantling quota restrictions and other non-tariff barriers. More work needs to be done on textiles and clothing: here the manifest failure of the Multifibre Arrangement either to manage poorer nations' market access or to protect jobs in richer ones suggests the time has come to consider a trade-off with the Third World."

(Financial Times – 3 December 1984)

GATT, having gone through heavy seas, is nevertheless landed with an extremely full work programme. The battle against "beggar-my-neighbour" policies is to be intensified. The last few days' stormy debates clearly show that all feel the issues and the stakes to be decisive.

(Le Figaro – 1-2 December, free translation)

If one were to look for a note of optimism in this cacophony of diverging interests that has been heard throughout this fortieth session (of the GATT Contracting Parties) one would expect the Director-General, Mr. Arthur Dunkel, to sound it. In his view, GATT has come out of the ordeal a winner because the difficulties encountered and the arduous negotiations have shown renewed interest in the institution on the part of all its members. "We have seen a new awareness of multilateral discipline develop in the course of this session", he remarked to press representatives at Geneva on Friday evening.

(Journal de Genève – 2 December, free translation)

Ministerial Session commitments

(continued)

In conclusion, Ambassador Ewerlöf expressed his belief that "it is already obvious that 1985 will be an important and perhaps critical year for the international trading system... It is therefore very important indeed that governments should make it their central concern to achieve significant progress in the early months of 1985 in fulfilling the commitment to roll back protectionist measures and promoting further liberalization... It is also essential that governments make it their responsibility to see to it that the follow-up of the work programme is speedy, thorough and effective. Above all, our work in 1985 should lay the necessary basis for the substantive negotiations which will certainly be needed—and for which a large number of you have called—to resolve many of the major problems of the trading system. If such negotiations are to take

place and to be as productive as we all hope they will be, they must hold out the prospect of concrete benefits for all participants. The object of our work in the months ahead of us must be to ensure that this is so".

Coming GATT activities

Provisional schedule of meetings for January:

7	Committee on Subsidies and Countervailing Duties
9	Committee on Balance-of-Payments Import Restrictions
14-15	Technical Sub-Committee on Trade in Civil Aircraft
24	Meeting on Services
30	COUNCIL

February:

13-14	Committee on Government Procurement
14	W. P. on Textiles and Clothing
25-27	Textiles Surveillance Body
26-27	Committee on Technical Barriers to Trade
27-28	Consultative Group of 18