Services talks make good progress; QUAD leadership in market access urged

**Services talks make good progress; QUAD leadership in market access urged**

Fresh from meetings with the world’s finance and economic ministers, Chairman Peter Sutherland confirmed to the Trade Negotiations Committee (TNC) on 30 September the growing perception among governments was that “a successful conclusion of the Uruguay Round is essential to economic recovery, development and jobs.” He stressed that this high level concern had placed on all TNC participants “a crucial responsibility to advance rapidly and intensively, and to do substantive deals on the critical outstanding issues.”

The TNC Chairman urged participants to maintain the strong momentum in the services negotiations. He pointed out that after intensive bilateral negotiations in recent weeks, 77 countries had now tabled offers on initial commitments for liberalizing trade in services. Participants have been working to finalize the framework agreement and its annexes, and a revised General Agreement on Trade in Services (GATS) was due to be circulated shortly (the revised text was presented at an informal meeting of the Group of Negotiations on Services on 1 October).

On market-access in goods, Mr. Sutherland said the QUAD (US, EC, Japan and Canada) agreement in Tokyo had created favourable conditions for the re-engagement of the negotiations. However, “the constraints resulting from the unfinished agenda both among the QUAD countries and between them and their trading partners have emerged as clear obstacles in Geneva.” He called on the major players to be “more responsive” to the specific requests by the developing countries.

Continued on page 2
The Uruguay Round has the potential to open up new opportunities for farmers that wish a predictable and stable environment for genuine entrepreneurial agri-business...But if the Round fails, there is every likelihood that the foundations of agricultural policies in many countries would be challenged and subject to attack in the GATT.

This was GATT Director-General Peter Sutherland’s message to farmers in a speech on 11 September in Dublin to the Irish Co-operative Organisation Society’s Conference on the International Factors Affecting the Food Sector.

Sutherland stressed that a successful agricultural package could only be based, at this stage, on the Blair House accord between the European Community and the United States. To attempt to repudiate its substance at this stage was “simply not realistic.” He pointed out that “Blair House took almost 12 months to negotiate and we have only three months left in which to complete all issues in the Round.”

The Director-General emphasized that the Round does not seek to reduce the income of farmers. It does not limit the subsidies a country may wish to pay its farmers to maintain their incomes or to encourage the population to remain in rural areas. Governments must simply ensure that the form of the subsidies is such that trade is not distorted, through excess production, for example.

He pointed out the benefits farmers would gain from a successful Round:

- **New opportunities for exports, particularly in processed food.** The Round package seeks to promote structural change towards more value-added agricultural products, and at the same time lower trade barriers to them all over the world, including the dynamic Asian markets.

- **Rapid improvements in world agricultural markets.** With the greater opening of agricultural markets, experts expect world prices to rise from the currently depressed levels. In addition, the existing volatility of agricultural prices would be diminished.

- **Return to the sustainability of agricultural markets.** The lowering of barriers along with stricter rules on trade should lead to a more predictable environment for investment decisions in which all elements of the agri-food industry can thrive. Farmers should again be in a position to supply goods that the market needs rather than witness the tragic waste of producing for stock-piles.

“Do not be fooled into believing that the alternative to the Round is the status quo,” Sutherland said. “It is not - not in agriculture nor in any other sector.” A failure of the Round would inevitably lead to greater friction between countries, “and trade wars are not only damaging to industries, consumers and economies, but they are also a potential threat to political stability and security itself.”

Sutherland said that massive government subsidies to agriculture have failed to stem inevitable structural changes in the industry.

On the other hand, subsidies have led to wasteful surpluses like the “butter mountains” and “wine lakes” amidst poverty, and sometimes famine, in the developing world whose farmers have been shut out of the world market by industrialized countries’ subsidies. Prices, through protection, have been artificially increased for consumers, while the farmland, lakes and rivers were being polluted by the overuse of fertilisers and pesticides. State control over price mechanism or subsidies in the agriculture was reaching a scale “that in effect eliminates the market,” thus putting the traditional pride and independence of farmers in jeopardy.

Sutherland concludes: “The Uruguay Round is about managing change and gradual adjustment. For the business of farming, it offers a return to sustainable markets. For the farmer, it provides an opportunity to recapture the independence that comes with greater control over his own business.”

At our last meeting I referred to a growing perception that a successful conclusion to the Uruguay Round is essential to economic recovery, development and jobs. That perception has since been greatly reinforced following an intensive series of Ministerial contacts which I have had in the past few weeks.

For example, it was apparent at the Montevideo Ministerial Meeting of the countries of Rio Group and is reflected in the Montevideo Declaration of September 17. And earlier this week in Washington, Minister after Minister attending the annual meetings of the International Monetary Fund and the World Bank emphasised the crucial role our negotiating efforts must play in restoring confidence in global economic prospects.

Such high level concern about the positive economic impact of the Round places on all of us in the TNC a crucial responsibility to advance rapidly and intensively in October and to do substantive deals on the critical outstanding issues. The focus is now squarely on the multilateral negotiations in Geneva and we cannot let events elsewhere become an excuse to induce a mode of paralysis or immobility here in Geneva. We simply must all redouble our efforts. Not only must we maintain but accelerate the momentum we have already established.

**Market Access**

The number and quality of the offers on the table is clearly a key factor in moving the negotiations ahead. I am informed...
that, as of today, 58 participants have tabled market access offers, covering both agricultural and non-agricultural products. In addition, 5 participants have tabled non comprehensive offers and 8 others have expressed their intention to table offers shortly. Thus, so far, we have about 70 market access offers on goods on the table or about to be tabled. Of the remaining 45 participants in the Round still without a market access offer, 26 are least-developed participants.

My assessment of the negotiating process has also confirmed what I have believed all along, namely that from which ever perspective you look at it, a substantial and meaningful market access package is an essential element for all participants, big or small, developed or developing.

The negotiating framework coming from the Quad Tokyo meeting in July has created favourable conditions to re-engage negotiations. However, the constraints resulting from the "unfinished agenda" both among the QUAD countries and between them and their trading partners have now emerged as clear obstacles in Geneva. There has been no progress on additions to the lists of sectors identified for tariff elimination or harmonisation.

Many participants have indicated the possibility of accepting one or more sectoral proposals if sectors of interest to them are also added to the list. Others feel that the product areas of interest to them would be taken up in the context of implementation of other elements of the Tokyo Report which address the issues of tariff peaks or tariff cuts by an average of one third or more. On these elements there has not been sufficient progress.

This unfinished agenda adds a further complication to the lack of substantive progress on the agricultural market access negotiations. These factors inhibit participants from exercising the negotiating flexibility that all recognise is essential to close out deals.

Thus, achieving the necessary breakthroughs in essential areas like agriculture including tropical products, textiles, and a number of other key sectors is the only way to remove a feeling among participants of frustration and helplessness. In this process, it is obvious that the major players will have to be responsive to the specific requests made to them by the developing countries. We need leadership and a larger share of the responsibility for movement must lie with the major players. While efforts by the major players to enlarge the market access package among themselves should obviously continue I believe they must also develop modalities for making progress in parallel with other countries.

While the overall picture is not a bad one, clearly much more needs to be done, and urgently. I believe that we need to have the market access negotiations substantially concluded by mid-November if we are to conclude a market access package acceptable to all by 15 December.

Services

I am pleased to note that we have made good progress in this area of the negotiations. I would urge the participants to maintain the strong momentum which has now been established and to be prepared to improve the offers already tabled in order to raise the quality of the final package on services.

The services negotiators have also worked intensively on the finalization of the text of the framework agreement and its annexes. Good progress has been made on many of the issues under discussion although there are still a small number of issues on which consensus has yet to be achieved."

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Bretton Woods appeal (from page 1)

conclusion of the Uruguay Round by the end of this year. The actions required by participants are clear - and amount to changing policies detrimental to both growth and social welfare in their own countries. The result will be a much needed strengthening of growth opportunities everywhere. The time to act is now.

The growth of world trade and financial flows over many years has provided an important basis for the development of nations; in the past year it has provided virtually all growth in the industrial nations. The opportunity to enhance the contribution of trade to overall economic activity in the decades to come, through providing greater stability by updating and strengthening multilateral trading rules and liberalizing trade in all sectors is within grasp. We thus have decided to stress jointly that the cooperative strategy toward expansion of growth and employment requires decisive action by our governments now if the opportunity provided by a successful Uruguay Round is not to pass.

With the need to strengthen economic activity, and particularly job creation, a successful Uruguay Round would do much to remove uncertainty and increase business opportunities. Failure to conclude the Round would lead to greater protectionism and loss of confidence, with major economic and social implications for high and low-income countries alike. It could also put at risk the new democracies in Eastern Europe and the countries of the former Soviet Union, for which economic reform and assimilation into the global economic system are vital to political stability and economic growth.

Failure to conclude would validate the rising wave of protectionist rhetoric and increase the danger of a vicious circle in which heightened protectionism impedes economic recovery, and the lack of recovery in turn feeds protectionist pressure. Experience shows that defensive measures to protect sensitive industries may preserve jobs in those industries for a short time, but will destroy jobs elsewhere - nationally and globally-through increased prices and taxes, lower wages, and lower job growth. Liberal trade, based on clear and predictable rules, on the other hand, leads to a virtuous circle of lower prices, higher wages, and more vigorous job growth.

Uncertainty about industrial nations' commitment to the multilateral trading system puts at risk the success of many countries that have unilaterally liberalized their trading regimes in recent years and discourages others from following in their footsteps. Continued opening of markets - their own and those of industrial economies - is critical to the growth of lower-income countries. Higher-income countries, rather than fear such growth, should encourage it as it expands the markets for their own export industries. Resistance to competition has never led to enduring income growth. Thus, the positive response is restructuring industry and retraining labour, which is the route to higher living standards for all.

With so much at stake, political hesitations and vested interests must be put aside..."
Trade disputes involving agricultural products continue to flare up in GATT. On 22 September, the Council established a dispute-settlement panel to examine measures applied by the European Community on apples imported from Chile. Argentina complained that similar measures had harmed its lemon exports to the EC. The United States came under fire from a number of GATT members, including Brazil, Chile, Canada and the EC, for imposing a local-content requirement on tobacco for the manufacture of cigarettes. Australia and New Zealand continued to press Japan to open its market for starch and dairy products. A panel report on the import regimes of several EC member states on bananas again failed to find a consensus.

Kyrgyzstan is latest observer

The Council granted observer status to Kyrgyzstan, formerly part of the ex-USSR. In its application, Kyrgyzstan noted that other members of the Commonwealth of Independent States were already participating in GATT as observers, and that GATT observership would be part of its efforts to integrate itself into the world economic community, pointing out that the Kyrgyz Government had started introducing economic measures consistent with the General Agreement.

The Republic of Kyrgyzstan, located near Western China, has a population of about 4.3 million. Its major industries are tanning, tobacco, textiles and mining; the main crops are wheat, sugar beets and tobacco. It is a member of the United Nations, the IMF and the Commonwealth of Independent States.

Panel on EC apple measures

Chile reiterated a request made at the previous Council meeting for a panel to examine the EC’s countervailing charges on apples imported from Chile. It said that two rounds of consultations with the Community had not produced a solution regarding Chile’s apple harvests for next year and beyond, and urged the establishment of a panel in line with the improved dispute-settlement procedures of the GATT. Furthermore, Chile maintained that the matter should be treated as an urgent case due to the perishable nature of apples, and the serious damage being done to Chilean producers who had to plan for next year’s production. If the Council could not decide on this question, the matter should be taken up by the panel at its first meeting.

The Community recognized Chile’s right to a panel as the Council was considering the request for the second time. However, it warned that the panel process would not necessarily facilitate bilateral discussions for a solution to the dispute. On the request for the panel to work under expedited procedures, the EC stressed that the conditions for applying such procedures had not been met.

Mexico asked what kinds of products could be covered by the urgency provisions of the GATT dispute-settlement system if they could not be applied to apples. It supported Chile’s suggestion that the panel should decide whether the case was urgent or not.

The United States, Argentina, Australia, Canada, Brazil, New Zealand and Uruguay supported Chile’s request and indicated that they would like to participate as interested third parties in the work of the panel.

The Council established a panel to examine Chile’s complaint.

US tobacco measure under fire

Tobacco-exporting countries criticized a US legislation, signed by President Clinton on 10 August, that imposed a 75 per cent domestic content on tobacco used in the manufacture of cigarettes in the United States and additional fees on imported tobacco. The measures were contained in amendments to the US Omnibus Budget Reconciliation Act of 1993.

Brazil, speaking also on behalf of Argentina, Colombia, El Salvador, Guatemala, Thailand, Venezuela and Zimbabwe, expressed serious concern that the measures would limit the proportion of imported tobacco in US cigarette manufacture to only 25 per cent. It said that manufacturers who did not comply with the rule were subject to penalties. Brazil charged this requirement violated Article III.5 of the General Agreement. It said that the trade damage to the eight countries would be considerable as they, in 1992, exported some 91,000 tons of tobacco, worth about US$353 million, to the United States. Brazil said they had requested consultations with the United States on this matter under the dispute-settlement provisions of the GATT.

Chile said the US measure would have serious effects on its producers, and that US orders for Chilean tobacco could be cut by half. It said that in 1992, Chile exported about 3,000 tons of burley tobacco to the United States, valued at $13 million. Chile said it also had sought consultations with the United States on this matter.

Canada said the US amendments would severely curtail its tobacco exports to the United States, which amounted to almost $37 million in 1992. It expressed fears that the reduction of shipments from other producers into the United States would result in a reduction of tobacco prices around the world, thus further harming Canadian tobacco farmers. Canada believed that the US legislation was not consistent with US’ GATT obligations. It reported that it had also sought dispute-settlement consultations with the United States.

The European Community said the US action would have a negative impact on EC producers, most of whom were in the lower-income areas of the Community. It would also request consultations with the United States on this matter.

The United States confirmed that the legislation in question had been signed into law. It welcomed the requests for consultations, and hoped these would lead to an early resolution of the matter.

EC charges on lemons hit

Argentina reiterated serious concerns over EC countervailing charges imposed on Argentine lemons between June and August this year. It complained the EC charges, which reached a maximum of ECU 46.08 per 100 kg. in July, had injured Argentina’s producers through a substantial drop in their shipments to the EC market. Argentina believed that the application of reference prices and countervailing duties was incompatible with various GATT provisions.

The EC maintained that the measures in question were not inconsistent with its
GATT obligations, nor did they impair or nullify Argentina's rights under the General Agreement. It said that its consultations on this matter with Argentina would start soon.

**Banana panel report**

Costa Rica, speaking also on behalf of Colombia, Guatemala, Nicaragua and Venezuela, urged the adoption of a panel report on their complaint against trade restrictions imposed by several EC member states on imports of bananas. The panel, which had presented its report in June (see *Focus* No. 100), had ruled as GATT-inconsistent quantitative restrictions on bananas maintained by France, Italy, Portugal, Spain and the United Kingdom and the EC tariff preference to imports of bananas from the ACP countries.

Costa Rica expressed frustration over the inability of the Council to so far adopt the report, pointing out that the report had been circulated four months ago. It urged the Council to put an end to what it called an unjustifiable delay.

Argentina said the matter was of extreme political and economic importance for the countries involved, and thus a solution to the problem had to be found quickly. It urged the adoption of the report and suggested that the EC could explore the avenue of direct aid measures to the ACP countries that would not result in trade distortions. The United States supported the adoption of the report, and added that delays in Council action could undermine the GATT legal system.

Jamaica said that at the previous meeting, the ACP countries had come out against the adoption of the report. It emphasised that they continue to hold to this position. Côte d'Ivoire said that the Council should reject the flawed conclusions in the panel report, which it said had failed to reflect the reality of the market conditions and had disregarded the work of the previous GATT Working Parties on the Lomé Convention. The EC said that its position regarding the adoption of the panel report had not changed.

The Chairman, Ambassador András Szepesi, proposed that the debate on the matter be suspended as it was clear that a consensus on the panel report would not be reached at that meeting. The Council agreed to revert to the panel report at its next meeting.

**Japan urged to implement findings on starch and dairy**

Australia and New Zealand pressed Japan to fully implement a panel report, adopted by the Council in February 1988, by opening its market to imports of starch and dairy products. The report had concluded that Japan's restrictions on twelve categories of products, including starch and dairy, were inconsistent with the GATT.

Australia said it had been holding consultations with Japan on this matter since 1991, and that these would continue. It recognized that Japan had adopted several trade liberalization measures but it was concerned that no progress had been recorded on three products: bulk milk powders, certain value-added dairy products and unmodified starch. Australia said it had suggested to Japan interim liberalization measures pending the conclusion of the Uruguay Round. It argued that the implementation of outstanding obligations was separate from the negotiations.

New Zealand reported its consultations had not yet produced satisfactory results. It underlined the importance of the matter for its producers.

Japan maintained that it had implemented most of the panel's recommendations. It would continue consultations with Australia and New Zealand, and would make efforts to improve market access for these two products in the context of the Uruguay Round negotiations.

**Phase-out of South Africa's import surcharges urged**

The Chairman of the Committee on Balance-of-Payments Restrictions, Mr. Peter Witt (Germany), reported on consultations with South Africa held in July. He said the Committee welcomed South Africa's readiness to consult on its import surcharge under the balance-of-payments provisions of the GATT, and expressed support for the socio-political and economic reform process presently taking place in that country. It recognized the political and economic difficulties which had led to the introduction of the import surcharge.

Progress made by South Africa in reducing the rates of the import surcharge and its commitment to propose its phase-out was welcomed by the Committee. However, members expressed concern that the surcharge was being applied inconsistently with the principle of non-discrimination. The Committee urged South Africa to eliminate this discriminatory treatment and emphasized that an early abolition of the surcharge would be the best way to correct this inconsistency with the country's GATT obligations.

**"Other business"**

The Council took up the following points after its regular agenda:

- The European Community stressed its view that Japan's fiscal reform of 1989 did not fully comply with the panel report on Japan's measures on alcoholic beverages, adopted by the Council in 1987. It was particularly concerned that the taxes on the Japanese drink *shochu* were between 3 and 8 times lower than those applied to other distilled spirits. The EC stressed the importance of this matter in light of the high export possibilities for EC alcoholic beverages in the Japanese market against a background of high Japanese trade surpluses with respect to the Community. It said it was raising the matter in the context of current preparations in Japan for a new tax bill. Japan maintained that it had implemented the panel report. It recalled that it had abolished the ad valorem tax on whisky as well as the grading system for brandy, and that the tax differential between whisky and *shochu* had been reduced significantly.

- Japan expressed regret that the United States still had to implement the panel report regarding US Section 337 (see *Focus* No. 66). It complained that this year, the United States had continued to apply the measure on several Japanese companies. The United States said it remained fully committed to implementation of the report, and that this would best be done as part of the legislation implementing the Uruguay Round results.

- Canada and the United States informed the Council that on 5 August, they had signed a Memorandum of Understanding (MOU) regarding the implementation of the panel report on "Canada - Import, Distribution and Sale of Certain Alcoholic Drinks by Provincial Marketing Agencies." Under this MOU, the two countries had terminated retaliatory duties on beer imports from each other. Canada added that with the exception of one provision concerning an accelerated tariff reduction under the US-Canada Free Trade Agreement, it would apply the terms of the MOU on a most-favoured-nation basis.

- Brazil expressed concern over a recent EC regulation which had increased by 100% the levy on imports of poultry meat from Brazil.

- Bangladesh reported that the South Asian Association for Regional Cooperation's Preferential Trade Arrangement had been entered into by member governments (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) in April 1993.

- The Chairman announced that the trade policy reviews scheduled for November and December had been moved to early 1993 due to the intensive work foreseen in the Round towards the end of the years.
Focus on the Government Procurement Code

When the General Agreement was negotiated, government procurement was to all intents and purposes excluded from the coverage of its provisions. It was not until the Tokyo Round that an attempt was made to fill this gap in the GATT system.

The Agreement on Government Procurement, concluded in 1979, established for the first time an agreed international framework of rights and obligations in this area. Its primary objective is to promote international trade by reducing the scope for the use of government procurement practices as non-tariff measures or as barriers to international competition. By securing greater international competition in this area, the Agreement also has the effect of encouraging more effective use of public funds.

The Code has three basic principles: national treatment of the products of suppliers of other parties, non-discrimination between the products and the suppliers of other parties and transparency.

Scope and coverage of the Agreement

As a first effort to liberalize in this area of international trade, the Code is less than comprehensive in its scope:

- The procurement covered is for product contracts only (including services only to the extent that they are incidental to the supply of products and cost less than the products themselves). Since 1988, leasing contracts are also covered.
- The Code applies only to central government entities listed in Annexes to the Agreement as a result of negotiations.
- The Code only applies to contracts above SDR 130,000 (about US$176,000).

The Agreement has twelve signatories, accounting for 23 contracting parties: Austria, Canada, the European Communities, Finland, Hong Kong, Israel, Japan, Norway, Singapore, Sweden, Switzerland and the United States. The Republic of Korea is in the process of negotiating its accession. Aruba has also expressed the wish to be covered by the new Code, thus bringing billions of dollars more of government procurement under international competition. (ILO Photo)

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Procedural obligations

In addition to laying down the basic principles of national treatment and non-discrimination, the Code specifies procedural obligations aimed at ensuring that these principles are adhered to and that procurement takes place with maximum transparency. The very considerable emphasis on a high level of transparency of laws, regulations, procedures and practices regarding government procurement relates both to ensuring that prospective suppliers have an equal opportunity for submitting tenders and that the criteria for the choice of the successful tenderer is, and is seen to be, consistent with the principles of national treatment and non-discrimination.

A basic Code requirement is that procuring entities shall use wherever possible open or selective tendering procedures and only in closely-defined circumstances contact suppliers individually. Open tendering procedures are those under which all interested suppliers may submit a tender. Selective procedures are those under which suppliers invited to do so may submit a tender.

Special treatment for developing countries

The Agreement provides for special and differential treatment for developing countries. In accordance with the Code, developed country parties have established information centres to respond to reasonable requests from developing country parties for information. The Agreement also requires developed country parties to provide, upon request, to developing country parties, all appropriate technical assistance in the field of government procurement. Least developed countries may be granted the benefits of the Agreement on a unilateral basis without joining it and this has, in fact, been done by some signatories.

A text in the Draft Final Act of the Uruguay Round invites the Committee on Government procurement to adopt procedures that would facilitate accessions, particularly by developing countries, to the Code.

Current negotiations

Negotiations have been underway since 1986 to broaden and improve the Agreement. While not part of the Uruguay Round, negotiations on government procurement have been proceeding on a similar timetable. Thus, along with the submission of the Draft Final Act in December 1991, the Chairman of the Informal Working Group on Negotiations on Government Procurement also circulated a draft Agreement, on his own responsibility.

The Working Group has agreed to work with a view to reaching agreement on both the text and coverage of a revised and expanded Government Procurement Agreement by 15 December 1993.

Work on the revised text is largely complete. The main outstanding issues in the negotiations concern the drawing-up of mutually acceptable lists of entities on the part of each participant. While work on the coverage of central government entities is well advanced, much still needs to be done to conclude the negotiations on sub-central government entities and other entities, such as public utilities.
Kenya’s trade regime examined

The GATT Council conducted its first review of Kenya under the trade policy review mechanism (TPRM) on 7-8 September. The TPRM enables the Council to conduct a collective review of the full range of trade policies and practices of each GATT member at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

At the conclusion of the review, the Council Chairman, Ambassador András Szepesi, noted that “after a number of policy reversals, the changes in Kenya’s trade policies since May 1993 have been highly appreciated by members of the Council.” He added:

“The Kenyan authorities are strongly encouraged to continue on the path they have chosen. A successful conclusion to the Uruguay Round would provide a healthier environment for liberalization of the Kenyan economy. Kenya’s active participation in Uruguay Round commitments would, in turn, make a major contribution to Kenya’s own policy reforms and to its standing in the multilateral trading system.”

The following are excerpts from the Chairman’s concluding remarks on the main points raised:

Broad economic aspects

Council members recognized that Kenya had, in May 1993, taken a bold, positive step by liberalizing its trade and foreign exchange regimes, after many years of inward-looking policies and a number of reversals. It was seen as important that the Government clearly demonstrate its determination to pursue its present policy direction, and to ensure that reforms undertaken in the trade and investment fields were consistent, stable and supported by appropriate macroeconomic policies.

Some participants recognized the difficulties that had been caused over many years for Kenya, as a major commodity producer, by fluctuations in its terms of trade; these and other economic problems had been exacerbated by the effects on Kenya of political and economic difficulties in neighbouring countries.

In reply, the representative of Kenya said that the Government was committed to maintaining the recent liberalization measures of the foreign exchange and trading régime. In particular, the authorities were committed to the ultimate convertibility of the shilling. This would go together with the implementation of appropriate macroeconomic measures to control the government deficit and money supply growth.

Trade policy trends

Participants welcomed the liberalization of the import licensing régime and the important steps taken to rationalize Kenya’s tariff structure, although the tariff was still complex, with a high level of effective protection. Kenya was urged to bind its tariffs to the greatest degree possible, in the context of the Uruguay Round, to provide greater stability and predictability. Some participants asked Kenya to provide a list of products still covered by import licensing, and sought clarification of the rôle played by automatic approval of import licences.

In reply, the representative of Kenya said that maximum duties had been reduced from 135 percent in 1988 to 50 per cent in 1993; although no tariffs were currently bound under the GATT, the Kenyan authorities would soon make some formal proposals regarding this issue. Import licences had been abolished except on 106 items, where licensing was maintained for conservation, environmental and national security considerations, as well as health and sanitary purposes. For all other products, monitoring was carried out only for statistical purposes at the time of purchasing foreign exchange.

Sectoral aspects

Agriculture was recognized as the “backbone” of the Kenyan economy, with 80 per cent of employment in the sector. It was questioned whether the objectives of self-sufficiency and food security might have led to an undesirable degree of Government intervention and created a potential conflict with Kenya’s policy of economic diversification. The question was raised as to what extent macroeconomic imbalances had given rise to demands for greater sectoral protection.

Kenya’s rôle as a major exporter of tropical products was recognized; in this context, the need for adequate liberalization in this area in the Round was stressed.

In reply, the representative of Kenya said that the policy of Kenya was now to move away from the protective régime, a move that had been welcomed by manufacturing industry. Self-sufficiency remained, however, a major goal of the country’s basic food policy.

Trade relations

It was noted that Kenya had been a contracting party to GATT since its independence. Several members asked Kenya to clarify its intentions with regard to accession to the Tokyo Round agreements.

Kenya was also asked to provide information concerning progress in the Preferential Trading Area (PTA), involving Kenya and other eastern and southern African countries. Some members noted that the PTA should be notified to GATT for examination.

In reply, the representative of Kenya said that accession to the Customs Valuation Code would require a change of law through an act of Parliament. The Government had not yet adopted the Customs Valuation Code for a number of reasons, including the risk of under-invoicing, as customs duties continued to provide the Government’s main source of revenue.

The Preferential Trading Area had been established in 1982. Aside from economic and social development, the main goal of the PTA was to expand economic and trade links among its members. Its long term aim was the establishment of a common market for eastern and southern African States by the year 2000.

Other issues

Members raised questions concerning the rôle of pre-shipment inspection companies in Kenya’s trade. Questions were also posed concerning the operation of Government procurement in Kenya. Doubts were expressed concerning the efficacy of Kenya’s intellectual property laws, in the light of evidence of considerable piracy and counterfeiting.

In reply, the representative of Kenya said that his authorities had been satisfied with the operation of the preshipment inspection firms, in verifying prices and quantities of goods exported to Kenya. The recently enacted patent and copyright laws would be enforced thoroughly. In particular, an effort would be made to ensure that new products entering the Kenyan market would not be pirated.
The international business community has once again impressed upon me the urgent need to conclude the Uruguay Round as soon as possible,” said Peter Sutherland after receiving recently his first visit from Mr. Hari Shankar Singhania, President of the International Chamber of Commerce. Representing more than 7,500 companies and business associations in some 130 countries, the ICC President stressed that “for the sake of those on whose behalf they are governing, governments now need to conclude the agreements reached after years of painstaking effort.” Shown above are Mr. John Kraus, the ICC representative in Geneva, Mr. Jean-Charles Rouher, ICC Secretary General, the GATT Director-General and Mr. Singhania.

Declarations express concern over progress in negotiations

In the presence of GATT Director-General Peter Sutherland, two significant developing-country groupings recently declared concern over the progress in the Uruguay Round negotiations. They urged all participants, in particular the major trading countries, to constructively work together in bringing the Round to a successful conclusion by 15 December this year.

After a two-day meeting on the Uruguay Round, the Ministers of the eleven-country Group of Rio handed the Montevideo Declaration on 17 September to Mr. Sutherland. They expressed “concern over the present state of the negotiations, as well as our determination to attain a significant and balanced outcome which takes into suitable account the interests of the region.”

The Director-General said the Declaration “sends a strong message to the rest of the world: this is that statesmanship is imperative to overcome short-term political concerns, to act with the same vision and determination and expansion of world trade, prevent discrimination and strengthen the multilateral trading system.” Members of the Rio Group are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

Ministers of the Southeast Asian Nations (ASEAN), at their 25th annual meeting held in Singapore, issued a declaration on 7 October warning that “a prolonged delay in the Uruguay Round negotiations has a negative impact on world trade, and that further delay would bring immeasurable adverse effects on the world economy.” The ASEAN members are Brunei, Indonesia, Malaysia, the Philippines, Thailand and Singapore.

Mr. Sutherland urged the ASEAN members to take more of a “leadership, rather than a following role” in pushing the negotiations forward. While commending the members for continuing to improve their offers, he stressed that participants must make their best offers now rather than wait for major players to resolve their differences.

GATT CALENDAR

The following is a tentative schedule of meetings in GATT:

October

1 WP on China; GNS
5-6 WP on Lomé; Group on Env Measures and Intl Trade
11 WP on the Acc. of Slovenia
12 Cttee. on Customs Valuation
12-15 WP on the Accession of Chinese Taipei
15 Negotiating Group on Market Access
19 Cttee. on Import Licensing
19-20 Council: Review of India
20 Cttee. on Tariff Concessions
25-26 Cttee. on Anti-Dumping Practices
26 WP on the Accn of Bulgaria
27 Cttee. on BOP Restrictions
27 GATT Council
27-28 Cttee. on Subsidies and Countervailing Measures
29 Anti-Dumping Cttee; Subsidies Cttee. Group of Negotiations on Services (informal)

November

2 Cttee. on Technical Barriers to Trade
3-4 Textiles Surveillance Body
4 WP on EFTA-Turkey Free Trade Agreement
5 WP on EFTA-Czech Rep. and Slovak Rep. FTA
20 WP on EFTA-Israel FTA
21 Informal GNS
16,23 Committee on Trade and Development
22-23 WP on the Acc. of Mongolia
26 Informal GNS

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