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COUNCIL OVERVIEW OF DEVELOPMENTS IN INTERNATIONAL TRADE AND THE TRADING SYSTEM

Annual Report by the Director General[1]

Part I[2] of this report reviews trends and developments in world output and trade. Trade policy developments and GATT's activities are detailed in Part II. Autonomous liberalizations are noted in Part III. Regional trade initiatives are considered in Part IV. Part V reviews the problem of trade measures which are inconsistent with the GATT rules, and Part VI attempts to put into perspective the short and medium-term benefits of a successful conclusion of the Uruguay Round.

I. WORLD PRODUCTION AND TRADE

Volume of trade

Growth in the volume of world output and trade slowed in 1991 for the third year in a row. Despite the slowdown, trade continued to expand faster than output. Preliminary figures for the second half of 1991 suggest that a modest recovery of world trade may be underway.

Last year marked the third consecutive year of decelerating growth in the volume of world output and trade. The recession in North America and the slowdown of the economic expansion in Western Europe, together with the sharp contraction of output in Central/Eastern Europe and the former USSR, were the main factors behind the slower growth of world trade. Exports from the Middle East were also affected by the repercussions of the Gulf War (imports into the region, on the other hand, remained relatively

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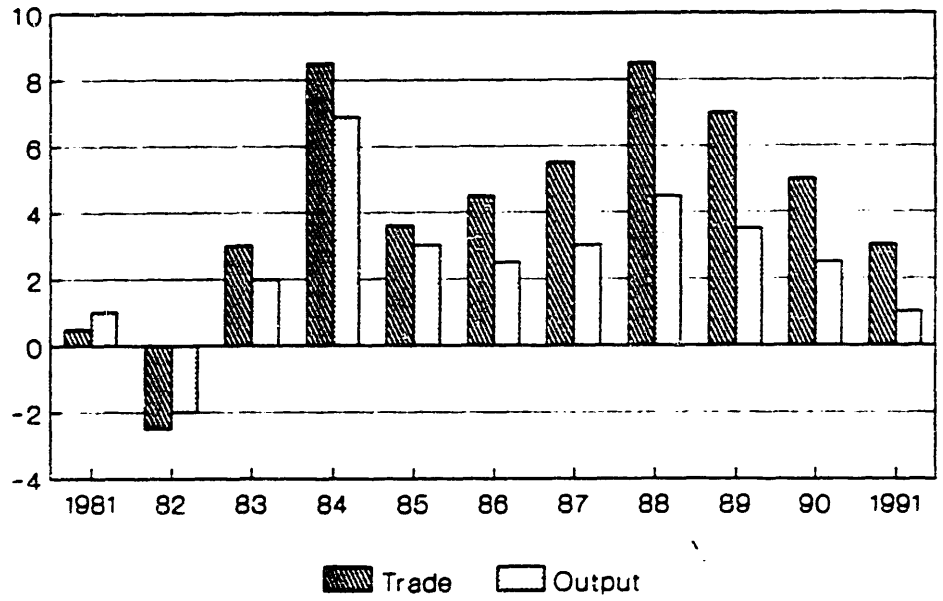
[1] This report is submitted to the Council in pursuance of the CONTRACTING PARTIES' decision of 12 April 1989 (L/6490).

[2] Each March the GATT Secretariat makes available, in the form of a Press Release, its initial analysis of general trade developments in the preceding calendar year. This year, exceptionally, the material which traditionally appears in the March Press Release has been incorporated in Part I of the Director General's Annual Report to the Council. Figures for 1991 are preliminary estimates based on data available in the latter part of February (all value figures are expressed in United States dollars). Later in the year, when more detailed and comprehensive data are available, developments and trends in world trade in 1991 will be analyzed more extensively in International Trade 1991-92.

buoyant). In contrast, the expansion of trade and output remained very strong in Asia, although signs of slower growth began to appear in the second half. Import growth appears to have been accelerating in Latin America as production growth recovered strongly.

CHART 1 - VOLUME OF WORLD MERCHANDISE TRADE AND OUTPUT, 1981-91
(Average annual percentage change)



The volume of world trade is estimated to have increased about 3 per cent in 1991, the smallest gain since 1983 (Chart 1). Despite the slowdown, trade growth continued to exceed output growth by a sizeable margin. According to preliminary estimates, each of the broad product groups - agriculture, mining and manufactures - shared in the slower growth.

Incomplete data for the second half of 1991 suggest that the deceleration of world trade may have bottomed-out, and that a modest recovery of trade may be underway. Export and import volume growth picked up, for example, in the United States, Canada and the United Kingdom.

Value of trade

Growth in the value of world merchandise trade declined sharply last year, recording the smallest gain since 1985. Estimates suggest that while growth in the value of exports of commercial services also weakened in 1991, it was more buoyant than that of merchandise trade.

Following an increase of 13½ per cent in 1990, the value of world merchandise trade grew by only 1½ per cent in 1991, to $3.5 billion, the smallest gain since 1985 (Table 1). Three factors explain the sharply lower growth in the value of world merchandise trade: weaker volume growth, the "valuation effect" of the appreciation of the dollar against

the ECU, and lower prices for a number of primary commodities.[3] The latter two effects were sufficiently strong to cause a modest decline (that is, a modest deflation) last year in world market prices and export unit values expressed in dollars. Petroleum prices fell sharply from Gulf War-related highs, and prices of a number of industrial raw materials and metals were lower as economic growth slowed. Prices of many agricultural commodities were also down in 1991, as is evident from the aggregate decline of roughly 2 per cent in the International Monetary Fund's indices for food, beverages and agricultural raw materials.

Table 1

Value of world exports, 1990-91

(Billion dollars and percentage)

	Value		Annual change	
	1990	1991	1990	1991
Merchandise	3490	3530	13½	1½
Commercial services	810	850	17	5

Notes: 1. Statistics on merchandise trade and statistics on commercial services trade are not fully comparable, in part because the latter are subject to a number of (primarily downward) biases. See Section III of Volume I of International Trade 1988-89 for additional details on these and other aspects of international trade in commercial services.

2. World imports of shipment services exceed world exports by a substantial margin due to under-reporting and non-reporting of world exports of shipment services. The difference between the two figures (approximately $33 billion in 1990) has been added to the figure for exports of commercial services. The estimate for 1991 assumes that this discrepancy remains unchanged.

Very preliminary estimates for world trade in commercial services - which includes transportation, tourism, telecommunications, insurance, banking and other professional services - indicate that the deceleration in value growth in 1991, while sharp, was less pronounced than the decline in merchandise trade.[4] Such a performance would be consistent with the fact that within the domestic economy of most countries, output of the services

[3] In 1991, the dollar appreciated by 2½ per cent against the ECU, compared with a 13½ per cent depreciation in 1990. The dollar's nominal effective exchange rate - weighted by the United States' pattern of trade - was virtually unchanged between the beginning and end of 1991, after having depreciated by nearly 7 per cent in 1990. World market spot prices for crude petroleum declined 17 per cent in 1991, following a gain of 28 per cent in 1990.

[4] Because of methodological problems and lack of data, it is currently not possible to estimate trends in the volume of trade in commercial services.

sector traditionally has been less affected by economic slowdowns than that of the industrial sector.

Trade by geographic regions

In four of five geographic regions - Asia being the exception - export growth on a volume basis slowed in 1991. On a value basis, the trend was similar, as all regions except Asia experienced sharply lower export growth.

On a volume basis, export growth slowed in four of the five geographic regions for which volume estimates are available (Table 2). The sharpest decline was recorded in the region composed of Central and Eastern Europe and the former USSR. Although it is difficult to provide accurate estimates, a steep decline in the volume of imports into the former USSR - perhaps in excess of 40 per cent - together with the fall in imports into Bulgaria and Romania, may have produced a decline of about 20 per cent in imports into this region.

Table 2

Volume of merchandise trade for selected regions, 1990-91

(Annual percentage change)

Exports			Imports	
Annual change			Annual change	
1990	1991		1990	1991
5	3	World	5	3
7½	6½	North America	1½	0
5	2	Latin America	7	10½
4	2	Western Europe	6½	3
4	2½	EC	6½	4½
5	½	EFTA	4	-3
-10	-15	Central/E.E./USSR	-5	-20
7½	8½	Asia	7	8½
5½	3	Japan	6	3
7½	13	Leading Asian exporters of manufactures[a]	13	17

[a] Hong Kong, Republic of Korea, Malaysia, Singapore, Taiwan, Thailand.

West European exports slowed sharply as several countries reported shrinking (Germany, Sweden, Switzerland, Finland and Yugoslavia) or stagnating (Italy) export volumes. North America's export volume growth also slowed (but remained twice the world average), while the level of imports stagnated in volume terms. Import volume growth also slowed in Western Europe, in part due to a decline in EFTA's imports.

Asia's export volume growth increased slightly, as the slowdown in Japan's export growth was more than offset by increased exports from other traders in the region. Volume growth nearly doubled last year for exports from six of the leading exporters of manufactures in Asia (see Table 2). With exports growing more than four times the world average, and imports growing more than five times the world average, the trade performance of this group of countries was by far the most dynamic element in world trade last year.

Latin America's trade growth also expanded last year, with export volume up an estimated 2 per cent and import volume up 10½ per cent.

As is evident from the figures in Table 3, the sharply lower growth in the value of world exports in 1991 is evident primarily in the pronounced slowdown in the export performance of Western Europe, the pronounced decline in the trade of the region comprising Central and Eastern Europe and the former USSR, as well as lower export values for Latin America, the Middle East and Africa (export earnings of the latter three regions were affected by the sharp decline in petroleum prices).

Table 3

Value of world merchandise trade by region, 1990-91

(Billion dollars and percentage)

Exports				Imports		
Value	Annual change			Value	Annual change	
1991	1990	1991		1991	1990	1991
3530	13½	1½	World	3660	13½	1½
555	8½	5½	North America	625	4½	-2½
140	8½	-4	Latin America	145	12½	12
1610	19½	-1½	Western Europe	1705	20	½
1365	19½	-1	EC	1450	20	1½
215	20½	-4	EFTA	215	17	-5½
130	-8	-20	Central/E.E/USSR[a]	130	1	-25
80	-5	-25	USSR[a]	70	5½	-42
90	14	-3½	Africa	90	12½	-1
120	22	-9½	Middle East	120	11½	16½
885	8½	11½	Asia	825	11	8½
315	5	9½	Japan	235	12	½
370	8½	14½	Leading Asian exporters of manufactures[b]	385	16½	17
70	18	16	China	65	-10	19½

[a] Figures affected by difficulties in converting data expressed in national currencies into dollars. See Box 1 in Volume I of International Trade 1990-91.

[b] Hong Kong, Republic of Korea, Malaysia, Singapore, Taiwan and Thailand.

A weak volume increase, and a depreciation of the ECU against the dollar, combined to produce the decline in the value of Western Europe's exports in 1991. West European imports, which account for more than 45 per cent of world imports, stagnated in dollar terms after rising nearly 20 per cent in 1990. The rise of oil prices in 1990 and their subsequent decline in 1991 has dominated the export performance of the oil exporting countries in the past two years. Despite falling merchandise export earnings, imports into the Middle East increased sharply in 1991, giving it the highest import growth among the seven regions.

Asia's share in world merchandise trade approached 25 per cent (up from about 10 per cent thirty years ago) as a result of the continued above-average trade growth. Partly this is due to dynamic intra-regional trade. But there has also been above-average growth in trade with other regions (exports and imports), in particular with North America and Western Europe. In 1991, for example, Western Europe's exports to Asia exceeded for the first time its exports to North America (imports into Western Europe from Asia surpassed those from North America in 1986).[5]

Leading exporters and importers

In 1991 the United States regained the position of leading merchandise exporter. The dynamism of a number of Asian traders led to several changes in both the export and import rankings.

Since 1986, the United States and Germany have alternately held the number one and number two places on the list of leading merchandise exporters, depending on each country's export volume growth and movements in the dollar/Deutsche mark exchange rate (plus the boost to Germany's exports from the inclusion, as from 1990, of the trade of the former German Democratic Republic). In 1991 the United States moved back into the top spot on the strength of a 7½ per cent increase in the value of merchandise exports in 1991 (five times the world average), together with a 4½ per cent decline in Germany's exports (Table 4). For the six non-OECD Asian exporters among the top 25, the increases last year ranged from 12 per cent for Singapore to 18½ per cent for Malaysia (which joined the ranks of the top 25 for the first time) and 19½ per cent for Hong Kong.[6]

Developments in the value of imports of the industrial countries varied from a decline of 9 per cent for Sweden, to a gain of 9½ per cent for Germany. Imports into the former USSR are estimated to have declined by about 40-50 per cent (equivalent to the total imports of China or Austria in 1990). Saudi Arabia's imports rose by an estimated 25 per cent in 1991, reflecting among other things a lagged response to an increase of 56½ per cent in export earnings in 1990, causing it to replace Finland as the 25th largest merchandise importer. Mexican imports continued their exceptionally fast growth for the third consecutive year, moving Mexico

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[5] Asia had already replaced Western Europe as North America's largest supplier (1975) and largest export market (1985).

[6] Re-exports accounted for most of the increase in Hong Kong's exports last year (domestic exports were up just 2 per cent).

Table 4

Leading exporters and importers in world merchandise trade, 1990

(Billion dollars and percentage)

Rank			1991		Annual change		Rank			1991		Annual change	
1990	1991	EXPORTERS	Value	Share	1990	1991	1990	1991	IMPORTERS	Value	Share	1990	1991
2	1	United States	422	12.0	8	7½	1	1	United States	509	13.9	5	-1½
1	2	Germany	403	11.4	16	-4½	2	2	Germany	390	10.7	22	9½
3	3	Japan	315	8.9	5	9½	3	3	Japan	236	6.5	12	½
4	4	France	217	6.1	20½	0	4	4	France	232	6.4	21½	-1
5	5	United Kingdom	185	5.3	21½	0	5	5	United Kingdom	210	5.7	13	-6
6	6	Italy	169	4.8	21	-1	6	6	Italy	183	5.0	19	½
7	7	Netherlands	133	3.8	22	1	7	7	Canada	124	3.4	2	2
8	8	Canada	129	3.7	5½	2	8	8	Netherlands	124	3.4	21	-½
9	9	Belgium-Luxembourg	117	3.3	17½	-½	10	9	Belgium-Luxembourg	120	3.3	21½	0
11	10	Hong Kong[d]	98	2.8	12	19½	12	10	Hong Kong[b]	100	2.7	14½	21
10	11	USSR[c]	78	2.2	-5	-25	11	11	Spain	93	2.6	22½	6
12	12	Taiwan	76	2.2	1½	13½	13	12	Korea, Rep.	82	2.2	13½	17
15	13	China	72	2.0	18	16	9	13	USSR[c]	70	1.9	5½	-42
13	14	Korea, Rep.	72	2.0	4	10½	15	14	Switzerland	66	1.8	19½	-4½
14	15	Switzerland	62	1.7	24	-3½	14	15	Singapore[b]	66	1.8	22½	8½
17	16	Spain	60	1.7	25	8	18	16	China	64	1.8	-10	19½
18	17	Singapore[d]	59	1.7	18	12	16	17	Taiwan	63	1.7	4½	14½
16	18	Sweden	55	1.6	11½	-4	19	18	Austria	51	1.4	26	3½
19	19	Saudi Arabia	49	1.4	56½	11	21	19	Mexico[e]	50	1.4	19½	23½
21	20	Mexico[e]	42	1.2	16	1	17	20	Sweden	50	1.4	11	-9
20	21	Austria	41	1.2	29½	0	20	21	Australia	42	2.2	-6½	-1
22	22	Australia	41	1.2	6	2	22	22	Thailand	38	2.0	28½	15½
23	23	Denmark	36	1.0	25	3½	24	23	Malaysia	38	2.0	30	30
26	24	Malaysia	35	1.0	17½	18½	23	24	Denmark	33	0.9	19	3
24	25	Norway	34	0.9	25½	½	28	25	Saudi Arabia	30	0.8	14	24½
		Total	2999	84.0	13½	3½			Total	3064	83.8	13½	1½
		World	3530	100.0	13½	1½			World	3660	100.0	13½	1½

[a] Includes re-exports. In 1991, they amounted to $69 billion compared to $53 billion in 1990.

[b] Includes substantial imports for re-export.

[c] Due to valuation difficulties, the figures are best only rough approximations. (See GATT, International Trade 1990-91, Vol.1, Box 1).

[d] Includes re-exports. In 1991, they amounted to $21 billion compared to $18 billion in 1990.

[e] Includes estimates of trade flows through processing zones.

into essentially a three-way tie with Austria and Sweden. The strength of import growth in many Asian countries moved them ahead of a number of West European countries: among the top 25 importers, Hong Kong passed Spain, China moved ahead of Sweden, and Malaysia (whose imports have increased 30 per cent in each of the past two years) moved ahead of Denmark.

Changes in both the export and import rankings in 1991 confirm the earlier references to the dynamism in world trade of a number of non-OECD economies in Asia and Latin America. They also demonstrate a point which bears repeating, namely that dynamic exporters are dynamic importers. The result is that a growing number of countries are integrating their economies into the world economy, and therefore are taking a more direct and active role in the shaping of the multilateral trading system.

Current account balances

The three largest traders reported major changes in last year's current account balances: in dollar terms, the United States' deficit nearly disappeared, Germany moved into deficit for the first time since 1981, and Japan's surplus doubled. As a percentage of GDP, Japan's surplus was less than half the 1986 peak level.

Major changes occurred in the current account balances of the three largest traders in 1991. The United States current account deficit shrank from $92 billion in 1990 to about $5 billion in 1991. Although the merchandise trade deficit declined by about $35 billion, most of the reduction of the current account deficit occurred as a result of Gulf War-related transfers and developments in the services account (without the transfers in question, the deficit would have been about $45 billion). The German current account surplus of $48 billion in 1990 turned into a deficit of $21 billion mostly due to the contraction of its trade surplus, a development which in turn can be traced primarily to the unification process.

Following three years of decline, Japan's current account surplus increased again in 1991 to $73 billion, from $36 billion in 1990. The rise in the current account surplus is the result of a 60 per cent increase in the trade balance surplus, which reached a new record level (in dollar terms) of $103 billion in 1991. The increase in the trade balance can be traced in large part to the fall in energy prices and to the strong demand in other parts of East and South Asia for Japan's exports.

A different perspective on these developments is obtained by relating the current account imbalances to the countries' respective GDPs in order to compensate for the effects of inflation on the absolute values of the imbalances. Thus, in relation to GDP, the current account deficit of the United States decreased from 1.7 per cent in 1990 to close to zero in 1991, while the German surplus in 1990, equivalent to about 3 per cent of GDP, turned into a deficit on the order of 1½ per cent in 1991. After four years of decline, Japan's current account surplus increased from 1.2 per cent of GDP in 1990 to 2.1 per cent in 1991 - a figure less than half its previous peak of 4.3 per cent in 1986.

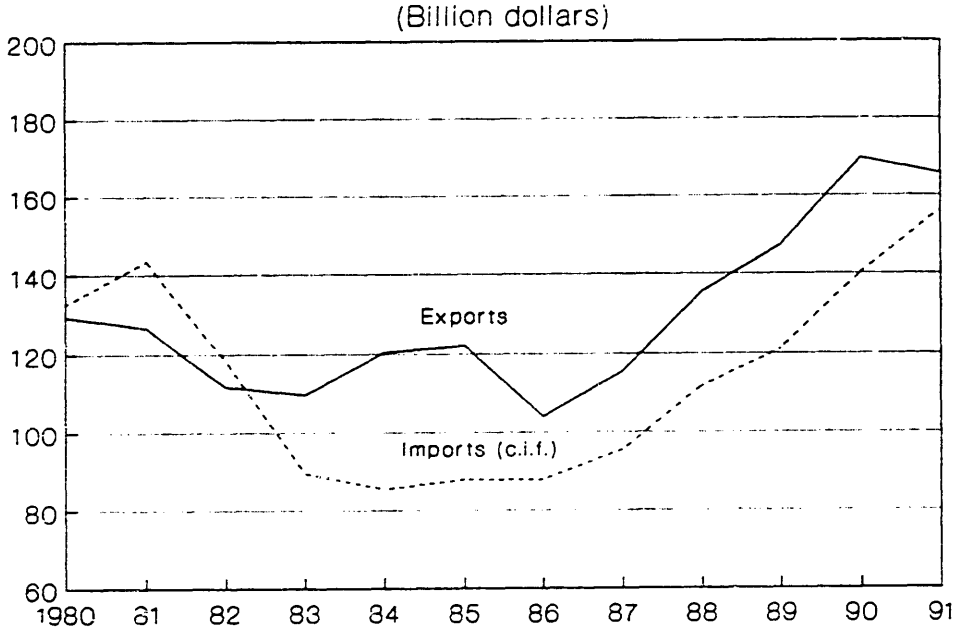
As regards the current account balances of the other four traders in the Group of Seven countries, there were reductions in the absolute sizes of the deficits in France and the United Kingdom, while Italy's deficit remained roughly unchanged. In relative terms, the deficits of these three countries are in the range of 1 per cent or less of their respective GDPs. Canada's current account deficit, in contrast, increased last year, both in absolute and relative terms, the latter increase being from 3.2 to 3.9 per cent of GDP.

Trade of highly indebted countries

Merchandise exports from the group of fifteen highly indebted countries decreased in 1991 for the first time in five years, while import growth remained well above the world average. The trade performances of the individual countries varied considerably.

After increasing by nearly 13 per cent in 1990, the value of merchandise exports from the fifteen highly indebted countries decreased last year for the first time since 1986 (Chart 2).[7] Import growth also slowed somewhat last year, but the figure of about 10 per cent remained well above the world average. For the first time in a decade, the value of imports into the fifteen countries surpassed its 1981 peak.[8] For the group as a whole, the trade surplus declined by nearly two-thirds, from $29 billion in 1990 to about $10 billion in 1991 (fob-cif).

CHART 2 - MERCHANDISE TRADE OF FIFTEEN HIGHLY INDEBTED DEVELOPING COUNTRIES 1980-91



[7] The fifteen countries are Argentina, Bolivia, Brazil, Chile, Colombia, Côte d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela and Yugoslavia.

[8] While last year marked a new peak for the value of imports into the fifteen countries, the volume of imports clearly remains well below the 1981 level (as is evident from the fact that there has been a sizeable inflation in world market dollar prices since 1981).

On the basis of the limited amount of data currently available, it appears that within this group of countries, Nigeria and Venezuela, for whom petroleum accounts for more than three-quarters of merchandise exports, experienced a sharp decline in their respective trade surpluses last year. Falling petroleum prices caused exports to decline, while at the same time imports continued to increase. Mexico and Ecuador, whose exports are more diversified, were able to offset the decline in petroleum export earnings by increased exports of manufactures and non-fuel primary products.

Debt rescheduling and debt reduction helped a number of the countries in the group sustain their import growth. This included Argentina, whose imports doubled in 1991, after declining in each of the preceding two years (the strong export performance in 1990 may also have been a factor in last year's import growth). The sharpest declines in exports and imports among the fifteen countries occurred in Yugoslavia, largely due to the severe domestic problems.

Uncertainty surrounds outlook

The failure of the predicted pick-up in economic growth to occur last year has increased uncertainty and dampened growth prospects for 1992. It seems reasonable to expect at best a modestly faster growth of world trade this year.

In the first part of 1991, a pick-up in world economic activity was widely predicted, with a recovery from recession in the United States in the second half of the year expected to lead the way. As 1991 progressed, however, it appeared not only that the anticipated recovery in the United States was not taking place, but that the economic slowdowns in Western Europe and Japan were sharper than had been anticipated. It also became apparent that the disruption of production and trade in the region composed of Central and Eastern Europe and the former USSR, associated with the transformation to market-oriented economies, was turning out to be more serious than had been expected.

The result was a series of downward revisions throughout the second half of the year in forecasts for economic growth in 1991 and 1992.[9] More recent reports have raised the prospect that economic growth in Germany and Japan may turn out to be weaker in 1992 than was forecast just a few months ago. Against this background, and keeping in mind the uncertainty created by the extent of the recent revisions in the forecasts, it seems reasonable to expect at best a modest pick-up in trade growth this year, to around 4 per cent in volume terms.

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[9] For example, between July and December the OECD revised its 1992 GNP growth forecasts for the United States from 3.1 to 2.2 per cent, for Japan from 3.5 to 2.4 per cent, and for OECD Europe from 2.4 to 2.0 per cent. Broadly similar revisions were announced by the IMF between October and January, along with a downward revision of their growth forecast for all industrial countries in 1992, from October's 2.8 to 2 per cent (as against an estimated 1.3 per cent growth in 1991).

As further evidence that forecasting movements in the business cycle remains an inexact science, recall that in 1987 and early 1988 world economic growth was widely forecast to slow down (initially because the recovery from the 1982 recession was "maturing" and then because of the repercussions of the October 1987 stock market crash), when in fact it was accelerating (see Chart 1).

II. TRADE POLICY DEVELOPMENTS AND GATT ACTIVITIES

The following review encompasses activities carried out under the authority of the CONTRACTING PARTIES. It does not deal with tasks related to the Uruguay Round negotiations which are conducted under the Trade Negotiations Committee.

Accessions

Three new members joined the GATT in 1991, bringing to eleven the number of new contracting parties since the launching of the Uruguay Round negotiations[10]. This confirms a trend which has been gaining momentum for more than a decade. Nineteen countries have joined the GATT since the conclusion of the Tokyo Round in 1979.

The three new members in 1991 were El Salvador, Guatemala and Macau.

El Salvador acceded to the GATT on 22 May 1991, and tariffs on most items were bound at a ceiling of 50 per cent, to be reduced to 40 per cent by the end of 1993. Import prohibitions, restrictive import licensing requirements and other quantitative restrictions are scheduled to be eliminated by 1993, and remaining trade measures will be brought into conformity with the GATT.

Guatemala acceded to the GATT on 10 October 1991. Tariffs on most items were bound at ceiling rates of 45 and 50 per cent, import prohibitions, restrictive import licensing requirements and other quantitative restrictions are scheduled to be eliminated by 1994, and remaining trade measures will be brought into conformity with the GATT.

Both El Salvador and Guatemala have indicated their intention to join the Tokyo Round agreements on Customs Valuation, Import Licensing Procedures, and Anti-Dumping Practices.

Trade policy reforms in El Salvador and Guatemala bring to five - the other three are Bolivia, Costa Rica and Venezuela - the number of developing countries that have agreed, since the beginning of the Uruguay Round, to bind all or almost all of their tariffs, and to undertake commitments regarding the use of non-tariff barriers, in the course of acceding to the GATT. This is tangible evidence of the trend for a growing number of countries to make increased integration in the world market a key part of their development strategy for the 1990s.

Macau became a member of GATT on 11 January 1991 under Article XXVI:5(c) following a declaration by the government of Portugal that Macau

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[10] Bolivia, Costa Rica, El Salvador, Guatemala, Morocco, Tunisia and Venezuela acceded to the GATT, while Antigua and Barbuda, Botswana, Lesotho and Macau joined under Article XXVI:5(c).

was fully autonomous in the conduct of its external commercial relations. (China has declared that after it resumes sovereignty over Macau on 20 December 1999, Macau will remain a separate customs territory and contracting party to GATT.) Macau has pledged to submit a schedule of tariff concessions by July 1992 under which its tariffs will be bound at a level acceptable to the contracting parties.

Other signs of the growing interest in GATT membership were also evident. Working parties on the accessions of Bulgaria and Paraguay met, and working parties were established to deal with the requests for accession from Algeria, Honduras, Mongolia, Nepal and Panama. The working party on China's status as a contracting party continued its work. The observer status in the GATT granted to the USSR in 1990 was taken over by the Russian Federation in January 1992.

The GATT Secretariat has received formal and informal soundings of interest in GATT membership, including those from the three Baltic states, Ecuador, Syria, Taiwan, Viet Nam and some members of the Commonwealth of Independent States.

Trade Policy Review Mechanism

GATT reviews of national trade policies are increasing rapidly: three in 1989, nine in 1990, 11 in 1991 and 13 this year.

The detailed and comprehensive monitoring of individual members' trade policies through the Trade Policy Review Mechanism, an early result of the Uruguay Round negotiations, has proved valuable in creating greater transparency in trade policies and practices.[11] Additionally, regularly scheduled reporting requirements and reviews in the GATT Council are leading to better collective assessments of the impact of members' trade régimes on the multilateral trading system and providing opportunities for constructive exchanges of views among governments. The aim has been to promote a greater adherence to multilateral obligations. For the major trading entities in particular, discussions in the GATT Council reflect their role in the multilateral trading system but also the considerable impact that the trade policies of these countries have on other nations.

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[11] On 12 April 1989 the Council decided to implement on a trial basis as from 1 May 1989, the "Trade Policy Review Mechanism" resulting from the Montreal Mid-Term Review of the Uruguay Round. The mechanism takes the form of periodic reviews in the GATT Council - either every two, four or six years, depending on the size of the contracting party's trade (or of the combined trade of the member countries in the case of the European Communities) - of individual contracting party's trade policies. The review is conducted on the basis of two reports, one prepared by the Secretariat, and the other prepared by the contracting party under review.

Equally important, contracting parties undergoing review have noted the important stimulus provided by the review process to internal discussion and to the evaluation of the domestic economic costs and benefits of trade-related policies. The resulting stimulus and direction to the domestic debate between producers, consumers and policy makers is of particular relevance to contracting parties who, in most cases, do not maintain an independent transparency agency for evaluating and reviewing trade policy actions from an overall economic perspective.

The series of reviews being held in March 1992, which completes the 1991 schedule, will bring to twenty-two the number of trade policy régimes that have been reviewed to date. The régimes of the four largest trading entities have been reviewed - the European Communities, the United States (reviewed twice), Japan and Canada - as well as those of all the EFTA members (except Iceland), Argentina, Australia, Chile, Colombia, Ghana, Hong Kong, Hungary, Indonesia, Morocco, New Zealand, Nigeria, Singapore and Thailand. Thirteen additional reviews will be held between June and next January: Canada, Japan and the European Communities, each for the second time, plus Bangladesh, Bolivia, Brazil, Egypt, the Republic of Korea, the Philippines, Poland, Romania, South Africa and Uruguay.

In all cases, the first reviews have established the factual base which, in the future, will serve as the yardstick for GATT's examinations of the direction and evolution of individual contracting parties' trade policies. The longer-term value of the TPRM will therefore become increasingly evident.

It is important that the intensive, high level and focused nature of the Council's discussion be maintained as the review process continues, and that discussions do not become routine or stereotyped. This risk can be avoided if contracting parties keep in mind the value of the TPRM to themselves and to the multilateral trading system. To this end, the governments have a responsibility towards ensuring that the level of participation and discussion in the Council remains equal to the importance of the subjects under discussion.

Dispute settlement

Dispute settlement in the GATT is presenting a mixed picture. On the positive side, the increased use of GATT's dispute settlement procedures - especially under the Tokyo Round Agreements - shows a welcome tendency of governments to turn to the multilateral system for the resolution of bilateral problems. On the negative side, the non-implementation of many panel findings continues to undermine the effectiveness of the GATT system.

GATT dispute settlement procedures under Articles XXII and XXIII. The procedures were used more heavily in 1991, with four panels established as compared with one in 1990. More specifically, in 1991, (i) four requests for consultations were notified to Council (ii) four panels were established, (iii) two panel reports were submitted to parties, and panel

proceedings are ongoing in two other cases, and (iv) one report was adopted by the Council. This brings to eight the number of panels established under the General Agreement since the Montreal procedures were implemented.[12] The record indicates that significant delays in the dispute settlement process under the General Agreement have been eliminated.

A major issue raised in last year's report was the disappointing record on implementation of panel recommendations since the start of the Uruguay Round. Consultations on this issue were held by the Chairman of the Council in the course of the year. While there were no additional cases added in 1991 to the eleven outstanding cases with "implementation problems", the lack of progress in dealing with the existing situation means that in more than two-thirds of the panel reports adopted since the Uruguay Round began, and which require domestic action to implement the recommendations, the contracting party to which the recommendation was addressed has either postponed compliance, or has not taken actions satisfactory to all contracting parties.

As was noted last year, in four of the eleven cases the contracting party concerned has linked implementation of the panel's recommendations to the outcome of the Uruguay Round, even though the dispute settlement procedures protect existing rights and obligations. The seriousness of the situation is heightened by the fact that the contracting parties concerned - Canada, the European Communities, Japan and the United States - figure in 90 per cent of the panels established since the start of the Uruguay Round.

The dangers involved for the overall credibility of the multilateral trading system in allowing such a situation to continue unrectified are too obvious to need further comment.

Dispute settlement under the Tokyo Round Agreements. Common features of the Tokyo Round agreements in the areas of subsidies/countervail, anti-dumping and government procurement were more frequent meetings of the respective Committees in 1991 and a sharply increased recourse to formal dispute settlement procedures. At eight, the number of panels established in 1991 under the three agreements' dispute settlement procedures is double the four panels established under the General Agreement. This reflects in part the increasing degree of friction in the interpretation and implementation of the existing multilateral rules in these important areas which is, incidentally, a major motivation of governments in placing these subjects on the Uruguay Round agenda. But, it reflects as well the continuing willingness of governments to deal with their disputes in GATT's multilateral setting.

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[12] On 12 April 1989 the Council decided to implement on a trial basis as from 1 May 1989 the "Improvements to the GATT Dispute Settlement Rules and Procedures" resulting from the Montreal Mid-Term Review of the Uruguay Round.

Subsidies.[13] As of the end of 1991, the Committee had received new and full notifications, as due in 1990, from all signatories with the exceptions of Indonesia, Pakistan, and Uruguay. Five of the 24 signatories notified the initiation of countervailing duty investigations during the period under review: Australia (10), United States (8), Chile (2), and Canada and New Zealand (1 each). Complete data on outstanding final actions (countervailing duties or price undertakings) are not available for all signatories. For those signatories notifying such data, outstanding final actions (definitive duties or undertakings) were down for the United States (from 86 to 70) and for Canada (from 9 to 8).

As was noted in the Director General's report to the Council last year, dispute settlement under the Agreement continues to be compromised by the five panel reports that have not yet been adopted.[14] Four new panels were established in 1991 by the Subsidies Committee, the first panels established since 1988. The Committee undertook conciliation concerning subsidies provided to the Airbus consortium, encouraging the European Communities and the United States to reach a mutually acceptable solution consistent with the Agreement.

Anti-dumping. The number of anti-dumping investigations initiated by Parties to the Agreement (excluding Argentina, which signed the Agreement on an ad referendum basis in April 1991) nearly doubled to 175, up from 96 the year before. Eleven of the 26 parties notified the initiation of actions during the period under review: United States (52), Australia (46), Poland (24), European Communities (15), Mexico (13), Canada (12), New Zealand (6), Brazil, the Republic of Korea and Sweden (2 each) and Finland (1). For Australia and the United States, the number of initiations during the period under review doubled relative to the previous period, and Poland's actions marked the first since it became a party to the Code in 1981. Complete data on outstanding final actions (anti-dumping duties or price undertakings) were not available for all signatories. For those signatories notifying such data, outstanding final actions were down for the European Communities (from 151 to 143) and Canada (from 103 to 71), and up for the United States (from 196 to 209).

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[13] Statistics on countervailing duty actions, and on anti-dumping actions, are based on notifications supplied to the Committees established under the relevant agreement covering the period 1 July 1990 to 30 June 1991. These figures do not give a complete picture of countervailing and anti-dumping actions taken by contracting parties during the period under review because (i) not all signatories have submitted notifications; (ii) available information does not cover actions taken in the second half of 1991; (iii) actions by only one-third of GATT contracting parties are covered by the agreements (actions by all significant users are, however, covered).

[14] In the case of United States-Brazil Non-Rubber Footwear, the party blocking adoption initiated a dispute settlement procedure for the same complaint under the General Agreement in 1991.

There was frequent recourse in 1991 to dispute settlement procedures in the Anti-Dumping Committee, with six requests for conciliation and two panels established.[15] A number of the disputes before the Committee concern issues under consideration in the Uruguay Round, including criteria for injury determination and methods for determining dumping margins. It is also noteworthy that in one request for conciliation, the dispute concerns the imposition of definitive anti-dumping duties on imports of products currently subject to quotas under the Multifibre Arrangement.

Countries that have passed anti-dumping legislation since 1989 include Colombia, Turkey, Peru, Hungary, Poland and Yugoslavia; only the latter three countries are parties to the Agreement. Moreover, a large number of countries are in the process of developing anti-dumping legislation or have expressed an interest in doing so. This includes the Czech and Slovak Federal Republic, Egypt, El Salvador, Indonesia, Jamaica, Malaysia, Morocco, Thailand, Tunisia and Venezuela (the first two are parties to the Agreement, and El Salvador has stated its intention to join).[16] The growing number of countries introducing anti-dumping legislation emphasizes the need for effective multilateral rules.

Government Procurement. The Committee established under the Agreement met seven times in the course of 1991. Two panels were established under its dispute settlement procedures, the second and third panels to be established since the Agreement came into force. (The first one was established in 1983.) In addition, signatories are conducting negotiations, pursuant to Article IX:6(b) of the Agreement, with a view to improving the text of the Agreement, broadening the scope to cover not only central government entities but also levels of sub-central government and certain public utilities, and expanding the coverage to include services. These negotiations are being conducted in parallel with the Uruguay Round negotiations.

Balance-of-payments Committee

Four countries ended their use of GATT's balance-of-payments provision, bringing to seven the number of contracting parties that have done so since the launching of the Uruguay Round.

In January 1991, Argentina and Peru announced that they had ceased to invoke the provisions of Article XVIII:B for measures taken for balance-of-payments purposes. In July, Brazil made a similar announcement, as did Colombia in February 1992.

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[15] The first panel established by the Committee under the Agreement submitted its report in 1990, but it has not yet been adopted by the Committee.

[16] The observer status granted to the USSR by the Committee at its meeting in April 1991 was taken over by the Russian Federation in January 1992.

The four countries join Ghana and the Republic of Korea, which had ceased to invoke balance-of-payments provisions in 1989.[17] Although the international reserves of these countries were relatively stable or growing immediately prior to the decision to cease invoking Article XVIII:B, this factor appears to have played a relatively minor role in the decisions. These disinvocations have come about, rather, primarily as the result of general market-opening and trade-liberalizing reforms, which have included the removal and/or substantial reduction of import licensing and quantitative restrictions previously applied under the BOP provisions. In other words, they are the product of the widespread increase in support for more market-oriented policy making.

The Czech and Slovak Federal Republic consulted under Article XII with the Committee in June following the introduction on 17 December 1990 of a temporary import surcharge of 20 per cent on consumer goods and foodstuffs, consequent on a sharp decline in foreign exchange reserves. The conditions of application of the surcharge were subsequently modified on 8 March 1991, and its level reduced to 10 per cent at the end of 1991. The government has announced to the Council that it intends to further lower and then remove the surcharge.

Article XIX actions

The total number of outstanding actions remained constant despite the Czech and Slovak Federal Republic's first recourse to Article XIX.

In June 1991, the European Communities terminated a safeguard action (processed cherries) which had been in place since 1989, allowed two measures taken in January 1991 (certain semi-processed red fruits, and provisionally preserved cultivated mushrooms) to expire on 31 July 1991, announced another extension (until 3 April 1992) of a safeguard measure on dried grapes in place since 1982, and in February 1992 notified an Article XIX action on imports of Atlantic salmon, for the period 9 November 1991 to 29 February 1992.

Austria terminated a safeguard action (broken rice) on 31 October 1991 which had been in place since 1987, extended the product coverage and time limit (until 30 June 1991) of an action taken in 1990 on prepared fowl, and announced a new safeguard action on certain types of cement and certain preparations containing cement for a twelve-month period starting on 1 September 1991.[18]

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[17] Greece disinvoked in 1987 in connection with its entry into the European Communities. Apart from the Czech and Slovak Republic (the only country consulting under Article XII), contracting parties now invoking the balance-of-payments provisions of the General Agreement are Bangladesh, Egypt, India, Israel, Nigeria, Pakistan, the Philippines, Sri Lanka, Tunisia, Turkey and Yugoslavia.

[18] The fact that imports into Austria from the EC and other EFTA members are excluded from the coverage of the action was the subject of discussion in the Council.

The Czech and Slovak Federal Republic announced the imposition of global import quotas, under the provisions of Article XIX, on twelve agricultural items.[19] These quotas were terminated on 1 January 1992.

These various developments bring to 18 the number of Article XIX actions in place as of January 1992, the same number that were in place at the end of 1990.

Monitoring regional trading arrangements

As work related to existing agreements continued, four new regional trade agreements were notified to the GATT Council.

The objectives and provisions of various regional trading arrangements continued to be reviewed by the GATT in a variety of ways. During 1991 the report of the Working Party established in 1989 to examine the Canada-United States Free Trade Agreement was discussed in the Council and adopted. Though the efforts of the two parties to design an agreement compatible with the provisions of GATT were welcomed, the Working Party was not able to reach unanimous conclusions as to the consistency of the provisions of the agreement with requirements under Article XXIV of the GATT. This is the latest in a series of more than fifty working parties on individual customs unions or free trade areas which have not reached definitive conclusions on the compatibility of these agreements with the GATT.

Under GATT Article XXIV:6, two consultations - one involving Argentina, the other the United States - took place during 1991 with reference to the enlargement of the European Communities following Portugal's and Spain's accessions. The purpose was to determine appropriate compensation for trade flows diverted by the enlargement (agreements that compensation would be paid were reached in both cases in 1987).

The Council was informed in February 1992 of the agreement by Brazil, Argentina, Uruguay and Paraguay establishing the Southern Cone Common Market (MERCOSUR) which was signed and entered into force in November 1991. The agreement was subsequently notified under the provisions of the Enabling Clause. There was discussion as to whether this arrangement, which has as its final aim the establishment of a common market through the elimination of internal tariffs and non-tariff barriers and the establishment of a common external tariff, should be reviewed under Article XXIV provisions.

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[19] In its notification, the Czech and Slovak Federal Republic advised the contracting parties of its intention to request a waiver to the GATT Council which would permit the modification or withdrawal of a number of its GATT tariff concessions with effect from 1 January 1992. This request was subsequently granted. The protection of the domestic producers of the items involved in the Article XIX action has been assumed by tariffs and the import quotas under the action terminated.

Several new free-trade agreements were notified to the GATT Council in February 1992. One was the agreement signed between Finland and Estonia in February 1992 providing for free trade in industrial products between the two countries. A second agreement was signed between the EFTA countries and Turkey on 10 December 1991 (to enter into force on 1 April 1992) for the elimination of all duties on trade between these countries by 1995, with separate agreements covering agricultural products.

A third notification covered agreements between the European Communities and three Central/East European contracting parties (Hungary, Poland and the Czech and Slovak Federal Republic) signed on 16 December 1991. These agreements enter into force on 1 March 1992 and foresee the gradual establishment of free trade areas between all the parties involved, with the elimination of tariffs to be staged over a ten-year period. Mention should also be made of the working party established in December 1990 by the contracting parties to examine transitional measures adopted by the European Communities following German unification, which recently held its third meeting.

The importance of timely observance of the notification requirements concerning agreements under Article XXIV or the Enabling Clause should be underlined. Attention should also be drawn to a decision by the CONTRACTING PARTIES in November 1971 which instructed the Council to establish a calendar fixing dates for the examination, every two years, of reports on developments under regional agreements, to be submitted by the parties to the agreements. There have been no examinations under these procedures since 1985. Given the growing interest in regional integration, its significance to the multilateral trading system, and the need to ensure conformity of such agreements with GATT requirements, these procedures should be revived.

GATT and the evolving trade regimes in Central and Eastern Europe and the former USSR

The wide ranging trade liberalization by the nations of Central and Eastern Europe have increasingly led them to seek greater access for their exports in the markets of their trading partners. Their fuller participation in the GATT system - and that of states which comprised the former USSR - will greatly assist their integration into the world economy.

In June 1991 the Council for Mutual Economic Assistance (CMEA) was officially dismantled. As of 1 January 1991, trade between former CMEA members is being conducted in convertible currencies, replacing the previous practice of bilateral intergovernmental trade agreements settled in transferable roubles. Together with a number of important changes in the individual trade regimes of the major Central and East European countries, these developments have initiated a process which is moving the trade policies and practices of these countries in the direction of a closer integration into the multilateral trading system. For those which are already GATT members, this has important implications for their trading relations with other GATT members and among themselves.

In the Czech and Slovak Federal Republic the state monopoly of foreign trade was eliminated in 1991 and import licensing was largely abandoned. With 97 per cent of tariff headings bound and an average trade-weighted tariff of about 5 per cent, the government has sought to relieve the import pressure on domestic producers, particularly in the agricultural sector, through safeguard measures.[20] In order to allow an increase in tariff protection for certain sectors (and the lowering of duty rates for others), the contracting parties granted the Czech and Slovak Federal Republic's request for a temporary exception to its obligations under Article II with effect from 1 January 1992. Negotiations and consultations in accordance with Article XXVIII to adjust the tariff schedule are to be completed by 31 December 1992.

Poland's 1967 accession agreement included a commitment to import annually from contracting parties a certain volume of goods, plus provisions allowing the contracting parties to impose special safeguard provisions and quantitative restrictions on their imports from Poland. The economic and trade policy changes implemented since 1989 - tariffs are applied on an m.f.n. basis (with the exception of preferential treatment granted to developing countries), prices liberated and central planning abandoned - have led Poland to seek to establish its participation in the GATT as a market economy. To this end Poland requested the renegotiation of its Protocol of Accession in 1989, indicating its willingness to make tariff concessions in exchange for the elimination of the special provisions noted above. The Working Party established to examine this request continued its work in 1991. (Poland is submitting its trade policies for review under the Trade Policy Review Mechanism in 1992.)

Hungary acceded to the GATT in 1973 on the basis of tariff concessions, but with special provisions that are virtually identical to those applied to Poland.[21] The trade policy changes implemented in 1991 - tariffs applied on an m.f.n. basis as of 1 January 1991 (except for preferential treatment granted to developing countries and products originating in Finland under a free trade agreement) and the substantially reduced scope of import and export licensing - have led Hungary to seek the elimination of the special provisions in its Protocol of Accession. A Working Party was established in 1991 to examine this request. (Hungary's trade policies were reviewed under the Trade Policy Review Mechanism in April 1991.)

In addition to the Russian Federation, which assumed the USSR's observer's seat at the beginning of 1992, many of the states which comprised the former USSR have indicated an interest in the GATT. The

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[20] As was noted above, a temporary import surcharge on consumer goods and foodstuffs was introduced in 1990 for which Article XII was invoked, and safeguard action under Article XIX was taken on twelve agricultural items.

[21] Hungary's tariff bindings apply to 83 per cent of tariff lines; the proportion of bindings for industrial products is 93 per cent compared to 23 per cent for agricultural products.

three Baltic states have expressed interest in obtaining observer status (as a step to full GATT membership), and have asked the Secretariat to provide technical assistance. In the case of the Commonwealth of Independent States, most have adopted GATT-based guidelines for their evolving trade regimes, and some have indicated that they plan to ask for observer status in the near future. Their interest in the GATT reflects the view that their economies need to be fully integrated into the multilateral trading system in order to take maximum advantage of potential trading opportunities.

The Multi-Fibre Arrangement

During the past year the MFA was extended seventeen months (to 31 December 1992), and four countries notified the removal of some or all of their quantitative restrictions on imports of textiles and clothing.

On 31 July 1991, the Textiles Committee agreed to extend the Multi-Fibre Arrangement (MFA) until 31 December 1992, in the expectation that the Uruguay Round agreement on the integration of the textiles and clothing sectors into GATT will enter into force on 1 January 1993.

Since March 1991, most existing bilateral agreements have been renewed or extended to 31 December 1992, and in several cases to the end of 1993. Canada and the United States each notified new first-time agreements with an MFA participant (Colombia in the case of Canada and Argentina in the case of the United States).

Effective 1 August 1991, Sweden terminated its agreements under the MFA, as well as other quantitative restrictions in the textiles and clothing sector. Liberalizing elements were included in certain notifications made by the other participants. In conjunction with their disinvokation of Article XVIII:B, Peru and Brazil notified that quantitative restrictions on textile and clothing imports had been eliminated. Yugoslavia notified that previous restrictions on certain textile and clothing products had been removed. These developments indicate that in the phaseout period of the MFA, it will become increasingly necessary to revise the traditional distinction between "importing" and "exporting" countries. There is also an increasing need to address the issue of transhipment (or circumvention), that is, of goods under a bilateral quota being shipped as products of one or more third countries.

Technical Cooperation and the Committee on Trade and Development

Activities and programmes to help developing countries participate actively in GATT's work and in trade negotiations have become increasingly important. The active participation of developing countries in the Uruguay Round and the complexity of issues are the main reasons for this trend.

Technical cooperation for developing countries during 1991 encompassed all areas of GATT's work, as well as the Uruguay Round negotiations in

which developing countries have participated actively since their launching. Technical assistance provided by the Secretariat included responses to requests both for data and information on trade flows, tariffs and non-tariff measures, and for background information on various negotiating proposals and other issues in the negotiations. During the past year about twenty national, regional or sub-regional seminars and missions took place to inform and instruct trade officials on the functioning of the GATT, the Uruguay Round negotiations and specific trade policy matters. A number of briefing sessions for Geneva-based delegations were organized on various Uruguay Round subjects. In addition to the regular trade policy courses, a special trade policy course was organized in 1991 for officials from Central and East European countries and the former USSR responsible for GATT matters.

Finland and Norway made special contributions toward the costs of some of the seminars and Switzerland made a special contribution to cover the costs of the trade policy course for officials from Central and East European countries and the former USSR.

The Committee on Trade and Development met twice during 1991 and considered several issues of relevance to developing countries. These included the regular annual review of measures taken under Part IV of the GATT, the link between trade and finance, the implementation of preferential trading arrangements under the Enabling Clause (GSP and the Protocol Relating to Trade Negotiations Among Developing Countries), and the question of credit and recognition for autonomous trade liberalization measures. The Committee also reviewed developments in the Uruguay Round of interest to developing countries. Many contracting parties were of the view that the future role of this Committee should be a strengthened and more active one. The Sub-Committee on Trade of Least-Developed Countries met during 1991, for the purpose of examining the special concerns and problems of this group of countries in the GATT, particularly in the context of the Uruguay Round negotiations.

These various activities, which are intended to assist and increase the participation of developing countries in the multilateral trading system, and which traditionally have been an important part of GATT's work, are likely to become even more important in the future. Not only are many more developing countries participating more actively than in the past, but the issues are becoming more complex. The continuing availability of timely and high quality information will, therefore, be critical. GATT's present efforts in this area may well have to be augmented. This would have important implications for future GATT budgets.

Trade and the environment

A growing concern with a broad range of environmental issues, together with the progressive integration of the world economy, have stimulated a greatly increased interest in the interaction between trade policies and efforts to protect and improve the environment. This increased interest was principally evident in three areas of GATT's work last year.

The Group on Environmental Measures and International Trade. Following informal consultations on a request by the EFTA countries to reconvene the 1971 Group, a structured debate on trade and the environment was held in the Council on 29-30 May 1991. The debate was an informative and useful first airing of views. A decision to convene the 1971 Group was agreed by the Council in October, based on an agenda which calls for an examination of (i) the trade provisions contained in existing multilateral environmental agreements - for example, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Washington Convention on International Trade in Endangered Species, and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal - vis-à-vis GATT principles and provisions; (ii) the multilateral transparency of national environmental regulations which are likely to have trade effects; and (iii) the trade effects of new packaging and labelling requirements aimed at protecting the environment. The group recently held its third meeting.

Trade and the environment analyzed in GATT's annual report on world trade. Volume I of International Trade 1990-91 includes a special study which takes a first look at the implications of the interaction between trade and environment for the GATT. Among other issues, it examines the compatibility between GATT rules and domestic and international environmental regulation, the effect of environmental regulations on competitiveness, the role of trade measures in promoting multilateral cooperation on environmental issues, and the potential for protectionism linked to environmental concerns.

An advance copy of the special study was released in the first part of February. At its February 1992 meeting the Council invited the Secretariat to forward this study, together with a factual paper prepared by the Secretariat last year, to the United Nations Conference on Environment and Development - it being understood that the material was a contribution from the GATT Secretariat under its own responsibility, and that it does not necessarily reflect the views of GATT's member governments or commit those governments in any way.

Domestically prohibited goods. In early 1991, the Working Group established in 1989 to examine the need for new disciplines to regulate trade in domestically prohibited goods and hazardous wastes continued its consideration of the draft Decision on Products Banned or Severely Restricted in the Domestic Market for eventual submission to the Council. At its March meeting, the Council extended the Working Group's mandate to 30 June 1991. At the conclusion of this mandate, there was agreement on the draft decision from all participants except for one contracting party. In light of the progress achieved by the Group, it was agreed to further extend its mandate for three months, with the three-month extension commencing from the first meeting of the Group (the date to be determined by informal consultations held by the Chairman of the Council).

III. AUTONOMOUS LIBERALIZATION

The addition of 16 new countries brings to 63 the number of countries which have announced autonomous liberalizations since the launching of the

Uruguay Round. A total of 32 new liberalizing actions, including many by countries that were already on the list, were also announced during the period from January 1991 through February 1992.

In addition to the liberalizations undertaken in the context of the accessions of El Salvador and Guatemala, the reforms of the trade regimes of Hungary and the Czech and Slovak Federal Republic, and the disinvokation of Article XVIII:B by Argentina, Brazil, Colombia and Peru, new trade liberalization measures were announced in a number of countries in 1991 (see the Appendix Table).

These actions brought to 63 the number of countries - from all seven geographic regions - that have undertaken autonomous trade liberalization initiatives since the beginning of the Uruguay Round in 1986, including several which have affected virtually the entire range of the country's merchandise imports. While many higher income countries appear in the Appendix Table, it is significant that 51 of the countries on the list are developing countries or former centrally planned economies. For the most part, the liberalizations in these latter countries generally were much more ambitious than the policy reforms in the higher income countries.

IV. REGIONAL TRADE INITIATIVES

Important regional trade initiatives are underway in Europe, the Americas and Asia. Regional agreements need to be firmly anchored in the GATT.

There was a significant increase in the number of new initiatives for regional cooperation and integration in 1991, some of which were mentioned above in connection with GATT's monitoring activities. The year also saw movements in the opposite direction in the former USSR and in Yugoslavia.

Austria and Sweden formally requested membership in the European Communities, and the European Communities began discussions with Albania, Bulgaria and Romania on association agreements. Turkey signed a free trade agreement with EFTA covering manufactures and processed agricultural products.

Uruguay, Paraguay, Brazil and Argentina have signed the Mercosur Pact to form a free trade zone by 1995, and pledged to work towards common rules in anti-dumping, investment and intellectual property policies. Members of the Andean Pact - Bolivia, Venezuela, Peru, Ecuador and Colombia - agreed to implement an Andean common market by the end of 1995.[22] In September 1991, Chile and Mexico became the first Latin American countries to sign a bilateral free trade agreement. The ASEAN countries formally established the Asean Free Trade Area (AFTA), which seeks to eliminate tariffs on manufactured items in 15 years.[23]

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[22] In July, Mexico, Colombia and Venezuela announced a free-trade accord, but discussions on this issue were subsequently postponed indefinitely due to potential conflict with the proposed common market between members of the Andean Pact, to which Colombia and Venezuela belong.

[23] ASEAN's Common Effective Preferential Tariff (CEPT) now covers about 900 items, most of which are not traded by members of ASEAN.

In addition, there were further developments in several initiatives noted in last year's report to the Council. The United States' Enterprise of the Americas Initiative resulted in several additional bilateral Trade and Investment Agreements with countries in Latin America. A similar bilateral agreement was concluded with Singapore in 1991. The discussions between Canada, Mexico, and the United States on a North American free trade arrangement (NAFTA) covering tariffs and non-tariff barriers, rules of origin and dispute settlement procedures continued in 1991.

The European Communities' 1992 Single Market program continued to advance with the signing of the treaty on European Union at Maastricht on 10 December 1991, modifying and extending provisions in the Treaty of Rome and the Single Market Act. When ratified by the 12 member states, the Maastricht Treaty will provide the basis for the progressive implementation of an economic and monetary union, with a European central bank to be put in place by 1994 and a common currency by 1999. New Community-wide areas of competence cited in the Treaty include health, long-range transportation and telecommunication networks, education, consumer protection, industrial policy and cultural policy.

The EFTA countries and the European Communities concluded a draft agreement on 26 October 1991 on the European Economic Area concerning the free movement of goods, labour and capital, the harmonization of regulations affecting enterprises, consumer protection, education, the environment, research and development, social policy, competition policy, public procurement and state aid, and dispute settlement (agricultural policy is excluded). Following a ruling in December by the European Court of Justice against the agreement, it was revised and resubmitted to the Court in February of this year.

The Czech and Slovak Federal Republic, Hungary and Poland concluded discussions on association agreements with the European Communities which will have as their objective the establishment of free trade areas over a ten-year period (agricultural products are excluded). In February 1992, the European Community approved implementation of agreements designed to provide, as of 1 March 1992, the three countries with the trade benefits of the association agreements, pending ratification of the full association agreements.

While the increased involvement of contracting parties in various types of new or strengthened regional initiatives is to be welcomed, it is important that the agreements conform to the requirements laid down in Article XXIV and, where appropriate, in the Enabling Clause. In other words, in order to ensure that they complement efforts to extend the multilateral liberalization process, the agreements need to be firmly anchored in GATT's framework of rules and disciplines.

V. TRADE RESTRICTIVE OR DISTORTIVE MEASURES INCONSISTENT WITH THE MULTILATERAL RULES

A lack of transparency continues to seriously hamper efforts to assess trends in the number and importance of trade actions taken outside GATT's rules.

An overview of developments in the trading system would not be complete if it failed to raise the issue of actions by governments taken outside the framework of the multilateral rules. However, precisely because these actions have not been taken under the authority of the GATT rules, it is virtually impossible to prepare a complete inventory or even to arrive at an objective assessment of trends in their use and impact on world trade.

Last year's report noted 284 known voluntary restraint arrangements (VRAs) and "VRA-type arrangements" between contracting parties.[24] The purpose of the tabulation was to try to arrive at a better understanding of the number of discriminatory quantitative restrictions - the so-called grey area measures - limiting merchandise trade between GATT's member countries. Such information is important in evaluating trade policy developments because the measures in question are actions taken outside the framework of GATT rules, and therefore pose a particular threat to the credibility of the GATT system and to countries' commercial relations with one another.

This tabulation has been discontinued, partly because of the persistence of the problems related to transparency and definitions which caused the earlier tabulations to be heavily qualified.[25] Most bilateral arrangements fall into a category in which problems of transparency and verification - covering both the existence of measures, their product coverage and their duration - seriously limit the comprehensiveness and accuracy of the tabulations. There is also the subjective decision of where to draw the line on a list of bilateral restraints that includes such measures as export floor prices, consultation mechanisms, minimum price undertakings, unilateral import quotas, import allocations, informal surveillance measures for imports or exports, administrative guidance, export forecasts, industry-to-industry agreements and requests for self-regulation. If these types of measures are increasing in importance relative to the more traditional VRAs - which may be the case, although it is difficult to document conclusively - then both the transparency problem

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[24] The previous tabulation of bilateral restraint agreements excluded the relatively extensive network of bilateral measures notified under the Multifibre Arrangement, as well as those notified to the GATT International Dairy Products Council and the GATT International Meat Council.

[25] For example, Appendix Table 1 in the April 1991 report warned that the figures were only approximate and that because the figures for previous years were frequently revised, they could not be used to determine year-to-year changes in the number of VRA and VRA-type measures in effect.

and the problem of deciding which measures to count are becoming even more serious.[26]

Another reason for discontinuing the tabulation is that it excludes various discriminatory bilateral arrangements which are increasingly important sources of trade frictions. These include, for example, discriminatory import commitments and discriminatory bilateral arrangements in such areas as services, intellectual property and investment regulations.

Bilateral arrangements vary in terms of the products (or regulations) covered - agricultural products, textiles, clothing, steel, electronics, automobiles, government procurement and intellectual property are among the most prominent - the countries involved and the specific ways in which trade is distorted. But more importantly, these examples of managed trade share three characteristics which are incompatible with a liberal, market-oriented, multilateral trading system: they frequently involve quantitative limitations or commitments, they are discriminatory, and they are being handled outside the framework of established rules and disciplines - in some instances by the choice of the countries involved and in others because there are no multilateral rules and disciplines in place.

In cases in which there are as yet no multilateral rules governing countries' trade policies, it could be argued that discriminatory arrangements do not threaten the multilateral trading system - although when such multilateral rules are being actively negotiated, the significance of this distinction may be minimal. What is clear from recent experience is that unilateralism and discriminatory bilateral arrangements can generate serious trade frictions, even when they do not involve overt violations of countries' multilateral obligations.

An important question for the international trading community is whether the present situation - in which the multilateral trading system and managed trade are "co-existing" - is sustainable. Many would say that the decision to launch the Uruguay Round indicates that a majority of countries believes it is not sustainable. Indeed, the essential feature of a rules-based system is that countries can be counted on to observe their multilateral obligations even when doing so involves short-term economic and political costs.

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[26] For example, there are instances involving footwear and automobiles in which informal "pre-emptive" monitoring by certain exporters has replaced a previously-existing VRA but still insures the same restrictive effect on the level of trade between the two countries.

VI. CONCLUDING THE URUGUAY ROUND

"In looking ahead to the remainder of 1991, two points should be emphasized. One is the importance of pushing ahead with the Uruguay Round negotiations. The need to minimize the increase in business uncertainty caused by the failure to conclude the negotiations on schedule, to preclude backsliding in what has been achieved to date, and to give a 'confidence boost' to a world economy in its third consecutive year of decelerating growth in output and trade - these and other considerations argue strongly for bringing the extended negotiations to an early, successful conclusion."

This paragraph is taken from the concluding section of last year's Annual Report to the Council. Two "minor" changes would make it equally relevant today: replace 1991 by 1992, and take note that the world economy is facing an anaemic recovery after three consecutive years of decelerating growth in output and trade.[27]

History cannot be rewritten. Nor can lost opportunities in the past be a pretext for the continuing failure to fulfil the expectations attached to a successful conclusion of the Uruguay Round negotiations.

The present report testifies to the increasing activities under the existing GATT system and to the strong interest shown by outsiders to join the system. However, in no way does this trend detract from the importance of the objective which led to the launching of the Uruguay Round: to strengthen and expand the multilateral trading system.

The GATT and multilateral trade negotiations are not an end in themselves. They are meant to contribute to growth and development. Three questions, therefore, remain to be answered.

Why did economic recovery fail to materialize in countries where it was predicted and why did others experience an unexpected slowdown in economic activity? And why are forecasters increasingly cautious in predicting a return to normal rates of economic growth? The answers to these two questions are interlinked. In contrast to the recessions of 1975 and 1982 when the causes of the poor economic performance were clearly identified - strict monetary policies had been introduced to combat double-digit inflation in the industrial countries - there is little or no agreement this time on the fundamental causes holding back the world economy. The result is a more than usual amount of uncertainty surrounding the timing and strength of the upturn in economic growth.

This leads to the question of the role which international trade and an open and liberal multilateral trading system play in increasing and sustaining economic growth in an interdependent world. Developments in the trade area alone are not, of course, a panacea for all the ills confronting the world economy. But it is equally true that the increasing contribution of foreign trade to the GDP of countries and regions all over the world

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[27] The second point emphasized in last year's concluding section - "the critical importance of a strict observance of the extended standstill commitment" - needs no changes to be fully relevant to the current situation.

makes predictability and security in the international trading environment a critical factor in generating jobs, investment flows, technology of transfers, and, thus, increasing economic production and growth.

The short-term perspective

A strong and credible multilateral framework of rules and disciplines governing competition between nations is important, reducing the risks to which economic operators are exposed in their daily activities in the domestic and international market place. Going further, the ongoing integration of the world economy has made nations more accountable for the increasing impact of their domestic policies on the international trading environment. This has created an urgent need to enlarge the area of multilateral economic cooperation by including elements of national policies which have hitherto been considered to be strictly within the realm of national sovereignty. The same is true of new areas of growing economic importance to nations and firms which are not presently governed by multilaterally agreed competition rules and, therefore, prone to arbitrary and ad hoc treatment.

The Uruguay Round is attempting to deal with these and other sources of insecurity in the multilateral trading system. The business community has been waiting for a long time now to know what the "rules of the game" will be.

To the extent that the international business community begins to question the ability of governments to deliver the promises that have so often been made and, even more importantly, to the extent that insufficient predictability and security surrounding the rules of the game in international trade is interfering with economic decision making, the course of the Uruguay Round negotiations is playing a role in determining the timing and strength of the recovery from the current slowdown in world economic growth. Success in the current trade negotiations would, from this viewpoint, make a tangible contribution to an improved economic outlook for the world economy.[28]

Medium-term potential and challenges

Looking beyond the immediate need to promote a strong recovery after three years of declining growth rates, it is apparent that a number of fundamental developments are increasing the world's growth potential. Industrialization is spreading wider as more countries change to market-oriented development programs. Deregulation and other steps to improve the functioning of markets are gaining momentum. Scientific breakthroughs and technological innovations continue to reduce the cost of doing business across long distances and create new tradeable goods and services. The reduction of traditional political conflicts and tensions will, hopefully, make it possible to achieve a diversion of resources from military to civilian uses.

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[28] For many individual countries with relatively less diversified exports, or with new development programs geared to increased participation in world markets, the link between the outcome of the Uruguay Round and national growth prospects is much more direct.

But the future also holds a number of serious challenges to international economic relations. More open markets also mean more fierce competition for the new opportunities created. More liberal economies and more open trading régimes imply social and political pressures resulting from structural changes caused by shifts in the patterns of competitive advantage. And the blurring of lines between actions taken by governments in the international arena and measures which, until recently, were considered strictly domestic has the potential for escalating tensions.

In conclusion, even though the GATT is continuing to play a crucial role, the changing needs of the international trading community and the opportunities and challenges described above, not to speak of the need to boost economic activity, make it urgent to conclude the Uruguay Round.

Appendix Table

Autonomous trade liberalization measures undertaken since the launching of the Uruguay Round in September 1986

The following list has been compiled on the basis of information on trade liberalization measures currently notified or available to the Secretariat. The inclusion or omission of a country or a trade liberalizing action from the list does not prejudge the nature and extent of a country's trade policy reform. The information listed below is not sufficient to make a judgement about either the net change in the level of protection over the period in question or the current level of protection.

Algeria: Abolished all import licensing procedures in 1991.

Argentina: In October 1988, the average tariff was reduced, and obligatory import permits were abolished for 2,000 items. In February 1990, 734 items previously subject to prior examination requirements were made subject to automatic import licensing. In January 1991, the Council was informed that the provisions of Article XVIII:B ceased to be invoked with respect to the application of import restrictions for balance-of-payments purposes, with the exception of 22 items in the automotive sector (these restrictions were removed in the course of 1991). In March 1991, export taxes on agricultural products (with the exception of oilseeds) were eliminated. On 1 April 1991, the average tariff was reduced from 16 to 9.6 per cent and a three-tiered tariff structure introduced: a 22 per cent tariff is assessed on manufactures and capital goods competing with domestically produced goods; an 11 per cent tariff on intermediate products; and duty free treatment for goods with no local equivalent. As of the end of 1991, reference prices had been eliminated in the electronics sector. On 30 October 1991, the remaining import restrictions on 9 automotive products were removed, and the "statistical" tax on exports eliminated.

Australia: In the context of a general program of trade liberalization begun in 1988, tariff ceilings of 10 or 15 per cent will apply by 1 July 1992 for most imports, to be reduced further to 5 per cent by 1 July 1996. Further tariff reductions are to apply to passenger motor vehicles, clothing and footwear, products which benefited from special treatment in the 1988 program. Reduction in assistance for clothing and footwear has been accelerated with tariff quotas to be abolished by 1 March 1993 instead of 1 July 1995, and bounty assistance on textiles to be phased out by 1 July 1995. Among other measures announced in 1989, the sugar embargo dating back 66 years was replaced with a tariff, and domestic sales of wheat were deregulated. In 1991, the industry-run reserve price scheme for wool operated by the Australian Wool Commission was abolished.

Austria: On 1 January 1990, tariffs on a large number of non-agricultural products were provisionally reduced as an advance contribution to the results of the Uruguay Round, and these were extended in 1991 until

31 December 1993. On 1 January 1991, the importation of certain pharmaceutical products was liberalized by the removal of quotas and non-automatic licenses, and exports of certain forestry products were liberalized. An Article XIX action on broken rice which had been in place since 1987 was terminated in 1991.

Bangladesh: As part of an ongoing program of reform introduced in 1985, the number of items subject to import prohibition was reduced. Import quotas covered 30 per cent of all imports in 1987 and this proportion was lowered by 25 per cent in 1989-90; products involved include steel, engineering products, construction materials, capital equipment, furniture, textiles, leather and jute. The maximum tariff on steel, textiles, engineering products, chemicals and electronics was reduced from 200 to 125 per cent, and the tariff regime was simplified. The import sales tax was also simplified and set at a maximum of 20 per cent (it has been eliminated for certain products).

Benin: On 21 July 1988, import prohibitions or quotas were lifted for most products.

Bolivia: As part of an ongoing program of reform begun in 1985, the tariff on capital goods was reduced to 10 per cent in April 1988 and to 5 per cent in January 1990, while duties on other goods were reduced to 10 per cent in April 1990. All quantitative restrictions have been eliminated, except those maintained for public health and safety reasons. Acceded to GATT on 8 September 1990, and bound its entire tariff schedule at a ceiling rate of 40 per cent.

Brazil: In July 1988, the average tariff was reduced from 51 to 41 per cent, to 37.5 per cent in 1989, and to 32 per cent in February 1991 (items not produced domestically may be imported free of duty). In February 1992 an acceleration of programmed tariff reductions was announced: the average tariff will be reduced to 17 per cent in October 1992, with a further reduction planned in July 1993 to a 12 per cent, (maximum tariff of 35 per cent). On 15 March 1990, quantitative restrictions on imports were eliminated, including the "prohibited list" of products, and remaining company and sector-specific import quotas. On 28 February 1991, the requirement for minimum amortization periods for import financing was eliminated. In July 1991, the Council was informed that the provisions of Article XVIII:B ceased to be invoked with respect to the application of import restrictions for balance-of-payments purposes. Restrictions on imports of computer equipment will be eliminated by October 1992.

Bulgaria: In 1990, the state's monopoly on foreign trade and the annual trade plan were abolished. Import licensing restrictions were largely abolished. The existing tariff structure was adjusted to yield an average tariff of 15 per cent. Export bans and quantitative restrictions on a number of items were removed and temporary export taxes replaced quotas on other commodities.

Cameroon: Under an ongoing program of reform, tariffs were reduced and certain non-tariff barriers removed during 1990.

Canada: Tariffs were reduced on certain textile products in 1988. Quantitative restrictions on imports of footwear, for which the provisions of Article XIX had been invoked since 1977, were completely terminated in 1988.

Central African Republic: In the context of a program of economic reform begun in 1986, import licensing procedures and quantitative restrictions were eliminated, and export authorization requirements replaced by a system of declarations.

Chile: On 5 January 1988, the average tariff was reduced from 20 to 15 per cent. On 10 October 1989 a law of the Central Bank established the freedom to export and import any product, and stipulated that "no prior deposits shall be required for carrying out export and import operations, nor shall any quotas be fixed for them". In June 1991 customs tariffs for all goods were reduced from 15 to 11 per cent.

China: Since 1986, tariffs have been reduced on 83 items. On 1 January 1992 China reduced import duties on 225 tariff lines.

Colombia: As part of the ongoing program of reform begun in 1985, the average tariff was reduced from 41 to 22 per cent in 1989. Additional tariff reductions were introduced in 1990; the average tariff applied to capital goods dropped from 15.6 to 11.4 per cent. In 1991, tariffs were reduced on a number of products, and as of 6 September 1991, the import surtax was reduced. In March 1990, a program of gradual elimination of non-tariff import restrictions was initiated with the goal of freeing 70 per cent of imports previously under restriction by 1992. The program includes a "tariff-survey" scheme for items subject to licensing with the goal of establishing tariff rates for the items in question, as a pre-condition for their transfer to the free list. In 1990, 861 items were transferred to the list of products freed from import licensing. The Council was informed in February 1992 that the provisions of Article XVIII:B ceased to be invoked with respect to the application of import restrictions for balance-of-payments purposes.

Costa Rica: Acceded to GATT on 24 November 1990, and bound its entire tariff schedule at a ceiling rate of 60 per cent, to be reduced to 55 per cent within three years. Import surcharges, surtaxes and quantitative restrictions will be eliminated within four years.

Czech and Slovak Federal Republic: On 1 January 1991, the monopoly of state-controlled foreign trade enterprises was eliminated. All restrictions on imports were eliminated (except for crude petroleum, natural gas, arms, ammunition and pharmaceuticals) and replaced with tariffs. As of 1 January 1992, tariffs on 500 items will be reduced (see Part II above for further details of the new tariff regime).

Egypt: In August 1986, the average tariff was reduced by almost 50 per cent, followed by a further 30 per cent reduction in June 1989. In May 1990, 21 items were removed from the list of products subject to

conditional import prohibition. The government has announced that it will eliminate the monopoly on cotton exports by 1994.

El Salvador: Acceded to GATT on 22 May 1991 and bound most of its tariff schedule at a ceiling of 50 per cent, to be reduced to 40 per cent by the end of 1993. Import prohibitions, restrictive import licensing requirements and other quantitative restrictions are scheduled to be removed by 1993. Remaining trade measures will be brought into conformity with the GATT. The Agreements on Customs Valuation, Import Licensing Procedures, and Anti-Dumping Practices will be adhered to.

European Communities: In 1988, a modest proportion of the more than 2,000 national import quotas maintained by Member States on imports from third countries were eliminated. In 1989, a number of specific quantitative restrictions on imports from Poland and Hungary were liberalized, and non-specific quantitative restrictions were suspended for 1990. These non-specific quantitative restrictions were eliminated for Poland, Hungary and the Czech and Slovak Federal Republic in the context of association agreements signed in December 1991. The elimination of certain specific quantitative restrictions on imports from Romania is planned for 1992. Article XIX actions on processed cherries, certain semi-processed red fruits, and cultivated mushrooms (in place since 1989 and 1991) were terminated during 1991.

Finland: As of 1 July 1990, a number of quantitative restrictions on agricultural imports were abolished, including a number of fresh fish items, fresh fruits and vegetables, and fruit and vegetable preparations.

France: In February 1991, the elimination of a series of quantitative restrictions affecting imports of Japanese products was announced, including umbrellas, certain ceramic, porcelain and pottery products, certain toys, and certain electronic measuring instruments.

Ghana: In 1988, tariffs on capital goods were reduced from 25 to 15 per cent, and tariffs on consumer goods were reduced from 35 to 20 per cent; tariffs on most other products were reduced by 5 percentage points. The average tariff in 1991 (including import taxes) was 17 per cent. Import licensing and all remaining import restrictions for balance-of-payments purposes were eliminated in 1989, at which time Ghana disinvoked the use of Article XVIII:B.

Guatemala: Acceded to GATT on 10 October 1991, and bound most of its tariff schedule at ceiling rates of 45 and 50 per cent. Import prohibitions, restrictive import licensing requirements and other quantitative restrictions will be eliminated by 1994. Remaining trade measures will be brought into conformity with the GATT. The Agreements on Customs Valuation, Import Licensing Procedures, and Anti-Dumping Practices will be adhered to.

Guyana: During 1988, import prohibitions were removed on all items except food products. Licensing of imports not requiring official foreign exchange was liberalized.

Honduras: In the context of an ongoing program of reform begun in 1990, the maximum tariff was set at 40 per cent in 1990, was reduced to 35 per cent during 1991, and is scheduled to be reduced further to 20 per cent in 1992. Certain additional import charges were eliminated in 1990. The import permit regime will be converted to an import register. A working party has been established to examine accession to GATT.

Hungary: On 1 January 1989, import licensing was abolished for approximately 40 per cent of the value of imports transacted in convertible currencies, and an additional 30 per cent of convertible currency imports was freed from import licensing as of 1 January 1990. As of 1 January 1991, the coverage of the import licensing system was significantly reduced (for consumer goods an import quota applies), export licensing was eliminated for most products, and the average tariff was reduced from 16 to 13 per cent.

India: In March 1988, 793 products were added to the list of products where imports do not need to be cleared by the relevant sponsoring authorities; these included capital goods items, items of medical equipment, and pharmaceutical products. Until the end of 1992 India will follow an "open skies" policy, allowing foreign airlines to run special cargo charters without requiring reciprocity. In July 1991, as part of a wide-ranging reform program, an "Exim Scrips" instrument, issued against exports at the rate of 30 per cent of their FOB value, replaced the earlier Import Replenishment Licensing Scheme. The licensing restrictions under the new system have been liberalized for several product categories and 7,500 export and import licenses have been abolished. Import licensing for capital goods and raw materials is to be removed in three years' time.

Indonesia: Successive trade reforms were introduced in each year of the 1980s since 1985, leading to lower tariffs, greater tariffication and the relaxation of many licensing restrictions. Tariff reductions implemented in May 1990 resulted in a decline in the average tariff to 22 per cent, down from 37 per cent in 1984. In June 1991, tariff rates and surcharges were reduced on 860 items (beverages, glass sheets, paper products, tires, appliances, paints and iron and steel products). Non-tariff import restrictions were lifted on 311 items. Export subsidies have been reduced and the duty exemption and drawback scheme brought into conformity with the GATT.

Israel: On 1 January 1989, the average tariff was reduced. On 1 September 1991, non-tariff import barriers on most non-agricultural items were eliminated and replaced by tariffs of between 20 and 75 percent. By 1996, tariff rates will be reduced to 12 percent for textiles and certain other items, and eliminated for other items.

Jamaica: A 5-year program of tariff reform was begun in 1987. Import licensing regulations are also being gradually phased out.

Japan: In 1988 the Japanese Government decided to implement market-opening measures with respect to imports of certain agricultural products. On

1 October 1988, the import quota on pasta was eliminated. On 1 April 1989, the import quota on processed cheese was eliminated. On 1 April 1990, import quotas were eliminated on prepared beef, prepared or preserved pineapple, ice-cream, grape juice and grape extract of an alcoholic strength less than 1 per cent by volume; tariffs on 1004 products were also eliminated. On 1 April 1991, the import quotas on beef and fresh oranges were eliminated, and on 1 April 1992 the import quota on orange juice will be eliminated (the latter two products are or will be duty-free, the tariff on beef is 70 per cent for fiscal year 1991).

Republic of Korea: The second phase of a ten-year program of tariff reductions was announced in 1988 with the goal of lowering the average tariff from 18.1 per cent to 7.9 per cent by 1993. As of 31 December 1988, the import surveillance system, which had been in place since 1977, was eliminated. Between July 1986 and January 1990, quantitative restrictions affecting imports of 1004 products were eliminated, with an additional 102 items liberalized as of January 1991. In 1989, it was agreed that all remaining import restrictions for balance-of-payments purposes for which the provision of Article XXVIII:B had been invoked will be eliminated or brought into conformity with GATT by 1 July 1997. In addition to the restrictions phased out in 1989-91, a three-year import liberalization program for 1992-94 notified to Council on 30 March 1991 phases out restrictions for 133 mostly agricultural products; restrictions on the remaining 150 items will be either liberalized or brought into conformity with GATT provisions by 1997.

Macau: Became a member of GATT on 11 January 1991, and intends to submit a schedule of tariff bindings by July 1992.

Madagascar: Since 1988, trade liberalizing actions have included the elimination of certain quantitative restrictions, the establishment of a simplified tariff structure, and the implementation of a market-determined allocation of foreign exchange for imports.

Malawi: In September 1988, the government announced the liberalization of 30 per cent of its imports. With the exception of several strategic items, all imports are scheduled to be liberalized by the end of 1991.

Malaysia: In September 1986, tariffs were reduced on 445 items.

Mexico: As part of the complete restructuring of its economy introduced in 1982, which was deepened in 1985, the maximum tariff was lowered to 45 per cent in 1986 (the ceiling on rates in the 1986 Protocol of Accession is 50 per cent). In 1988, the tariff range was further compacted to 0-20 per cent, official import reference prices were completely eliminated, and import licensing requirements were largely eliminated. Import licensing restrictions for computers and pharmaceuticals were eliminated in 1990. For passenger cars, local content requirements were reduced in 1989, and imports were liberalized in 1990 (imports are now subject to a 15 per cent maximum market share for 1991-92).

Morocco: Acceded to GATT on 17 June 1987, and bound 156 tariff headings. Between 1987 and 1989, 852 items were transferred to a list where import licensing is automatic, with a further 416 items transferred in May 1991. As of October 1991, import authorization on imports of 425 product categories was lifted.

New Zealand: As part of an overall deregulation of its economy, a tariff reduction program was introduced in 1986 with the goal of achieving a 50 per cent reduction in tariff levels by 1991. On 20 March 1990 a further general tariff reduction program was announced for 1 July 1993. Tariffs are to be reduced by one-third by 1 July 1996, to a range of 0-14 per cent on all but four product categories (footwear, carpets, textiles and clothing and motor vehicles). As of 1 July 1988, import licensing was abolished for half the items previously affected by import controls. All import licenses are scheduled to be abolished by July 1992. Agricultural policy has been reformed, eliminating virtually all trade policies affecting imports and exports.

Nigeria: In the context of a program of reform initiated in 1986, import and export licensing were eliminated for most products, the number of products on the "prohibited list" was reduced, the import surcharge of 30 per cent was abolished, the 25 per cent advance payment of import duty requirements was removed, commodity marketing boards for the marketing and exportation of agricultural products were eliminated, and export licensing terminated. The average trade-weighted tariff rate has fallen from 35 to 25 per cent. In January 1987 duties were reduced on 18 final goods and inputs. The number of products subject to export prohibition was reduced in 1989 and state trading was also eliminated.

Nicaragua: In September 1990 the maximum tariff was reduced to 20 per cent. Tariffs in the range of 0-5 per cent were eliminated, those in the range of 10-40 per cent were reduced to 5 per cent, and tariffs in the range of 40-60 per cent were reduced to 10 per cent.

Pakistan: In the context of an ongoing program of reform begun in July 1988, a program to replace non-tariff barriers with tariffs was implemented. As of March 1991, the maximum tariff had been reduced from 225 per cent to 125 per cent and tariff rates on a large number of items lowered, in particular on some industrial raw materials and some types of machinery and chemicals. Import licensing was eliminated for certain products as of March 1991.

Peru: On 24 November 1988, tariffs were reduced on a number of products and a ceiling of 84 per cent introduced. In October 1990 the tariff structure was simplified and the maximum tariff reduced further, rates now being 15, 25, or 50 per cent, with most products facing the 25 per cent rate. An import surcharge affecting a large number of tariff items was eliminated. In March 1991, the range of tariffs was compacted to a minimum of 15 per cent (covering approximately 80 per cent of the customs tariff) and a maximum of 25 per cent (covering the remainder of imports). On most products, non-tariff restrictions including licenses, prior authorizations,

import registration, permits, and prior approval conditions were eliminated. In January 1991 the Council was informed that the provisions of Article XVIII:B ceased to be invoked with respect to the application of import restrictions for balance-of-payments purposes.

Philippines: The proportion of imports subject to quantitative restrictions was reduce in 1988 and 1989. As of the end of June 1990, import licensing on 2,482 items had been lifted; of the 439 items still subject to restrictions 323 are scheduled to be liberalized by the end of 1994. In 1991, a four-tiered tariff structure (rates of 3, 10, 20 and 30 per cent) was put in place for five years. The 9 per cent import levy was reduced in August 1991 and will be eliminated by the end of 1991.

Poland: On 1 January 1989, a tariff regime was introduced for imports from all origins, with the exception of preferential treatment for developing countries. Implementation of this customs tariff has resulted in a cut of the tariff range from 20-40 per cent to 10-25 per cent. On 1 January 1990, the state's monopoly on foreign trade was eliminated, certain quotas removed and the scope of import and export licensing reduced.

Romania: In the context of a program of reform initiated in August 1990, the state's monopoly on foreign trade has been eliminated. The customs duty code has been completely revised, and the provisions for differential tariffs depending on the end-user have been discarded. The highest tariffs were reduced. Imports are reported to be free of quantitative restrictions and surcharges and import licensing automatic.

Russian Federation: A government resolution of 23 January 1992 suspended import restrictions retroactive to 15 January. The Russian President also signed a decree permitting individuals and organizations to buy and sell goods without permission from the authorities and eliminated customs duties on imported goods.

Senegal: Imports of certain food and chemical products were liberalized in 1987.

Singapore: Since 1986, tariffs on 27 items were removed (including sugar products and refrigerators).

Sri Lanka: In November 1990, the maximum tariff was reduced to 50 per cent on 2,128 items covering all sectors, with the exception of tobacco, liquor and automobiles. Effective from 12 November 1991, tariffs were eliminated on 2,713 items and were reduced on 2,937 items. The tariff structure was simplified to a four-tier structure: a 10 per cent tariff applies to raw materials, machinery, equipment and capital goods; a 20 per cent tariff to components, semi-processed and intermediate goods; a 35 per cent tariff to certain finished goods; and a 50 per cent tariff to other finished goods.

Sweden: All quantitative restrictions on textiles and clothing were eliminated as of 1 July 1991. Sweden is not a signatory to MFA V. All quantitative restrictions on imports of footwear are scheduled to be removed by 1993.

Thailand: Tariffs on a large number of items were reduced in 1988 and 1989, resulting in a decline from 12.6 per cent in 1987 to 11.1 per cent in the average applied tariff (total duty collected divided by total value of imports). The statutory tariff for a large number of items of machinery was reduced to 5 per cent in September 1990 (previously, statutory tariffs were for the most part 30 or 35 per cent). In July 1991, tariffs on imports of computers and computer components were reduced. Most types of passenger motor cars were removed from the list of products requiring non-automatic import licensing. Export taxes were removed for most products. In May 1991, import licensing for 10 product categories (including food products, chemicals, paper and paperboard, bar and rods and strategic products) which had been non-automatic became automatic.

Togo: As part of a reform program initiated in 1988, import and export licensing were largely abolished and a new tariff system was put in place.

Trinidad and Tobago: In 1990 a program of reform was introduced, which includes the removal of the negative list of imports and the import licensing system, and implementation of tariff reforms over the medium-term.

Tunisia: In 1987, a number of decrees were amended under the "Plan de Redressement" liberalizing imports of 357 products for industry, agriculture, hotel and catering and hospitals. In 1988, tariffs were reduced and harmonized, with the maximum tariff falling from 236 to 41 per cent, and the minimum tariff rising from 5 to 15 per cent. Acceded to GATT on 19 August 1990, and has bound a portion of its tariff headings at levels between 17 and 52 per cent, and abolished import licenses or quantitative restrictions on many products.

Turkey: In the context of an ongoing program of reform in place since 1980, customs duties for 11,000 articles were reduced in 1989, in addition to already significant tariff cuts undertaken previously (a ceiling of 50 per cent was set on all customs duties as of 1 January 1988). Since 1986, the number of articles on a list for which import authorization is required dropped from 245 to 33 in 1988 and 17 in 1989. As of January 1990, the import licensing system and the import deposit system were abolished.

United Kingdom: In 1988, the government announced that industry-to-industry voluntary export restraint arrangements between domestic and foreign producers are unjustified and encouraged industries concerned to bring them to an end. Almost all such arrangements have since been terminated, including those on colour television viewers from Japan, Singapore, the Republic of Korea and Taiwan.

United States: Increased duties on imports of heavy motorcycles, for which the provisions of Article XIX had been invoked since 1983, were terminated in 1987. The Article XIX action on imports of specialty steel was terminated in 1990 (however, certain aspects of the action were "folded into" the steel VRA program).

Uruguay: As from 10 September 1991, global import tariffs (tariff, surcharge, port service fee and consular tax) of 15 per cent were lowered to 10 per cent, those of 25 per cent were lowered to 20 per cent, and those of 35 and 40 per cent were lowered to 30 per cent. These tariffs apply to all the items in the Customs Tariff.

Venezuela: As part of the program of economic reform begun in 1989, the maximum tariff was reduced to 80 per cent, the tariff schedule simplified, and the gradual elimination of quantitative restrictions was begun. In the second phase of trade reform effective 1 May 1990, the maximum tariff was reduced to 50 per cent, and several quantitative restrictions eliminated. Acceded to GATT on 31 August 1990, and bound tariffs on all items at a ceiling rate of 50 per cent, to be reduced to 40 per cent after two years. The trade-weighted average tariff has been reduced from 35 per cent in 1988, to 13.5 per cent in 1990 and 10 per cent in 1991. Import prohibitions and almost all restrictive prior licensing requirements were eliminated as of 1 October 1991. The number of items subject to quantitative restrictions was reduced from 2,204 in 1988 to 200 in 1991 (other quantitative restrictions will be eliminated by 1995). In 1991 the customs service fee was reduced from 5 to 1 per cent and the export subsidy programme was abolished for all industrial exports. On 1 October 1991, tariffs on new cars were lowered from 40 to 25 per cent for cars priced under $15,000 and from 80 to 40 per cent for cars priced over $15,000, and the tariff on trucks was lowered to 10 per cent.

Yugoslavia: In September 1989, the LBO regime (which limited imports by an enterprise to its foreign exchange entitlement) was abolished and a majority of products became free. In December 1989, a liberalization of the import licensing regime was introduced with the result that at the end of 1990, 87.5 per cent of the value of imports were "liberalized products" compared to 10 per cent in 1987. As of October 1991, additional items previously subject to quantitative restrictions had been shifted to the category of free imports.

Zimbabwe: On 1 October 1990, a trade liberalization program was initiated with the purpose of shifting the conduct of international trade from the basis of an allocation of foreign exchange to tariffs by 1995. In 1990, 58 product categories were placed on an Open General Licence System.