

COUNCIL
13 May 1993

**OVERVIEW OF DEVELOPMENTS IN INTERNATIONAL TRADE
AND THE TRADING SYSTEM**

Annual Report by the Director General¹

Part I of this report provides a summary overview of the state of world trade and the multilateral trading system. Major GATT activities and autonomous trade liberalization initiatives are examined in Parts II and III, respectively. Part IV reviews bilateral export restraint agreements and unilateral measures to restrain exports taken outside the GATT framework. Unless otherwise noted, the developments detailed in this report occurred during the period 1 January 1992 through 15 April 1993.

**I. SUMMARY OVERVIEW OF THE STATE OF WORLD TRADE
AND THE MULTILATERAL TRADING SYSTEM**

In many respects, 1992 was a better year for world trade than 1991.² The 4½ per cent expansion in the *volume* of merchandise trade was considerably faster than the 3 per cent increase recorded the previous year and close to the average for the past decade. World output growth also picked up, but in contrast to trade growth, remained well below the average of the past ten years. This reversal of the global economic slowdown that began in 1989 was one of the few bright spots in a year otherwise characterized mostly by concerns about economic trends in key areas of the world economy.

On a *value* basis, world merchandise trade increased by 5½ per cent to \$3.7 trillion (\$3,700 billion) in 1992. Preliminary estimates indicate that world trade in commercial services - which include transportation, tourism, telecommunications, insurance, banking and other professional services - was up 8 per cent to \$960 billion, making 1992 the fourth consecutive year in which trade in services has expanded more rapidly than merchandise trade.

Two other aspects of last year's trade performance stand out. First, it was the second year in a row in which world trade growth was exceptionally strong relative to world output growth. Trade clearly was a source of strength in an otherwise mostly weak economic environment. Second, the countries which contributed to the growth in world trade included a number of non-OECD countries, with strong import growth not only in Asia (especially East Asia), but also in Latin America (mostly Argentina, Chile, Mexico and Venezuela) and the Middle East (most countries). And, for the first time since the start of their transition to market economies, the countries in Central and Eastern Europe as a group reported increased export and import volumes (1992 was the second

¹ This report is submitted to the Council in pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 (BISD/36S/403, paragraph F).

² See also GATT Press Release 1570 of 22 March 1993.

consecutive year in which Western Europe's exports to Central and Eastern Europe expanded faster than imports from that region).³ These trends confirm that as economic reforms progress in a broad cross-section of countries, there are increasing export opportunities for their trading partners - keeping in mind that trade barriers on exports of reforming countries can limit their ability to earn foreign exchange.

Turning to activities in the GATT in 1992 and early this year, the Report describes the busy agenda of regular work, even as countries continued their efforts to conclude the Uruguay Round negotiations. Among the several areas of GATT's regular activities reviewed in this Report are:

- **New members and observers:** Reflecting a desire by a growing number of countries to integrate themselves more fully into the multilateral trading system, the number of GATT contracting parties increased from 103 at the end of 1991 to 110 at the end of April 1993, six new requests for accession were received, and four working parties were established to consider accession requests (bringing to thirteen the number of such working parties). In a step that typically precedes a formal request to accede, eleven countries requested and were granted observer status, including almost all the republics of the former USSR.
- **Monitoring regional trade agreements:** A growing interest in pursuing economic integration at the regional level is evident from the 18 new regional trade agreements that were notified to the GATT during the period under review. Seven working parties were established to examine 15 of the agreements in the light of the participating countries' GATT obligations (part of the process in which, directly or indirectly, GATT's rules impose a structure and coherence on regional trading agreements).
- **Trade policy reviews:** Seventeen reviews were held under the trade policy review mechanism (TPRM) - of which 14 were first-time reviews - and eleven more reviews are scheduled for the remainder of 1993. These reviews are a response to countries' desire to know more about each other's trade regimes as the world economy becomes progressively more integrated - in particular, their desire to understand better the full range of policies that together determine the "conditions of competition" in each other's markets.
- **Trade and environment:** Activities in the newest of GATT's important areas of interest included eight meetings of the Group on Environmental Measures and International Trade during the period under review, the Secretariat's submissions to the Preparatory Committee for the United Nations Conference on Environment and Development (UNCED), and plans for a meeting of the Council near the end of this year to review GATT's follow-up to the resolutions adopted at the UNCED, the preparation of which is being assisted by work being carried out by the Committee on Trade and Development and the Group.
- **Dispute settlement:** Countries continued to submit their bilateral trade disputes under the dispute settlement procedures of the General Agreement, and under the procedures of the Tokyo Round agreements. In the former instance, there has been increased monitoring activity in response to the non-implementation of adopted panel reports and concern over the possible use of unilateral measures and counter-measures by the parties to the dispute. Under the Tokyo Round agreements, the focus was on the adoption of reports and on differences in the interpretation of the rules as evidenced by the increasing number of panels.

³Bulgaria, the former Czech and Slovak Federal Republic, Hungary, Poland and Romania.

Regarding general trade policy developments since the beginning of last year, the picture is more mixed. On the positive side, a number of autonomous trade liberalizations brought to 72 the number of (mainly non-OECD) governments that have taken such initiatives since the launching of the Uruguay Round. The previously mentioned sharp increase in the number of regional trading agreements can also be viewed as a positive development to the extent that the participating countries follow GATT procedures and the new agreements are in full conformity with GATT obligations.

Other trade policy developments are creating concern. As is documented below, there has been a sharp increase in the number of anti-dumping and countervailing actions. While the documented initiation of such actions continues to be confined mainly to OECD countries (and OECD exporters continue to be the principal subjects of the actions), a further concern is the growing number of initiations by other countries. While in many instances the introduction of anti-dumping and countervailing duty legislation is part of a program to liberalize the trade regime, care must be taken to ensure the legislation and its implementation are consistent with GATT obligations. Another problem area is the continued maintenance of quantitative restrictions outside the GATT framework, which both restrict trade and weaken the authority of GATT's rules. In addition, there have been a number of trade frictions involving principally the European Communities, Japan and the United States, including claims and counter-claims about whose markets are relatively more open or closed. Most worrisome of all is the continuing failure of the major trading nations to resolve the differences that are blocking a successful conclusion of the Uruguay Round negotiations.

Outlook for world trade

The outlook for world trade in 1993 depends most immediately on the underlying economic trends in the world economy. Unfortunately, it cannot be assumed from last year's generally encouraging trade performance that the acceleration in the growth of trade will continue this year. Partly this is because there were special factors at work which may not be present in 1993.⁴ Moreover, because the rate of trade expansion in the second half of 1992 was below the average for the year as a whole, trade growth would have to accelerate in 1993 just to match last year's 4½ per cent gain - something which may be difficult to achieve given the forecasts of little or no economic growth this year in much of Western Europe (including Germany where a decline in GDP is forecast), slow growth in Japan, and the uncertainties surrounding the strength of the economic recovery in the United States. Thus, while it is plausible to expect an expansion of world trade this year at least equal to last year's gain if forecasts of a modest pick-up in world economic growth turn out to be correct, there is a widely shared perception that much of the risk is on the downside. That downside risk would increase sharply if the current trade frictions among the major trading nations escalated into a series of retaliations and counter-retaliations and poisoned the Uruguay Round negotiations.

Bringing the Uruguay Round to a successful conclusion in 1993 would benefit this year's trade growth primarily in the sense that it would mean that trade frictions among the major countries had been successfully resolved or at least contained. The more conventional benefits of trade liberalization would begin to be reflected in 1994's trade growth as investment and trade responded to the end of the uncertainty that has surrounded trade relations since the failure to conclude the Round on schedule in December 1990. Trade growth would also benefit from the support that a successful Uruguay Round would give to economic reforms in the growing number of countries that are basing their development prospects on increased integration in world markets. As the market-

⁴ Among these special factors were the unification of Germany, the sharp increase in the re-export trade between Hong Kong and China, and the strong growth of imports into North America, Latin America and the Middle East. See GATT Press Release 1570 of 22 March 1993.

opening part of the agreement was implemented in the following years, with the new rules - both in existing and new areas - providing a more stable and predictable trading environment, the results of the negotiations would continue to be reflected in the growth of world trade.

II. GATT ACTIVITIES AND RELATED TRADE POLICY DEVELOPMENTS

The following review encompasses activities carried out under the General Agreement and related instruments. It does not deal with tasks related to the Uruguay Round negotiations which are conducted under the Trade Negotiations Committee.

Accessions and observers

The number of GATT contracting parties reached 110 on 22 April 1993, up from 103 at the end of 1991. Requests for accession and observer status underline the greater participation in the GATT being sought by a number of governments, including those in transition to market economies.

Mozambique and Namibia succeeded to GATT in 1992, and Mali, Swaziland, Saint Lucia and Dominica succeeded to GATT in early 1993, under the provisions of Article XXVI:5(c).⁵ As of 1 January 1993, the Czech Republic and the Slovak Republic acquired full autonomy in the conduct of their respective external commercial relations and other matters covered by the GATT, and they joined the GATT on 15 April on the same terms as applied by the former Czech and Slovak Federal Republic, one of the founding contracting parties to GATT.⁶ These new members brought to 110 the number of contracting parties to GATT, and to 19 the number of new members since the start of the Uruguay Round.⁷

Under the terms of Article XXVI:5, dependent territories which acquire autonomy in the conduct of external commercial relations may become members of GATT without undergoing the process of accession under Article XXXIII. Territories or countries succeeding under Article XXVI:5(c) "inherit" the rights of the sponsoring country, and any obligations which may have been granted by the sponsoring country with respect to the customs territory of dependent territories. Dominica, Mozambique, Saint Lucia and Swaziland do not have schedules of concessions at present, Namibia took over the schedule of concessions of South Africa, and Mali assumed the concessions granted by France on behalf of French West Africa. Macau, which succeeded in January 1991, submitted a schedule on 9 May 1992, offering to grant duty-free treatment on a number of products (the schedule has not yet been certified). These developments leave 28 of the 49 contracting parties having taken the route of Article XXVI:5(c) to GATT membership without a schedule of concessions.

⁵ These governments had been applying the GATT on a *de facto* basis prior to succession. Twenty-three other states are applying the GATT on a *de facto* basis; their individual formal GATT memberships await decisions on their future external commercial policy.

⁶ At their December 1992 session, the CONTRACTING PARTIES agreed that the Czech Republic and the Slovak Republic should accede to the General Agreement, pursuant to Article XXXIII, under the same terms as those previously applied by the former Czech and Slovak Federal Republic, and also agreed to apply the GATT in the transitional period to their accession (L/7155 and L/7156). In particular, in Schedule XCII and in Schedule XCIII, the Czech Republic and the Slovak Republic, respectively, assumed the obligations specified in Schedule X of Czechoslovakia, which was the subject of renegotiations in 1992, with a new schedule submitted on 28 November.

⁷ In addition to the countries which joined during the period under review, new members of GATT since the start of the Uruguay Round in September 1986 are: Antigua and Barbuda, Bolivia, Botswana, Costa Rica, El Salvador, Guatemala, Lesotho, Macau, Morocco, Tunisia and Venezuela.

In the course of 1992, working parties were established to examine the requests for accession to GATT under Article XXXIII of Albania, Ecuador, Slovenia and Chinese Taipei. Accession working parties which held meetings in the period under review included those on Honduras, Paraguay, Slovenia and Chinese Taipei (the working parties examining the requests for accession of Algeria, Bulgaria, Mongolia, Nepal and Panama did not meet during the period under review). The working party on China's status as a contracting party also met.

Observer status, typically an early step in eventual accession to the GATT, was granted in the Council to a number of republics of the former USSR, including Armenia, Azerbaijan, Belarus, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Turkmenistan and Ukraine. They join the Russian Federation, which had assumed the observer status of the former USSR as of 18 February 1992. Albania also obtained observer status.⁸

For the GATT members which have undertaken a transition to a market economy, and whose previously negotiated protocols of accession have special provisions - Hungary, Poland and Romania - the changes in their trade policy regimes have led them to request a re-examination of the terms of their respective GATT memberships. While the working party established by the Council in 1991 to examine Hungary's request for a renegotiation of its Protocol of Accession has not yet met, there was a meeting in 1992 of the working party established in 1990 to examine Poland's request for a renegotiation of its Protocol of Accession. The working party established in February 1992 to examine Romania's request for a renegotiation of its Protocol of Accession has not yet met.

Trade Policy Review Mechanism⁹

The 35 reviews covering 32 trade policy regimes carried out between 1989 and the end of April 1993 have substantially increased the transparency of trade policies and practices. The reviews underline the significant liberalizing tendency of recent years in the regimes of non-OECD countries. OECD countries maintain generally open regimes for industrial products, with certain notable exceptions, but protection of agriculture imposes high economic costs.

Seventeen reviews were held during the period under review, and by the end of April 1993, thirty-two trade policy regimes - covering 31 contracting parties plus the European Communities - had been reviewed since the inception of the TPRM in mid-1989. Three of the four largest trading entities have been reviewed twice, and the European Communities will have its second review in May 1993. The reviews have covered all OECD members except Iceland (which is in the 1993 program); three of the economies in transition in Central and Eastern Europe (Hungary, Poland and Romania); all ASEAN contracting parties except Malaysia (which is in the 1993 program) and other trade policy regimes in Asia (Hong Kong and the Republic of Korea); the three members of the Southern

⁸ The Council agreed in May 1990, in connection with the former USSR's request for observer status, that the whole issue of the status of observers and of their rights and obligations should be reviewed at the end of 1992. At its November 1992 meeting the Council agreed that further consultations should be conducted on this matter in early 1993 so that it could be brought to the Council before the summer of that year. The Chairman held consultations on this matter in March and April 1993. See C/173, and its two supplements, for a list of observers in GATT and a description of the current procedures regarding observer status as well as of the rights and obligations of observers.

⁹ On 12 April 1989 the CONTRACTING PARTIES decided to establish on a provisional basis the "Trade Policy Review Mechanism" (BISD 36S/403). One element of the mechanism is periodic reviews in special meetings of the Council - either every two, four or six years, depending on the share of world merchandise trade covered by the regime - of the trade policy regimes of GATT contracting parties. The review is conducted on the basis of two reports, one prepared by the Secretariat and the other prepared by the representatives of the trade policy regime under review.

Common Market (MERCOSUR) which are contracting parties (Argentina, Brazil and Uruguay), and a number of other Latin American countries (Bolivia, Chile, Colombia and Mexico); one least-developed contracting party (Bangladesh); and four countries in Africa (Egypt, Ghana, Morocco and Nigeria).

Looking back on the reviews which have taken place, a number of significant themes emerge. The first is the valuable stimulus of the TPR process to the internal discussion of trade policies in countries under review. Conducting a review, compiling a government report and responding to questions which arise when the Secretariat is preparing its report, means that the national administration has to carefully examine the overall structure and impact of its own trade policies. The second theme is a marked tendency - especially in middle and low-income countries, but also in some OECD members - towards autonomous trade and economic liberalization. This has shown itself in the removal or tariffication of non-tariff measures, as well as in tariff cuts on an autonomous basis. Domestic economic reforms in many countries have also helped to create an environment largely free of obstructive regulation.

The reviews have also revealed the scope which exists for further trade reforms in many countries. The present coverage of GATT bindings in many non-OECD countries is often low, leading to a potentially unstable trade policy environment. In many cases tariffs remain high, with substantial escalation and tariff peaks for many product categories leading to high levels of effective protection. Many items are still covered by discretionary import licensing. Significant assistance may also be provided to domestic industry through subsidies, and restrictions on foreign direct investment are still maintained in a number of countries. On the whole, although trade reforms have, in some cases, gone a long way, they have not completely eliminated the anti-export bias of high levels of import protection. At the same time, the importance of favourable external conditions in supporting reforms has been emphasized; particularly through growth in the world economy and improved market access for exports.

Reviews of OECD countries have confirmed that tariffs on imports of most non-agricultural products are bound at low levels, although significant peaks remain in areas such as textiles, clothing and some natural resource-based manufactures and machinery. Tariff escalation and effective rates of protection remain significant in some areas. Problems of adjustment in certain sectors - especially in textiles, clothing, steel, automobiles and machinery - have led to bilaterally agreed or unilaterally imposed restraints on individual exporting countries, rather than to non-discriminatory Article XIX actions. In some countries, the conditions of competition in the home market are also perceived to be affected by weak enforcement of competition policy and the presence of cartel-type arrangements, which also affect access for foreign suppliers.

The type and scope of the protection granted to domestic agricultural producers has been the subject of considerable debate in the course of the Council discussions on trade policy reviews of virtually all OECD countries. Such protection imposes a burden not only on the whole economy - through higher prices and tax burdens, and through the implicit "tax" on other sectors (especially export industries) created by such policies - but also on trading partners with a comparative advantage in this sector. It is also placing a considerable strain on the functioning of the GATT system. In many instances, the country under review raised considerations of food security, environmental protection or the need to support incomes of farmers as a justification. Others responded by calling attention to methods of achieving such objectives which were more efficient and less distortive of trade.

Common elements to nearly all trade policy regimes have been revealed in the course of the reviews. A number of countries have had increasing recourse to anti-dumping or countervailing actions. Council members have commented on their use as an instrument of industrial policy rather than as procedures in line with multilaterally agreed rules for dealing with distortions to competition. Concern was expressed that methods used for determining injury and assessing margins in anti-dumping actions are sometimes arbitrary and lacking in transparency. It has also been noted that the low share of trade affected by definitive anti-dumping duties does not reflect the full impact of such policies on individual trading partners. This impact includes the uncertainty and disruption to trade which accompanies investigations, and the trade-restricting, as well as rent-creating, effects of settlements reached on the basis of undertakings.

A second common element which emerges is the increasing importance attached to regional integration, both through the expansion of existing agreements and the creation of new ones (see below for additional details). Participants in such arrangements have argued that these are fully consistent with GATT provisions. While there is agreement that regional trade arrangements can contribute to a greater openness of the multilateral trading system, the potential trade-diverting effects are viewed with particular concern by third countries.

A final element common to a number of trade policy regimes is the complexity and lack of transparency of trade policy formulation and administration. Consumer interests are seldom represented effectively. The scope for competition between domestic and foreign suppliers in government procurement is still relatively limited, and health, sanitary and technical standards can, in some cases, play an important role in limiting market access. On the other hand, current account imbalances are increasingly being addressed through macroeconomic measures rather than by trade restrictions.

Efforts are being made to improve, within the guidelines already agreed in 1989, the procedures for the review meetings under the TPRM in the light of the experience with the 35 reviews conducted thus far. The proposed changes are intended to make the operation of the mechanism more effective by putting more emphasis on dialogue and discussion.

Dispute settlement under the General Agreement¹⁰

GATT contracting parties have continued to make extensive use of the dispute settlement procedures under the General Agreement. The main concerns regarding the overall effectiveness of the system are the non-implementation of adopted panel reports in a number of longstanding disputes and unilateral measures and counter-measures by parties to disputes.

Consultations under GATT dispute settlement procedures (as distinct from the procedures under the Tokyo Round agreements) were held on eight new disputes in 1992, compared to five such consultations in 1991. At its February 1992 meeting, the Council established a panel, the proceedings of which were subsequently suspended.¹¹ At its July meeting, the Council established another panel,

¹⁰ The basic GATT mechanism for the management of disputes is based on Articles XXII and XXIII of the General Agreement. Procedures are codified in the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210), and the 1989 Improvements to the GATT Dispute Settlement Rules and Procedures (BISD 36S/61). The separate dispute settlement procedures under the Tokyo Round agreements are considered below in the section dealing with those agreements.

¹¹ EEC - Trade measures taken for non-economic reasons (Yugoslavia is the complaining party). Regarding the status of Yugoslavia as a contracting party, the Council agreed on 19 June 1992 that until the Council returned to the issue of the successor state to the former Socialist Federal Republic of Yugoslavia, the representative of the Federal Republic of Yugoslavia should refrain from participating in the business of the Council.

the proceedings of which were suspended at the request of the complaining parties to consider changes in the domestic legislation of the respondent party; that panel was reactivated in early 1993.¹²

On 21 September 1992, a dispute was referred to the good offices of the Director General by the complaining parties in accordance with paragraph 1 of the 1966 Decision of the CONTRACTING PARTIES on procedures under Article XXIII for disputes involving developing contracting parties.¹³ Two formal meetings were held by the Director General, one on 3 November and the other on 1 December 1992, respectively. The period for the good offices ended 10 February 1993 without a mutually satisfactory resolution, and the Council established a panel upon receipt of the Director General's report. Under the 1966 Decision, the panel has 60 days to submit its report to the parties, a period which started upon its composition and terms of reference being agreed.¹⁴ The complainants have also requested consultations with the European Communities regarding the Regulation on the Common Market Organization for Bananas adopted by the Council of the European Communities on 13 February 1993.

Three panel reports were adopted by the CONTRACTING PARTIES in 1992 (of which two reports were submitted to the parties in 1992 and one in 1991).¹⁵ Adoption of a panel report submitted to parties in 1991 was discussed in 1992, but the complaining party did not request adoption.¹⁶ In addition to the unadopted panel report in 1992, there are two other panel reports that have not been adopted by the Council since the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance came into effect. In one instance, the complaining party has not pursued the matter,¹⁷ and in the other dispute, the respondent party claims to have implemented the panel's rulings and recommendations.¹⁸

The non-implementation of adopted panel reports continues to be the dominant concern of contracting parties regarding the overall effectiveness of dispute settlement under the General Agreement. Questions were raised in the Council concerning the implementation of seven reports of panels established prior to the 1989 Decision on improvements to the GATT dispute settlement rules and procedures. Of the seven reports of panels established after the 1989 Decision which have been adopted by the Council, implementation concerns have been raised in connection with three disputes in which the panel reports were adopted by the Council in 1992.

¹² United States - Restrictions on imports of tuna (II). The European Communities and the Netherlands (on behalf of the Netherlands Antilles) are complainants.

¹³ EEC - Import regime for bananas. Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela are complainants.

¹⁴ By contrast, panels established under other procedures under the General Agreement aim, as a general rule, to submit their reports to the parties not later than six months and, in cases of urgency, within three months (see the April 1989 decision on improvements to the GATT dispute settlement rules and procedures).

¹⁵ (1) Canada - Import, distribution and sale of certain alcoholic drinks by provincial marketing agencies, in which the United States is the complainant; (2) United States - Measures affecting alcoholic and malt beverages, in which Canada is the complainant; (3) United States - Denial of MFN treatment as to non-rubber footwear from Brazil.

¹⁶ United States - Restrictions on imports of tuna (I). Mexico is the complainant.

¹⁷ United States - Trade embargo on Nicaragua.

¹⁸ Canada - Measures affecting the sale of gold coins. South Africa is the complainant.

To address these concerns, (i) consultations were held with the respondent party in several longstanding disputes; (ii) in one dispute, the members of the panel were reconvened to examine questions relating to the implementation of the rulings and recommendations contained in the panel report adopted in 1990, and a follow-up report was issued; and (iii) the Council began monitoring the implementation of adopted panel reports under Paragraph I.3 of the April 1989 Decision.¹⁹ In connection with this role, one status report on implementation was submitted to the Council at its February 1993 meeting and another at its March meeting.

The persistent concern regarding implementation of adopted panel reports - the majority of the panel reports adopted since the start of the Uruguay Round have been the subject of such concerns - raises the question of the willingness of the respondent parties to support an effective dispute settlement system. In five instances, implementation has been conditioned on the outcome of the Uruguay Round in spite of the recognition that panel reports interpret existing rights and obligations and therefore need to be implemented regardless of the outcome of the Uruguay Round.

A related issue is the question of unilateral measures and counter-measures by parties to disputes. In a dispute with Canada regarding the import, distribution and sale of certain alcoholic drinks by provincial marketing agencies, the United States (the complainant) requested the authorization of the CONTRACTING PARTIES at the July 1992 meeting of the Council to suspend concessions, but no consensus was reached on the request. On 14 August 1992, the United States notified the CONTRACTING PARTIES of a 50 per cent surtax on imports of beer originating in Ontario imposed on 24 July. On 27 July 1992, Canada notified the CONTRACTING PARTIES of the imposition of a 50 per cent surtax on certain United States beer imported into Ontario.

In a dispute with the European Communities involving oilseeds, the United States (the complainant) announced on 30 April 1992 the steps it would take to withdraw GATT concessions in order to re-establish a balance of concessions in its trade with the Community, following a finding by the members of the reconvened panel that benefits accruing to the United States under Article II in respect of the zero tariff bindings for oilseeds in the Community's schedule of concessions continued to be impaired by the production subsidy scheme provided for in the Communities' Regulation No. 3766/91. On 19 June 1992, the Council approved the request of the European Communities to enter into negotiations under Article XXVIII:4. On 4 November, the United States requested the authorization of the CONTRACTING PARTIES to suspend concessions on imports from the European Communities valued at \$1 billion, stating its intention to proceed with a 200 per cent tariff on imports from the European Communities valued at \$300 million on 5 December. A compromise on an *ad referendum* basis was subsequently reached between the parties on 26 November 1992.

According to the existing practice, requests to the CONTRACTING PARTIES for authorization to suspend concessions under Article XXIII:2 are decided by consensus.²⁰ Measures and counter-measures taken unilaterally without the authority of the CONTRACTING PARTIES put the multilateral trading system at risk. Actions outside the rules endanger the credibility of the system

¹⁹ Paragraph I.3 of the April 1989 Decision states that "At least ten days prior to each such Council meeting, the contracting party concerned shall provide the Council with a status report in writing of its progress in the implementation of the panel recommendations or rulings."

²⁰ In the single historical precedent of a contracting party being authorized to suspend concessions under Article XXIII:2 - the 1951-52 dispute between the United States and the Netherlands (the complainant) - both parties to the dispute agreed in advance not to block a consensus among the other contracting parties. Technically, the authorization of the CONTRACTING PARTIES to suspend concessions may also be secured under Article XXV with a simple majority of the votes cast.

for settling disputes, and with it the GATT system. History has also made clear that such actions can escalate uncontrollably, imposing costs on the parties involved and potentially disrupting the trade of third parties. Experience underlines the critical importance at this juncture of the need for self-restraint, and for all parties to resolve outstanding differences regarding implementation in the framework of existing GATT rules and disciplines.

Committee on Balance-of-Payments Restrictions

Colombia became the seventh country to disinvoke Article XVIII:B since the launching of the Uruguay Round.

In February 1992, Colombia announced that it had ceased to invoke the provisions of Article XVIII:B of the General Agreement for measures taken for balance-of-payments purposes, the seventh country to have taken this step since the Uruguay Round began.²¹

Full consultations were held by the Committee during the period under review with Egypt, India, the Philippines, Tunisia and Turkey.²² It was noted that all five countries had taken steps to liberalize their trade and payments regimes. The Committee recognized that India and Tunisia faced serious balance-of-payments problems, and both were encouraged to continue to pursue their economic reform programs. Egypt was asked to establish a timetable for the progressive elimination of import restrictions maintained for balance-of-payments purposes and to consider the possibility of disinvoking Article XVIII:B. The Committee requested the Philippines to notify all remaining restrictions maintained for balance-of-payments purposes, adding that it looked forward to an announcement by the Philippines of a time schedule for the removal of such restrictions and requested that consideration be given to the disinvocation of Article XVIII:B. It was noted that Turkey's current policies implied total charges on imports exceeding GATT-bound levels for 12 per cent of its tariff lines, raising questions whether this was justified under Article XVIII:B.

During the period under review, there were three developments involving Article XII: the import surcharge introduced by the former Czech and Slovak Federal Republic in December 1990 was eliminated at the end of 1992; South Africa agreed to consult with the Committee in July 1993 regarding the import surcharge introduced in 1986; and, at the end of March 1993, the Committee held a consultation with Poland with regard to a temporary import surcharge imposed in December 1992.

²¹ The other six are Argentina, Brazil, Ghana, Greece (upon accession to the European Communities in 1987), the Republic of Korea and Peru.

²² Other countries still invoking Article XVIII:B are Bangladesh, Israel, Nigeria, Pakistan and Sri Lanka. The former Yugoslavia maintained restrictions for which the balance-of-payments provision was invoked; regarding its status as a contracting party, see footnote 11 above.

Safeguard actions taken under Article XIX

Two Article XIX actions were terminated and five new actions were taken, of which two expired at the end of 1992, leading to 15 outstanding actions, up from 14 at the beginning of 1992.

The 14 actions in effect as of 1 January 1992 included four actions by the European Communities (dried grapes; processed cherries; provisionally preserved cultivated mushrooms; Atlantic salmon), one action by Germany (hard coal and its products) in place since 1958; six actions by South Africa (certain footwear; malic acid; tall oil fatty acids; certain pipettes, flasks, etc.; certain high carbon steel wire; certain sparking plugs); one action by Nigeria (cement) dating back to 1961; and two actions by Austria (certain types of cement and certain preparations containing cement; prepared fowls).²³

In 1992 the European Communities ended the actions on provisionally preserved cultivated mushrooms (in place since 1 January 1991) and on Atlantic salmon (in place since 9 November 1991). One action, the import quota on cement introduced on 1 September 1991 by Austria, was modified as of 1 February 1993 to apply only to imports from the Czech Republic, Poland, Romania, and the Slovak Republic, and on 15 April 1992, a global import quota for a twelve-month period was introduced; the measures apply to imports from all trading partners which are not members of the European Communities or EFTA.

Five new actions were introduced during the period under review. On 8 April 1992, Hungary notified a surcharge of 9 per cent on imported cement and an import quota on intraocular lenses applicable for the calendar year 1992 (these two actions expired at the end of 1992). On 15 November 1992, Hungary imposed import quotas on certain paper products for one year, applied to imports from all origins except for the European Communities and Finland, with whom it has free trade agreements. On 26 February 1993, the European Communities introduced a minimum price for whitefish from all origins (cod, haddock, coalfish, hake, and monkfish), extended on 13 March (to Alaska pollack), to remain in force until 30 June 1993. On 15 April 1993, Austria introduced a global quota for a twelve-month period on imports of certain fertilizers, which applies to all trading partners which are not members of the European Communities or EFTA.

Committee on Trade and Development

The Committee on Trade and Development met twice to examine the operation of the Enabling Clause and Part IV, and began reviewing options for a more action-oriented future work program.

The Committee met twice in 1992 for the purpose of reviewing the operation of the 1979 Decision of the CONTRACTING PARTIES on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (the "Enabling Clause"), and Part IV of the General Agreement. Among the topics discussed were recent developments in the Generalized System of Preferences (GSP), the technical cooperation activities of the Secretariat, regional integration agreements concluded between developing countries and notified under the Enabling Clause and, more generally, the participation of developing countries in the multilateral trading

²³In the 1991-92 Annual Report of the Director General, the number of outstanding Article XIX actions as of 31 March 1992 was reported to be 20 on the basis of incomplete information regarding the status of actions taken by the European Communities or its member States.

system. In addition, the Committee has started a process of reflection on the question of its future work program, with a view to a more action-oriented approach, in particular identifying ways and means for increasing the participation of developing countries in the multilateral trading system. The Committee's 1993 work program includes assisting in the follow-up to the UNCED.

Regarding the GSP, a number of preference-giving countries have extended their schemes, and others are in the process of doing so. A number of preference-giving countries have also recently extended the coverage of GSP to Central and East European countries and republics of the former USSR, and this was the subject of discussion in the Committee as to the appropriate legal basis for granting GSP treatment to economies in transition. The Chairman of the Committee undertook informal consultations on this matter, which are continuing.

A principal area of the work of the Committee continued to be to monitor the Secretariat's technical assistance activities (see sub-section below for details). As part of its monitoring activities, the Committee also reviewed regional integration agreements concluded between developing countries and notified under the Enabling Clause. Three such initiatives were notified to the Committee in 1992: the Southern Common Market (MERCOSUR) involving Argentina, Brazil and Uruguay, plus Paraguay; the Additional Protocol on Preferential Tariffs concluded between the members of the Economic Cooperation Organization (ECO) - Pakistan, Turkey and the Islamic Republic of Iran; and the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA), to be implemented by the year 2008 (see below for details). In addition, the Committee received a report from the Andean Group regarding developments in the Cartagena Agreement.

In November 1992, the Committee conducted a review of the participation of developing countries, including the least-developed countries, in the multilateral trading system. The review encompassed recent trade developments, external developments having an influence on the trade and economic situation of developing countries, and developments in trade policies affecting developing countries, both external and autonomous trade liberalization initiatives. Participants in the review emphasized the significant steps taken by developing countries to liberalize their trade regimes since the Uruguay Round began in 1986, and the importance of supportive action on the part of trading partners. The Committee agreed to conduct a similar review annually in order to strengthen its monitoring function.

Technical assistance and training activities of the Secretariat

Technical assistance by the Secretariat is increasing rapidly as developing countries and economies in transition seek to participate more actively in the GATT and the Uruguay Round.

The participation of middle and low-income countries in the Uruguay Round was the object of extensive technical assistance activities conducted by the Secretariat both in Geneva and on missions. In January 1992, representatives of African countries were briefed on the current stage of the Round, and in February 1992, representatives from the capitals of a number of least-developed countries were briefed at a session organized with the financial assistance of the Government of Norway. A regional workshop on tariff negotiations was conducted in July 1992 in Burkina Faso for member states of the Economic Community of West African States, organized with the financial assistance of the Government of Finland. The Secretariat participated in regional workshops on services held in Jamaica for member states of the Caribbean Common Market in April 1992, and in Morocco for African countries in May 1992.

In addition to making available data on trade flows, tariffs and non-tariff measures, the Secretariat assisted the negotiations on market access, services and agriculture by visiting a number of capitals during the period under review. Other activities included a briefing session on the Uruguay Round for senior trade policy officials from the capitals of ACP countries that was held in Geneva in December 1992, organized with the financial assistance of the European Communities (officials from 45 countries, including three non-ACP least-developed countries, attended); a regional workshop on the Uruguay Round held in Bangkok in February 1993, organized with the financial assistance of the Government of Japan, and attended by trade policy officials from 18 countries in Asia; missions to countries having requested accession to GATT, including Albania, Algeria, Ecuador, Panama, Slovenia and Chinese Taipei; a workshop organized with the financial assistance of the Government of Finland in Latvia in September 1992 for officials from Estonia, Latvia and Lithuania; and technical assistance missions to the Russian Federation in February 1993 and to Croatia in March 1993.

The Secretariat also held four trade policy courses in the period from January 1992 to mid-April 1993. Three of the courses - in Spanish, English and French - were part of the Secretariat's long-standing series of training courses, held regularly since 1955. In addition, for the second consecutive year, the Secretariat held a Special Course for officials from Central and East European countries organized with the financial assistance of the Government of Switzerland. Officials from Albania, Belarus, Estonia, Latvia, Lithuania, the Russian Federation and Ukraine participated for the first time. Officials from newly independent states in Central Asia have been invited to attend the next Special Course, scheduled for May-July 1993.

Monitoring regional trading arrangements

Eighteen new regional trading arrangements were notified to the GATT, thirteen of which involve the trade relations between West European countries and economies in transition in Central and Eastern Europe. Information on a number of other regional trade initiatives also came to light during the period under review.

In order to facilitate the presentation, the following review of notifications of regional trading arrangements for the period January 1992 to March 1993 is by geographic region rather than chronological order. The section also includes available information on other existing or new regional arrangements, but this is in most instances less authoritative and comprehensive than information formally transmitted to contracting parties by participants.

The main concern with the increasing number of regional integration initiatives is to ensure that they are consistent with GATT rules, and that such initiatives and the multilateral trading system remain mutually supportive. An important aspect in this regard is for the parties to such agreements to notify them for examination in a prompt and timely fashion.²⁴ Another is the need to improve the effectiveness of the examination of regional arrangements in GATT.²⁵ It may be recalled that the requirements for biennial reporting by parties to regional agreements under the November 1971 Decision of the CONTRACTING PARTIES have not been followed for some time and that calendars

²⁴ See the 1971 Decision of the CONTRACTING PARTIES (BISD 18S/38).

²⁵ The Council agreed in 1991, following the discussion of the report of the working party which examined the Canada-United States Free-Trade Agreement, to consider the question of how examinations of agreements submitted under Article XXIV might be made more meaningful. At the December 1992 session of the CONTRACTING PARTIES, the Chairman observed in his opening address that "the time is now ripe for a substantial review of the way in which working parties fulfil their remits under Article XXIV, especially to ensure that the results of their efforts are both clear and meaningful."

for reports have not been established by the Council since 1987. This activity should be revived, giving attention to the possibility of establishing explicit notification requirements regarding the coverage of the biennial reports.

North America. At its February 1993 meeting, the Council was informed by Canada, Mexico and the United States of the signing on 17 December 1992 of the North American Free Trade Agreement (NAFTA). The parties are working towards finalizing the conditions under which the Agreement will be implemented once it has been approved by the three legislatures.

Latin America. At its February 1992 meeting, the Council was informed by Brazil, also on behalf of Argentina and Uruguay, of the trade aspects of the Treaty of Asuncion, which established the Southern Common Market (MERCOSUR), which entered into force on 29 November 1992. The three countries, plus Paraguay, have the aim of establishing a customs union as of 1 January 1995. Information on the Treaty of Asuncion was provided to contracting parties on 2 July 1992 (L/7044). An in-depth presentation on the MERCOSUR was made to the Committee on Trade and Development at its meeting in July 1992 (COM.TD/W/496 and 497). The Economic Complementarity Agreements Nos. 1, 2, 13 and 14 signed in the framework of the Latin American Integration Association (LAIA) were notified on 28 September 1992 (L/7098). Possible procedures and modalities for examination in GATT of the MERCOSUR Agreement are currently the subject of consultations by the Chairman of the CONTRACTING PARTIES.

At its September 1992 meeting, the Council was notified by Bolivia of its implementation in July 1992 of the Common Customs Tariff Nomenclature of the Andean Group. On 10 September 1992, the contracting parties which are members of the Andean Group notified under the Enabling Clause the developments in the Cartagena Agreement to the Committee on Trade and Development (L/7089). The Report stated that a free trade area was scheduled to come into effect by 30 September 1992 between Bolivia, Colombia, Ecuador and Venezuela. Because the ultimate goal of the members is to establish a customs union, the Group has adopted the structure of a Common External Tariff.

Information on other regional integration initiatives in Latin America has also come to the attention of the Secretariat. A free trade agreement between Venezuela and Colombia took effect on 1 January 1992, and negotiations with Mexico on a trilateral free trade area are continuing. On 14 May 1992, El Salvador, Guatemala and Honduras agreed to free trade in goods and capital. On 20 August 1992, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua signed a framework agreement aimed at creating a free trade area by 1996. On 13 November 1992, Bolivia and Peru signed a free trade agreement which eliminates tariffs on all products, with the exception of certain agricultural products. On 8 December 1992, Ecuador and Peru signed a free trade agreement. On 2 April 1993, Chile and Venezuela signed a free trade agreement, which is expected to take effect 1 July 1993, and which aims to eliminate tariffs on 90 per cent of bilateral merchandise trade by 1 January 1997. On 8 April 1993, Chile and Venezuela signed an agreement to eliminate tariffs on 150 products.

The Caribbean Common Market (CARICOM) continued the process of implementing a common external tariff. Venezuela, which applied to join CARICOM in 1991, entered into a free trade agreement with CARICOM on 21 October, which took effect on 1 January 1993 and aims to establish a free trade area by the year 2002.

Western Europe. The EFTA-Turkey Free-Trade Agreement, and the bilateral arrangements between individual EFTA states and Turkey for trade in agricultural products were notified on

5 March 1992 (L/6989 and Add.1), and entered into effect on 1 April 1992. The Agreement covers industrial products, processed agricultural products and fish products, with duties scheduled to be eliminated by 1 January 1996. During the interim period, EFTA will move to eliminate restrictions more rapidly than Turkey, and Turkey will apply to the EFTA countries the same level of reductions in trade barriers it effectively applies under its association agreement with the European Communities. At its April 1992 meeting, the Council established a working party to examine the free trade agreement, the first meeting of which was held on 5 April 1993.

At its February 1992 meeting, the Council was informed of the signature on 16 December 1991 of the "European" agreements between the European Communities, on the one hand, and the former Czech and Slovak Federal Republic, Hungary and Poland, respectively, on the other hand. The Interim Agreements, which take up the trade provisions of the European agreements, entered into force on 1 March 1992, and were notified to contracting parties on 3 April 1992 (L/6992 and Add.1). The agreements provide for the establishment of a free trade area between the European Communities and each of the other three parties, respectively, with a transition period of a maximum of ten years. During this period, the European Communities will move to eliminate restrictions more rapidly than any of the other three parties. A separate Protocol concerns trade in agricultural products between the European Communities and each of the parties. At its April 1992 meeting, the Council established a working party to examine the three free trade area agreements.

On 18 June 1992, EFTA and the former Czech and Slovak Federal Republic notified their Free-Trade Agreement (L/7041 and Add.1). The agreement entered into force on 1 July 1992 for Norway, Sweden and the former Czech and Slovak Federal Republic, and on 1 January 1993 for all other EFTA members (apart from Liechtenstein).²⁶ The agreement covers industrial products, processed agricultural products and fish products; separate agreements between the former Czech and Slovak Federal Republic and each EFTA member State apply to unprocessed agricultural products. Duties and quantitative restrictions on products covered by the Agreement are scheduled to be eliminated by 30 June 2002. During the interim period, EFTA will move to eliminate restrictions more rapidly than the other party. At its July 1992 meeting, the Council established a working party to examine the Agreement.

On 11 June 1992, Sweden notified the Free-Trade Agreements it had signed with Estonia, Latvia and Lithuania, respectively (L/7036). The agreements with Estonia and Latvia entered into force 1 July, and the agreement with Lithuania entered into force 15 August. The agreements cover industrial, fishery and agricultural products, and aim to eliminate duties and quantitative restrictions by the end of a transition period. During the interim period, Sweden will move to eliminate restrictions more rapidly than the other three parties, respectively. At its July 1992 meeting, the Council established a working party to examine the free trade agreements.

At its June 1992 meeting, the Council was informed by the European Communities of the Agreement on the European Economic Area signed on 2 May 1992 with the member States of EFTA.²⁷ The agreement expands the economic relations between the European Communities and EFTA member States to new areas - the free movement of labour and capital, the harmonization of regulations affecting enterprises, consumer protection, education, the environment, research and

²⁶ Following the dissolution of the Czech and Slovak Federal Republic on 31 December 1992, the agreement with EFTA has been extended separately to the Czech Republic and the Slovak Republic.

²⁷ The Treaty establishing the EEA, originally due to enter into effect on 1 January 1993 in order to coincide with the entry into force of the Single Market, was modified following the rejection of the Treaty by Swiss voters on 6 December 1992. It is now expected to come into effect in July 1993.

development, social policy, competition policy, public procurement and state aid - not covered by the free trade agreements signed between the European Communities and each EFTA member state in the early 1970s.

On 9 October 1992, Norway notified the free trade agreements it had signed with Estonia, Latvia and Lithuania, respectively (L/7104 and Add.1), and which are being provisionally applied pending their entry into force. The agreements cover industrial products, and aim to eliminate duties and quantitative restrictions by the end of a transition period; separate agreements between Norway and each of the other parties, respectively, apply to agricultural products. At its November 1992 meeting, the Council established a working party to examine the free trade agreements.

At its November 1992 meeting, the Council was informed by the Czech and Slovak Federal Republic of an agreement reached on 28 October 1992 establishing a customs union between the Czech Republic and the Slovak Republic as of 1 January 1993.

The EFTA-Israel Free-Trade Agreement and the bilateral arrangements for trade in agricultural products between individual EFTA states and Israel were notified on 30 November 1992 (L/7129 and Add.1), and entered into force on 1 January 1993. The Agreement covers industrial products, processed agricultural products and fish products; duties and other charges having equivalent effect were removed on products covered by the Agreement as of its entry into force. At its February 1993 meeting, the Council established a working party to examine the free trade agreement.

On 27 November 1992, Finland notified the Protocols regarding the temporary arrangements on trade and economic cooperation signed with Estonia, Latvia and Lithuania, respectively (L/7130 and Add.1), which are being provisionally applied pending completion of the ratification process (the Protocol between Finland and Estonia entered into force on 1 December 1992). The basic objective of these arrangements is to ensure that no new trade barriers are created between the parties concerned. For the industrial products covered by the arrangements, trade is conducted free of customs duties and quantitative restrictions or measures having equivalent effect. At the 48th Session of the CONTRACTING PARTIES, held in December 1992, a working party was established to examine the temporary arrangements.

The working party established in December 1990 to examine the transitional measures adopted by the European Communities following German unification submitted its report to the Council in February 1993. The European Communities has recently requested an extension to the end of 1993 of the waiver for several of the measures examined by the working party.

Argentina and the European Communities continued their consultations in 1992 regarding the compensation to Argentina following the accession of Spain and Portugal. According to Argentina, an understanding was reached that would permit a partial resolution to the problem of compensation, while leaving the implementation of other concessions to be determined in further consultations.

Additional information on regional integration initiatives in Western Europe has also come to the attention of the Secretariat. The 1992 Single Market Program came into effect on 1 January 1993 between member states of the European Communities and the member states are proceeding with the ratification of the Treaty on European Union signed at Maastricht on 10 December 1991. On 1 February 1993, Ministers from the European Communities agreed to start enlargement negotiations

with Austria, Finland and Sweden, respectively, which are expected to result in membership by 1995.²⁸

Romania and Bulgaria signed "European" Agreements with the European Communities on 1 February and 8 March 1993, respectively (joining Poland, Hungary and the former Czech and Slovak Federal Republic). Under each Agreement, customs duties and quantitative restrictions affecting trade in industrial products are scheduled to be phased out by the year 2003; a separate Protocol covers trade in agricultural products. In the interim, the European Communities will move to eliminate restrictions more rapidly than either Romania or Bulgaria. Interim Agreements take up the trade provisions of the association agreements; the Interim Agreement between the Communities and Romania entered into force on 1 April 1993, while the Interim Agreement between the Communities and Bulgaria is expected to enter into force shortly.

In the context of their European Agreement, the European Communities and Hungary agreed to phase out quotas and non-tariff barriers on trade in textiles by 1 January 1998 (the 1986 agreement on Hungary's exports of textiles and clothing to the European Communities under the MFA expired at the end of 1992).

The European Communities has started negotiations on "Partnership" agreements with the Russian Federation and Morocco, which are expected to lead into free trade area agreements.

The EFTA concluded free trade agreements with Poland and Romania in December 1992, and with Hungary and Bulgaria in 1993. While the agreements are not identical, each agreement phases out customs duties and quantitative restrictions affecting trade in industrial products, processed agricultural products and fish products by the year 2003; separate agreements between each individual member of the EFTA, on the one hand, and Poland, Romania, Hungary and Bulgaria, respectively, on the other hand, cover trade in unprocessed agricultural products. In the interim, EFTA will move to eliminate restrictions more rapidly than Poland, Romania, Hungary and Bulgaria, respectively. Negotiations with Albania on a similar agreement are continuing.

Central and Eastern Europe. At its February 1993 meeting, the Council was informed by Poland, also on behalf of the Czech Republic, Hungary, and the Slovak Republic, of the signature of the Central European Free Trade Agreement (CEFTA) on 21 December 1992. The Agreement entered into force 1 March 1993, and provides for the establishment of a free trade area covering substantially all trade, including industrial and agricultural products, by the end of an eight-year transition period.

Asia. On 10 July 1992, Turkey notified (L/7047) under the Enabling Clause the Additional Protocol on Preferential Tariffs concluded between the members of the Economic Cooperation Organization (ECO) - Pakistan, Turkey and the Islamic Republic of Iran - providing for a 10 per cent reduction on tariffs on certain products.

On 21 October 1992, the Association of South East Asian Nations (ASEAN) notified (L/7111) under the Enabling Clause the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA) to be implemented by the year 2008.

²⁸ Cyprus, Malta, Norway, Slovenia, Switzerland and Turkey have also requested membership in the EC.

Another regional integration initiative is the South Asian Preferential Trade Arrangement, agreed by Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka on 11 April 1993, allowing for a 10 per cent reduction in tariffs on imports from other member countries.

Trade and the environment

Increased interest in the interaction between trade and environment was evident both in GATT's work and at the UNCED meeting in Brazil.

During the period under review, GATT's work on issues related to the interaction between trade and the environment took place in two principal areas: the Group on Environmental Measures and International Trade, and the follow-up to the UNCED.²⁹

The Group on Environmental Measures and International Trade. The Group held six meetings in 1992 and two meetings thus far in 1993, during which discussions took place on the three agenda items laid down in October 1991 when agreement to convene the Group was reached. Under its first agenda item, the Group has reviewed trade provisions contained in multilateral environmental agreements such as the CITES, the Basle Convention and the Montreal Protocol. Many participants have taken the view that it is not the trade provisions of the agreements *per se* that have the most direct bearing on the relationship with GATT principles and provisions, but rather the manner in which they are implemented at the national level by GATT contracting parties. In that regard, discussions have begun to focus on trade provisions governing trade between the parties and non-parties to the Agreements, and on the way in which GATT principles and provisions treat the use of trade measures by contracting parties for extra-territorial purposes. Importance is attached to ensuring that, in the negotiation of trade provisions in future multilateral environmental agreements, there is appropriate coordination in national capitals between agencies responsible for trade and environmental matters, and that the full implications of proposed trade provisions are taken into account at an early stage of the drafting of such agreements.

Under agenda item two, the Group has undertaken an examination of existing GATT transparency provisions in the light of national environmental regulations that are likely to have trade effects. One of the most rapidly changing areas of environmental policy-making is the development of packaging and labelling requirements. These are the subject of the Group's third agenda item, and an exercise has begun among contracting parties to share their experience in this area with a view to better understanding the trade implications which they may have.

One practical example of the new challenges to the multilateral trading system from the introduction of measures intended to protect the environment was the enactment by Austria in 1992 of mandatory labelling requirements for tropical timber and its products, and the creation of a quality mark indicating that the timber had been produced through sustainable forest management practices. The Austrian legislation was the subject of Council debate in November 1992, while consultations were taking place on the matter between certain ASEAN countries and Austria. Many delegations took the opportunity of the Council debate to emphasize the importance of finding cooperative,

²⁹A third area is trade in domestically prohibited goods. In July 1989, the Council established a Working Group on the Export of Domestically Prohibited Goods and Other Hazardous Substances. At the conclusion of the Group's mandate on 30 June 1991, the Council agreed to extend the mandate of the Group for a three-month period which would begin from the date of the Group's next meeting, to be arranged through informal consultations by the Chairman of the Council. There were no developments in this area during the period January 1992 to April 1993.

multilateral solutions to problems involving trade in environmental resources, and of ensuring that trade-related measures taken for environmental purposes should be made fully transparent to all trading partners and should be designed so as not to create unnecessary trade restrictive effects nor to result in unjustifiable discrimination. The Council was informed in February 1993 that while informal consultations were continuing, the Austrian authorities had withdrawn the mandatory labelling requirement and had extended the quality mark to cover all types of timber and timber products.

Another example involves the continuing dispute over certain United States import restrictions on tuna that were considered in the first "tuna-dolphin" panel case.³⁰ Because there has been no request by the complainant for adoption of the panel's report (which concluded, *inter alia*, that a secondary embargo against intermediary countries by the United States was inconsistent with Article XI), the European Communities and the Netherlands (for the Netherlands Antilles) have brought a complaint against the United States with a view to obtaining a ruling dealing specifically with the GATT-consistency of the secondary embargo. A panel was established in July 1992 to examine this issue.

GATT and UNCED. The preparatory meetings for the United Nations Conference on Environment and Development in Brazil in June 1992 were reported on by the Secretariat and, on its own responsibility, the Secretariat submitted a factual paper (L/6896) and the section on "Trade and the Environment" from GATT's annual report International Trade 1990-91 to the fourth and final preparatory meeting of the UNCED in New York. Representatives from the Secretariat attended the June meeting and a note on the proceedings was prepared by the Secretariat (L/6892/Add.3), drawing attention to the contents of the Rio Declaration on Environment and Development and of Agenda 21 that relate to trade and the multilateral trading system.

Contracting parties have begun work on the follow-up in GATT to the results of UNCED, on the basis of recommendations presented by the Chairman of the Council to the 48th Session of the CONTRACTING PARTIES held in December 1992. Focusing on the contents of Chapter 2 of Agenda 21, its Introduction and Sections A and B, the Group on Environmental Measures and International Trade and the Committee on Trade and Development are examining issues related to promoting sustainable development through trade liberalization and making trade and environmental policies mutually supportive. Near the end of 1993, the Council will hold a meeting devoted to the UNCED follow-up at which it will review, and supplement as appropriate, the work that is underway in GATT on this issue.

³⁰United States - Restrictions on imports of tuna (I). Mexico is the complainant.

The Tokyo Round Agreements

Available data indicate a substantial increase in initiations of anti-dumping and countervailing duty investigations in 1992. Dispute settlement procedures of the Anti-Dumping and Subsidies Agreements were actively used.³¹

This section draws on information provided by parties to the Committees of the respective Tokyo Round Agreements.³² The section does not give a complete picture of developments in the areas of trade policy covered by the Agreements during the period from 1 January 1992 through 15 April 1993 because the latest complete set of notifications to the Subsidies and Anti-Dumping Committees cover only the first half of 1992, and because their membership does not include all GATT contracting parties. It should be noted that there are a number of GATT contracting parties, aside from the parties to the relevant Agreements, which have put into place or are planning to put into place, anti-dumping and/or countervail legislation.

Anti-Dumping. As of 1 May 1993, there were 26 Parties to the Agreement. On the basis of notifications made to the Committee for the period 1 July 1991 to 30 June 1992 there was an overall increase from 186 to 237 in the number of investigations initiated during the period.³³ The number of initiations of investigations for the period covered rose for nine parties to the Agreement: Australia (from 47 to 76), United States (from 53 to 62), Mexico (from 14 to 25), Canada (from 12 to 16), New Zealand (from 6 to 13), Brazil (from 2 to 9), India (from 0 to 5), Austria (from 0 to 4) and Japan (from 0 to 3). For India and Japan, the investigations marked the first initiations since they became parties to the Agreement. The number of initiations by the European Communities declined slightly (from 24 to 23), Sweden reported a decrease in the number of initiations (from 2 to 1), and other parties which had reported initiations during the previous period - Finland, Korea and Poland - reported none.

The rise in the number of investigations initiated during the period 1 July 1991 to 30 June 1992 is largely due to a sharp increase in the investigations of non-OECD exporters (that is, of exporters in developing countries and economies in transition). Importers which most frequently investigated non-OECD exporters were the United States (41 of 62), Australia (39 of 76), the European Communities (19 of 23) and Mexico (17 of 25). Pakistan (by Mexico) and Tunisia (by the EC) were subject to initiations for the first time since the Code's inception. In addition, the twelve republics of the former USSR were also the subject of initiations (by the United States and, in several instances, by the European Communities).

Complete data on outstanding final actions (anti-dumping duties or price undertakings) are not available for all parties. For those notifying such data, outstanding final actions on 30 June 1992 were up for Australia (from 20 to 44), for the EC (from 143 to 157), and for the United States (from

³¹ Each Tokyo Round agreement, with the exception of Import Licensing, has a mechanism for dispute settlement which is separate from the dispute settlement procedures of the General Agreement.

³² The number of parties to each agreement reported below includes the European Communities as a single entity. The former Czech and Slovak Federal Republic was a party to several of the Agreements for the period covered by the review; as of 1 May 1993 the Czech Republic and the Slovak Republic became members of the relevant Agreements. Regarding the status of Yugoslavia as a contracting party see footnote 11 above.

³³ Figures for 1991-92 are not directly comparable to previously reported data for 1990-91, because the EC included for the first time in its notifications starting in the second half of 1991 actions taken with respect to non-parties to the Agreement. On the basis of the documents of the European Commission, the EC's totals for previous years have been adjusted to include all initiations of investigations.

209 to 236), but unchanged for Canada (71). Mexico notified 24 outstanding actions and New Zealand notified 14 such actions.

Dispute settlement procedures under the Agreement were actively used in 1992 and in 1993 to date. The Committee established four panels in 1992, and the Committee was informed of consultations held in two other disputes. The report of one of the two panels established in 1991 was considered by the Committee last year and the report of the other panel was considered by the Committee in April 1993. The report of one of the panels established in 1992 was adopted by the Committee in April 1993 - the first adoption of a panel report under the Code's dispute settlement procedures - and proceedings are underway in the other three panels. The Committee also once again considered the adoption of the report of the panel established in 1989 (the first panel established under the dispute settlement procedures of the Agreement).

Taking a broader view of developments in the anti-dumping area since 1985, data for the period 30 June 1985 to 1 July 1992 (Appendix Table 1) indicate a rise in the initiations of anti-dumping investigations from 178 in 1985-86 to 237 in 1991-92.³⁴ The higher number of initiations is due primarily to the more frequent initiations of actions by Australia and by the rising number of parties to the Agreement initiating such actions. On the whole, the United States initiated the largest number of investigations, and its exporters were the third most frequent subjects of investigation; conversely, the European Communities was the third most frequent initiator of investigations and its exporters were the most frequent subjects of investigation. Australia was the second most frequent initiator of investigations, and exporters in Japan were the second most frequent subjects of investigation. Forty-three other contracting parties to the GATT were the subject of at least one initiation during the period in question, of which 34 are non-OECD countries.

Complete data on anti-dumping investigations initiated in the second half of 1992 are not yet available. Figures for the United States show a substantial increase relative to the first half of 1992, due almost entirely to the 48 investigations initiated in July 1992, subsequent to the filing of cases by several steel producers, and related to the expiry of the steel VRA program on 31 March 1992.

Subsidies and Countervailing Duties. As of 1 May 1993, the Agreement had 24 Signatories.³⁵ By the end of 1992, new and full notifications under Article XVI:1 of the General Agreement (due in 1990), had been received from all signatories to the Code. Bolivia, Brazil, Chile, Egypt, Hong Kong, the Philippines and Uruguay notified that they did not maintain subsidies within the meaning of Article XVI:1. Notifications are due in 1993, some of which have been received by the Committee.

Notifications made to the Committee for the period 1 July 1991 to 30 June 1992 indicate an increase from 20 to 36 in the number of countervailing duty investigations initiated. Three signatories reported an increase: the United States (from 7 to 15), Brazil (from 0 to 8), and Chile (from 2 to 5). Two signatories reported a decrease: Australia (from 10 to 8), and New Zealand (from 1 to 0). Of the total for the United States, 5 of the 15 initiations concerned steel products. The actions by Brazil, which concerned imports of milk-related products from the European Communities, marked the first time it has initiated countervailing duty investigations on imports from a signatory to the Agreement.

³⁴During the period 1985-92, the Committee received no notifications from Egypt and Romania (for 1986-87); India (for 1987-88); Austria, Pakistan, Switzerland (1988-89); Austria, the former Czech and Slovak Federal Republic, India, Japan and Pakistan (1989-90).

³⁵ Poland and Argentina signed the Agreement in 1991 on an *ad referendum* basis.

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 were down for the United States (from 70 to 67) and for Canada (from 8 to 7), but up for Australia (from 1 to 12).

Dispute settlement procedures under the Agreement continued to be actively used during the period under review. Three of the four panels established by the Committee in 1991 circulated their reports in 1992, the fourth was circulated in early 1993, and one of these reports was adopted by the Committee. One panel was established in 1992, conciliation was undertaken in three disputes, and one panel was established in early 1993. Of the five panel reports pending adoption by the Subsidies Committee since the end of 1988, one was adopted in 1992.³⁶ A number of signatories expressed serious concern over the blockage of the dispute settlement procedures under the Agreement.

Taking a broader view of developments in the countervailing area since 1985, data for the period 30 June 1985 to 1 July 1992 (Appendix Table 2) indicate a decline in the number of investigations initiated, from 57 in 1985 to 36 in 1992, but a rising trend in recent years.³⁷ Products exported by the member States of the European Communities were by far the most frequent subjects of investigations. Apart from the European Communities, a total of 32 contracting parties were the subject of at least one initiation during the period in question, of which 25 are non-OECD countries.

Although complete figures on countervailing duty investigations initiated in the second half of 1992 are not yet available, the number of initiations already reported (41) is substantially higher than in the first half of the year, due almost entirely to the 36 investigations on steel products initiated by the United States in July 1992, subsequent to the filing of cases by several steel producers, and related to the expiry of the steel VRA program on 31 March 1992. Provisional measures were announced on 30 of these investigations on 30 November 1992, and on the five investigations on steel products initiated in the 1991-92 period.

Customs Valuation. As of 1 May 1993, there were 42 Parties to the Agreement.³⁸ The Russian Federation became an observer in the Committee in 1992. Each Party is required to inform the Committee of any changes in its laws and regulations relevant to the Agreement and in the administration of such laws and regulations.

Government Procurement. As of 1 May 1993, there were 12 Parties to the Agreement. The Informal Working Group on Negotiations continued its work in 1992, pursuant to Article IX:6(b) of the Agreement. The Group has been concerned with 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. An updated draft agreement was circulated in June 1992. Intensive discussions on the dispute settlement procedures of the new agreement were held in 1992, in particular on those parts dealing with procedural aspects, remedies, non-violation, and retaliation affecting products covered by other agreements. Offers were submitted by most participants in the first half of 1992.

³⁶ The report on "United States - Definition of industry concerning wine and grape products" circulated in 1986 was adopted by the Committee on 28 April 1992.

³⁷ Incomplete notifications for the period apply to data for Portugal and Indonesia (1985-86); Indonesia (1986-87); Egypt, India, Indonesia, Pakistan and Turkey (1987-88); Austria, Pakistan, Philippines and Uruguay (1988-89); Egypt, India, Indonesia, Israel, Japan, Pakistan, Philippines and Uruguay (1989-90); Indonesia, Pakistan, Philippines and Uruguay (1990-91); Indonesia and Uruguay (1991-92).

³⁸ Bolivia signed the agreement on an *ad referendum* basis in January 1993.

Progress in these negotiations has been adversely affected by the dispute between the United States and the European Communities regarding the entry into force on 1 January 1993 of the latter's "Utilities Directive", (a bilateral understanding was reached on 21 April 1993 on several aspects of the dispute). This directive concerns procurement in the telecommunication, energy, water and transport areas - subjects which form part of the multilateral negotiations under the Code. The Directive's "reciprocity" clause and, failing such reciprocity, its margin of preference for Community products have formed part of the more general discussion between the United States and the European Communities on preferences in regulations affecting procurement, including the "Buy America" provisions of United States legislation.

Regarding dispute settlement under the Agreement, the Committee adopted in May 1992 the report of one of the two panels established in 1991.

Import Licensing. There were 29 Signatories to the Agreement as of 1 May 1993.³⁹ In 1992, the Russian Federation assumed the observer status of the former USSR in the Committee. Signatories regularly notify the Committee of changes in their laws and regulations regarding import licensing procedures, and in the administration thereof. Fourteen signatories up-dated such information through replies to the GATT Questionnaire on Import Licensing Procedures.

Technical Barriers to Trade. As of 1 May 1993, there were 40 Signatories to the Agreement (the Russian Federation became an observer on 17 June 1992).⁴⁰ The Committee met in 1992 to review the implementation and operation of the Agreement with a view to ensuring that technical regulations and standards do not create unnecessary obstacles to international trade. In conformity with the provisions of Article 2 of the Agreement, notifications of 394 technical regulations were made to the Committee in 1992, compared to 358 notifications in 1991. The Committee adopted a Decision requiring the notification of all mandatory labelling requirements.

Trade in Civil Aircraft. As of 1 May 1993, there were 22 Signatories to the Agreement (on 8 October 1992, the Russian Federation and Chinese Taipei became observers in the Committee). In July 1992, the Committee opened negotiations under Article 8.3 of the Agreement to improve and broaden the Agreement, establishing a Sub-Committee for this purpose (the Russian Federation and Chinese Taipei became members of the Sub-Committee in October 1992). Two meetings were held in 1992 to consider the possible content of a new multilateral agreement. In this context, the Committee discussed the bilateral agreement of July 1992 between the European Communities and the United States regarding direct and indirect subsidies in the civil aircraft sector.⁴¹ Participation in the negotiations is open to any contracting party with an interest in the matter, as well as non-contracting parties having observer status in the Committee or in the formal process of acceding to GATT.

³⁹ Bolivia signed the Agreement on an *ad referendum* basis in January 1993.

⁴⁰ Argentina and Rwanda have signed the Agreement on an *ad referendum* basis.

⁴¹ In a related matter, the Subsidies Committee had established a panel in 1991, at the request of the United States, to examine Germany's exchange rate guarantee for Deutsche Airbus.

The Multi-Fibre Arrangement (MFA)

MFA IV was extended to the end of 1993. The TSB noted that under MFA IV some steps to liberalize trade in textiles and clothing had been taken in several participating countries, although the objectives set out by the MFA had yet to be achieved.

In the absence of a Uruguay Round textile agreement, participants in MFA IV agreed in December 1992 to maintain the arrangement in force until 31 December 1993 - the second extension since the Round began in 1986.⁴² The MFA currently groups 38 participants plus the European Communities. Eight are considered to be "importers"; of these, Austria, Canada, the European Communities, Finland, Norway and the United States apply restrictions under the MFA, while Japan and Switzerland do not. The other participants are described as "exporters", and some or most of their exports of products covered by the MFA are subject to bilaterally agreed quantitative restraints or unilaterally imposed restraints on imports.⁴³

In view of the second extension of MFA IV, the European Communities extended its bilateral arrangements with exporters to 31 December 1994. Austria, Canada, Finland, Norway and the United States generally extended their agreements into 1993 and, in some instances, into 1994. Some agreements were allowed to lapse, while others were replaced by consultation or export surveillance agreements. In other agreements, the number of products subject to restraints was increased.

The administration of agreements under the MFA has become more difficult and complex as complaints of overshipment and circumvention of quotas have increased. In addition, questions of product categorization related to the application of the Harmonized System nomenclature and to fashion trends have also been noted.

Based on information available to the Textiles Surveillance Body (TSB) as of 31 July 1992, the number of MFA restraint agreements in place on the "importer" side was as follows: the United States (29 agreements), Canada (22), the European Communities (19), Norway (16), Finland (7) and Austria (6). On the "exporter" side, the countries maintaining quantitative restrictions on imports under GATT provisions are Egypt, Hungary, India, Indonesia and Pakistan.⁴⁴ Restraints outside the MFA and GATT are maintained by China and the Dominican Republic.

With respect to the operation of MFA IV in each of the importing countries as of 31 July 1992 (prior to the second extension), the TSB made the following observations:⁴⁵ (i) Austria and Finland have continued to apply the MFA sparingly and the agreements were less restrictive than those concluded under MFA III; (ii) Norway's agreements as extended reflect a less restrictive interpretation of MFA IV than at its inception; (iii) Canada has recently relaxed its strict application of MFA IV which had been more strict than under MFA III; (iv) the European Communities' agreements under MFA IV were less restrictive than its very restrictive agreements under MFA III;

⁴² Regarding the first extension of MFA IV, to 31 December 1992, all participants had agreed to sign the extension with the exception of Sweden which removed all restrictions affecting imports of textiles and clothing.

⁴³ The former Czech and Slovak Federal Republic was a signatory of MFA IV, and the second extension of the MFA has been accepted by the Czech Republic and the Slovak Republic.

⁴⁴ The former Yugoslavia maintained restrictions for which the balance-of-payments provision was invoked. For the status of Yugoslavia as a contracting party, see footnote 11 above.

⁴⁵ See "Report of the Textiles Surveillance Body to the Textiles Committee on the Operation of the Arrangement Regarding International Trade in Textiles Under the 1986 and 1991 Protocols of Extension", COM.TEX/SB/1799, 20 October 1992.

however, the improvements introduced in its agreements in 1992 have benefited only a few countries;⁴⁶ and (v) the United States has given a more restrictive application to MFA IV than to MFA III, but recent extensions or renegotiations of agreements generally contained more liberal terms. The TSB's concluding observations on the six-year operation of MFA IV are:

"In the light of all the information contained in this report, the TSB observes that (i) out of thirty-nine participants⁴⁷, only six countries, all of them developed, are applying restraints under the Arrangements; (ii) progress has been made during MFA IV by some developed countries in reducing their MFA restraints; (iii) many developing countries have liberalized their import restrictions during MFA IV and many others continue to apply no such import restrictions; (iv) MFA restraints continue to apply almost exclusively to products from developing countries, as has been the case throughout the life of the MFA; (v) the objectives of achieving the reduction of barriers and of progressive liberalization of world trade have not yet been attained."

III. AUTONOMOUS LIBERALIZATION INITIATIVES

The number of governments having undertaken autonomous trade liberalization measures since the start of the Uruguay Round reached 72 as of April 1993, including several which have announced measures to deepen ongoing reforms.

According to notifications and other information available to the Secretariat, 72 governments have undertaken autonomous trade liberalization initiatives since the Uruguay Round was launched in 1986 (see Appendix Table 3 for details). The scope of trade policy reform varies considerably from country to country not only because the commitment to reform varies, but also because the starting point for the reform process is not the same.

As was noted earlier in this report, a radical restructuring of trade policy regimes has been evident in the economies in transition to market economies. GATT members - the Czech Republic, Hungary, Poland, Romania and the Slovak Republic - have made the tariff the primary instrument of trade regulation and greatly reduced the scope of quantitative restrictions. Steps to align trade policy regimes with GATT rules have also been reported by the economies in transition having requested accession to GATT - Albania, Bulgaria, Mongolia and Slovenia - as well as by some of those having obtained observer status as the first step in the process of accession - Estonia, Lithuania and the Russian Federation.

Steps to achieve a greater conformity with GATT rules are also evident in other countries in the process of acceding to GATT, such as Ecuador and Chinese Taipei. As part of an agreement reached with the United States in October 1992, China has undertaken to eliminate, over a two-year period, 75 per cent of its import licences, quantitative restrictions and other non-tariff measures, as well as to publish all trade regulations.

New members of GATT since the start of the Uruguay Round have also liberalized their trade policy regimes. Bolivia, Costa Rica, El Salvador, Guatemala and Venezuela have bound all or most

⁴⁶The former Czech and Slovak Republic, Hungary and Poland, which have been considered as developed countries under the MFA.

⁴⁷As of 31 July 1992, closing date of the TSB's report. The second extension of MFA IV had been accepted by 39 participants by 27 April 1993.

of the items in their tariff schedules, and either eliminated or greatly reduced the scope of quantitative restrictions. Morocco and Tunisia have also bound tariffs on a number of items in their tariff schedules, and have reduced the number of quantitative restrictions. Of the countries succeeding to GATT under Article XXVI:5(c), Macau, Mali and Namibia have assumed schedules of concessions.

Other GATT members have also autonomously liberalized their trade regimes. Among the actions taken in the period under review, Australia removed tariff quotas on clothing and footwear in March 1993; Brazil rescinded its Informatics Law in October 1992 and continued the tariff reductions announced in 1990; Canada began lowering tariffs on imported textiles on 1 January 1993; Costa Rica reduced tariffs on 8000 items; a large number of quantitative restrictions maintained by the member States of the European Communities were eliminated; Indonesia removed the export bans on certain rattan, timber and non-leather products; Japan eliminated the import quotas on coal and orange juice in March 1992; Morocco lifted import authorization for 460 items in March 1992; Trinidad and Tobago eliminated the negative list of imports in July 1992; and Uruguay reduced its maximum tariff from 30 per cent to 24 per cent, and further reduced tariffs on a number of items. As was noted earlier, in February 1992 Colombia became the seventh country to disinvoke Article XVIII:B for measures taken for balance-of-payments purposes since the Uruguay Round began, and five countries having had full consultations in the Committee on Balance-of-Payments in the period under review took steps to liberalize their trade and payments regimes.

Autonomous liberalization initiatives taken in recent years have often gone well beyond liberalizing merchandise trade. In the economies in transition, the reform process has included the liberalization of domestic prices, privatization of state-run firms, establishment of taxation and regulatory regimes and liberalization of the foreign exchange regime. In other countries, efforts at reform have been aimed at greater competition in the services sector, especially financial services telecommunications, airline and transportation services.

IV. QUANTITATIVE RESTRICTIONS

Complete self-notifications of quantitative restrictions were due in 1992. Aside from the 127 restraint arrangements or bilateral import quotas affecting trade in the textiles and clothing sector, the Secretariat has compiled an inventory of 79 bilaterally agreed or unilaterally imposed (by the exporter) restraint arrangements.

The biennial complete self-notifications of all quantitative restrictions (QRs) were due in 1992 for consideration by the Technical Group on Quantitative Restrictions and Other Non-Tariff Measures. Thirteen contracting parties have made complete notifications of the quantitative restrictions which they maintain, and a further six contracting parties have notified changes to their QR regimes. At its meeting in April 1989, the Group drew attention to the importance of abiding by the obligation to notify; at that time, less than one-half of GATT members were submitting notifications in a timely fashion. The Group also drew attention to the information requirements decided by the CONTRACTING PARTIES, which include an indication of the grounds and GATT justification for the measures maintained.⁴⁸

Quantitative restrictions affecting trade in textiles and clothing. According to the Textiles Surveillance Body (TSB), the number of bilateral restraint agreements on exports of textiles and

⁴⁸ See the notification procedures adopted by the CONTRACTING PARTIES (BISD 31S/222 and BISD 32S/92).

clothing applied under the cover of the MFA as of 30 July 1992 was 99.⁴⁹ Six "importers" were applying restraints on imports from 31 "exporters" under the MFA. Several importers notified additional restraints affecting non-MFA exporting countries either in the form of bilateral export restraint agreements or in the form of quotas applied on imports from specific origins. As of 30 July 1992, there were 28 such restraints on imports, summing to a total of 127 restraints affecting trade in textiles and clothing.

MFA "exporters" applying quantitative restrictions on imports of textiles and clothing under GATT provisions included Egypt, Hungary, India, Indonesia and Pakistan; import quotas outside the MFA and the GATT were maintained by China and the Dominican Republic.

Apart from the measures described above, additional restraints are imposed outside the context of the MFA, but the available information is incomplete. These include unnotified restraints applied by MFA "importers" to non-participating exporters (for example, in the context of association or cooperation agreements) or on non-MFA products (for example, silk). Another group of measures are the restraints applied by certain MFA exporters to non-MFA importing countries, or on non-MFA products. An additional group of measures are the less formal government-to-government arrangements for trade in textiles and clothing (such as consultation, monitoring or exchanges of letters), government-to-industry and industry-to-industry arrangements.

Restraints affecting imports of industrial products other than textiles and clothing. An initial inventory of 79 restraints affecting imports of industrial products (other than textiles and clothing) has been compiled from TPR reports (see Appendix Table 4). Such restraints take the form either of a bilaterally agreed export restraint, a unilaterally imposed restriction on imports from a specified origin, or a unilateral restraint on exports imposed by the exporter.⁵⁰ The compilation excludes undertakings which are the outcome of antidumping or countervailing duty investigations.

According to available information, the Republic of Korea is the exporter most frequently restraining its exports, due primarily to the large number of restraints it unilaterally imposes on its exports of certain products for the stated defensive purpose of preventing trade restrictive measures by governments of destination countries, including anti-dumping actions. Unilaterally imposed restraints taken by an exporting country on its own initiative are one of the reasons why it is difficult to arrive at a figure for the number of restraints affecting imports, because the importing country is often said to be unaware of the existence of such restraints. The figure for the export restraints affecting the European Communities (33), for example, includes 20 such unilaterally imposed restraints on shipments by exporters. The figure for the United States (17) includes seven restraints unilaterally imposed by exporters. It should also be noted that the figure for the United States

⁴⁹ In this section an "agreement" is defined as a restraint involving an importer and an exporter covering a particular product group. Irrespective of whether an agreement covers one or several specific products within the product group, it is counted as one agreement. This approach has the advantage of avoiding the problem posed by the different levels of aggregation used by each importer. For a discussion of this issue in the textiles and clothing sector, see Chapter 2.A of the "Report of the Textiles Surveillance Body to the Textiles Committee on the Operation of the Arrangement Regarding International Trade in Textiles under the 1986 and 1991 Protocols of Extension", (COM.TEX/SB/1799).

⁵⁰ The inventory of export restraints presented in this report differs in two main ways from inventories in previous reports. First, the basic source for data are TPRM reports. Second, only explicit restraints are included, whereas the previous inventories included some less well defined measures. Both changes have the effect of reducing the number of measures, but putting them on a more objective and secure analytical footing. Information on the bilaterally agreed or unilaterally applied restraints in the area of agriculture is not available. For restraints affecting the dairy and beef sectors, see Reports of the respective Committees.

represents a significant decline from the corresponding figure for 1991 due to the expiry on 31 March 1992 of the 21 voluntary restraint arrangements affecting imports of steel from 29 countries.⁵¹

Although the data on restraints were compiled in a more systematic manner than the figures reported in previous Annual Reports to the Council, the figures reported above should not be regarded as a comprehensive accounting of restraints on imports, either bilaterally agreed or unilaterally imposed (by the importer or exporter). The data do not include import restrictions applied to the former "State-trading countries", which have been the subject of considerable change in recent years in the course of the transition to market economies.⁵² Also not included in the compilation (in the case of the European Communities) are the import restrictions applied at the national rather than Community level - unsustainable within a fully integrated market - which have been reduced significantly in recent years.⁵³

One new group of measures difficult to classify are arrangements which explicitly specify market shares. Such arrangements, either formally agreed by governments or unofficially promoted by governments at the industry level, usually specify a particular market share for a particular group of *producers* in relation to domestic sales of the product. The effects on the trade of third parties depend on whether the arrangement takes the form of a *ceiling* or *floor* market share, the trade-restraining effects of the latter being more severe. Such arrangements alter the conditions of competition on the domestic market not only between domestic producers and the particular group of foreign suppliers, but also between those two groups of producers and third-country suppliers.

Information on restraints often has proved difficult to obtain or verify through official government sources, and the sample of countries covered in Appendix Table 4 does not include all possible users of such measures. More generally, the lack of full transparency ensures that an unknown number of measures escape notice. Furthermore, there are a number of less well defined trade restrictive or distortive practices, not included in the compilation, which should be noted as well. Policies such as the monitoring of imports for "statistical" purposes, export "forecasts" and "exchanges of letters" may have effects similar to more formal quantitative restrictions. An increase in the use of such policies would indicate a trend towards less transparent mechanisms to restrain trade on a bilateral basis.

⁵¹ The program started 1 October 1984, and was renewed on 25 July 1989 for a period of 2½ years, during which time the United States government expected to build an international consensus to remove trade-distorting practices in global steel trade in the form of a Multilateral Steel Agreement. Subsequent to the expiry of the bilateral steel arrangements, 21 countries were named in 85 cases filed with the United States International Trade Commission by six domestic steel producers, of which 49 allege dumping and 36 allege subsidization. See Section II above for references to the Subsidies and Anti-Dumping Agreements.

⁵² In January 1990, imports from the Czech and Slovak Federal Republic, Hungary and Poland were freed from all specific restrictions imposed under EC Regulation N° 3420/83, as well as from non-specific restrictions under Regulation N° 288/82 (except for trade with Spain and Portugal). On 1 January 1992, the EC lifted all specific restrictions and suspended all non-specific restrictions on imports from Estonia, Latvia, Lithuania and the CIS member States. Interim association agreements with the former Czech and Slovak Federal Republic, Hungary and Poland entered into force in March 1992. Certain steel exports from the former Czech and Slovak Federal Republic into France, Germany and Italy were made subject to unilateral quotas during the second half of 1992, and EC-wide quotas were imposed on certain steel deliveries from the Czech Republic and the Slovak Republic in 1993.

⁵³ In August 1990, the member States, other than Spain and Portugal, restricted imports of more than 120 industrial products under Council Regulation N° 288/82, which applies to imports from all sources not considered as State-trading countries and covers all products, except for MFA textiles, ECSC coal and steel products and agricultural products subject to a common market organization. As noted in the first TPRM report for the European Communities, France (71 cases) and Italy (48) accounted for the lion's share of the measures, which often affected supplies from Japan and/or other Asian suppliers. In two steps taken in October 1991 and September 1992 (Council Regulations N° 2978/91 and 2875/92) the number of restrictions was reduced to 30 for France and 19 for Italy as of October 1992. The remaining measures focused on fruit and vegetables (including tomatoes, grapes, melons, apricots, pineapples and bananas) and consumer electronics (such as TV tubes, TV receivers and radio receivers of Japanese and other Asian origin).

Appendix Table 1

A. Initiations of anti-dumping investigations, 1985-92

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	Total
United States	65	41	30	25	24	53	62	300
Australia	55	40	21	20	23	47	76	282
European Communities	26	29	62	42	36	24	23	242
Canada	27	24	21	14	15	12	16	129
Mexico	0	2	17	17	9	14	25	84
New Zealand	0	0	4	5	1	6	13	29
Poland	0	0	0	0	0	24	0	24
Finland	0	5	5	2	0	1	0	13
Sweden	2	0	0	2	4	2	1	11
Korea, Rep.	3	1	0	0	3	2	0	9
India	0	0	0	0	0	0	5	5
Austria	0	0	0	0	0	0	4	4
Japan	0	0	0	0	0	0	3	3
Brazil	0	0	1	1	0	2	9	13
Total	178	142	161	129	115	186	237	1148

- Notes:*
1. The Anti-dumping Agreement came into force on 1 January 1980.
 2. Totals include actions regarding signatories and non-signatories to the Agreement.
 3. The reporting period covers 1 July-30 June of each year.
 4. Initiations concerning exporters of the European Communities and its member States are reported as notified. Mexico notified investigations for 1988-89 on certain products imported from the European Communities, while subsequent notifications refer to the member State of origin of the exporting firms subject to the investigation.

Sources: GATT, *Basic Instruments & Selected Documents*, 1985-92, and *Annual Reports of the European Commission to the Parliament*, 1985-91.

B. Exporters subject to two or more initiations of anti-dumping investigations, 1985-92

	Total		Total
European Communities or its member States	209	Venezuela	14
Japan	105	Hungary	12
United States	100	Malaysia	12
Korea, Rep.	78	Austria	11
China	69	Indonesia	9
Chinese Taipei	68	Israel	8
Brazil	54	Norway	6
Yugoslavia (former)	31	South Africa	6
Canada	25	Colombia	5
Poland	24	Philippines	5
Czech and Slovak Fed. Rep.	23	Saudi Arabia	5
Romania	23	Bulgaria	4
Hong Kong	22	Finland	4
Mexico	22	New Zealand	4
Turkey	22	Bangladesh	3
Thailand	19	Egypt	3
German Dem. Rep. (former)	18	Chile	3
Singapore	18	Australia	2
Argentina	17	Kazakhstan	2
India	17	Russian Federation	2
USSR (former)	16	Trinidad and Tobago	2
Sweden	15	Ukraine	2

- Notes:
1. The reporting period covers 1 July 1985 to 30 June 1992.
 2. Initiations concerning exporters of the European Communities and its member States are reported as notified. Mexico notified investigations for 1988-89 on certain products imported from the European Communities, while subsequent notifications refer to the member State of origin of the exporting firms subject to the investigation.
 3. Countries subject to one initiation are Albania, Algeria, Armenia, Azerbaijan, Belarus, Costa Rica, Ecuador, El Salvador, Georgia, Iceland, Islamic Rep. of Iran, Kenya, Kuwait, Kyrgyzstan, Libyan Arab Jamahariya, Macau, Moldova, Pakistan, Papua New Guinea, Peru, Qatar, Switzerland, Tajikistan, Tunisia, Turkmenistan, Uruguay, Uzbekistan, Zimbabwe.

Sources: GATT, *Basic Instruments & Selected Documents*, 1985-92, and *Annual Reports of the European Commission to the Parliament*, 1985-91.

Appendix Table 2

A. Initiations of countervailing investigations, 1985-92

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	Total
United States	42	11	13	9	7	7	15	104
Australia	3	3	0	2	7	10	8	33
Chile	11	0	0	0	0	2	5	18
Canada	1	4	0	1	2	0	0	8
Brazil	0	0	0	0	0	0	8	8
New Zealand	0	1	4	0	0	1	0	6
European Communities	0	0	1	2	0	0	0	3
Total	57	19	18	14	16	20	36	180

B. Exporters subject to two or more initiations of countervailing investigations, 1985-92

	Total		Total
European Communities and its member States	43	Mexico	5
Brazil	17	New Zealand	5
Canada	14	Singapore	5
Thailand	9	India	4
Turkey	8	Korea, Rep.	4
Malaysia	7	Australia	3
Argentina	6	Islamic Rep. of Iran	3
Chinese Taipei	6	Peru	3
Venezuela	6	Colombia	2
China	5	Poland	2
Israel	5		

- Notes:*
1. The Subsidies Agreement came into force on 1 January 1980.
 2. All totals include actions regarding signatories and non-signatories to the Agreement.
 3. The reporting period covers 1 July-30 June of each year.
 4. Initiations concerning exporters of the European Communities and its member States are reported as notified. Brazil notified investigations for 1991-92 on certain products imported from the European Communities, while other notifications refer to the member State of origin of the allegedly subsidized product subject to investigation.
 5. Countries subject to one investigation are Bangladesh, Chile, Costa Rica, the former Czech and Slovak Fed. Rep., Ecuador, El Salvador, the former German Dem. Rep., Finland, Hungary, Kenya, Norway, Pakistan, Sweden, United States, Uruguay, former Yugoslavia, Zimbabwe.

Sources: GATT, *Basic Instruments & Selected Documents, 1985-92* and *Annual Reports of the European Commission to the Parliament, 1985-91.*

Appendix Table 3

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

The following list of autonomous trade liberalization initiatives has been compiled on the basis of notifications and information available to the Secretariat. The inclusion or omission of a country or a trade liberalizing action from the list does not prejudice the nature and extent of a country's trade policy reform. The information listed below is not sufficient to make a judgement about the current level of protection or the net change in the level of protection over the period since the start of the Uruguay Round.

Albania: Applied to accede to the GATT in November 1992 and a working party was established in December to examine this request. A new customs law has been adopted along with a tariff schedule based on the Harmonized System. Tariffs range from 5 to 15 per cent, and a 30 per cent rate is applied to certain sensitive products. Import licensing requirements have been removed for most products.

Algeria: Abolished 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. In March 1991, export taxes on agricultural products (with the exception of oilseeds) were eliminated. In the course of 1991, the average tariff was reduced from 16 to 12.2 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; a 13 per cent tariff on intermediate products; and a 5 per cent tariff for goods with no local equivalent. As of the end of 1991, reference prices had been eliminated in the electronics sector.

Australia: In the context of a general program of trade liberalization begun in 1988, tariff ceilings of 10 or 15 per cent have been applied since 1 July 1992 for most products, scheduled to be reduced to 5 per cent by 1 July 1996 (passenger motor vehicles, clothing and footwear products benefit from special treatment under the program). Reduction in assistance for clothing and footwear has been accelerated and tariff quotas were abolished on 1 March 1993 instead of 1 July 1995. Bounty assistance on textiles is to be phased out by 1 July 1995. Among other measures announced in 1989, the sugar embargo of 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.

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). The import regime was further liberalized in 1991 with the deletion of 59 headings at a four digit level from the control list of goods subject to import restrictions (193 headings still remain on that list). Import procedures have continued to be simplified. Imports are now only subject to customs duty and a VAT instead of a variety of different taxes and charges. The maximum rate of duty will be fixed at 100 per cent in the near future (except for luxury goods) and is due to be lowered gradually to 75 per cent.

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

Bolivia: Acceded to GATT on 8 September 1990, and bound its entire tariff schedule at a ceiling rate of 40 per cent, except for eleven items under a 30 per cent rate. As part of an ongoing program of reform begun in 1985, tariffs were reduced progressively to 10 per cent in April 1990, while concessional duties on capital goods applicable until January 1994 were reduced to 5 per cent in January 1990. All quantitative restrictions have been eliminated, except those maintained for public health and safety reasons. Acceded to the Agreements on Import Licensing and Customs Valuation in January 1993 on an *ad referendum* basis.

Brazil: In the context of a program of trade liberalization begun in 1987, the average tariff was reduced from 51 to 35½ per cent in 1989 and, in 1990, a program of scheduled reductions in tariffs was introduced with the goal of a level of 14 per cent in 1993, compared to 25 per cent in 1991; the most recent reductions have brought the average tariff to 17.1 per cent. The ports improvement tax was eliminated in 1987. In 1988, quantitative restrictions on exports and imports of soya beans and derivatives, cotton, rice and corn were eliminated. Between 1987 and 1988, the number of items for which import permits were temporarily suspended was reduced from 4,441 to 1,165 items, and brought to zero on 15 March 1990. On the same date, company and sector-specific import programs were terminated, and prior import authorization was limited to products subject to phytosanitary, environment or security considerations. On 28 February 1991, the requirement of minimum amortization periods for import financing was eliminated. In July 1991, the Council was informed that Article XVIII:B ceased to be invoked for import restrictions taken for balance-of-payments purposes. In October 1992, the Informatics Law was abolished and imports of products covered by it were liberalized.

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. In February 1992, tariffs on a variety of household and consumer goods were eliminated. Phased reductions in tariffs on a range

of textile products were implemented 1 January 1993 to be completed in 1998, with the aim of aligning tariffs on textile products with those of other industrial countries.

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. Article XIX actions which have been terminated include those on wheat, introduced 27 November 1984 and terminated 1 January 1989, and on edible vegetable oils, introduced 28 September 1985 and terminated 1 January 1989.

China: On 1 January 1992 import duties on 225 tariff lines were reduced, and further cuts affecting 3371 items were announced at the end of 1992. As part of an agreement reached with the United States in October 1992, 75 per cent of import licences, quantitative restrictions and other non-tariff measures are scheduled to be eliminated over a two-year period, and all trade regulations will be published.

Colombia: As part of a program of tariff reform begun in mid-1987, the number of tariff categories was reduced from 21 in 1987 to 5 as of 31 January 1992, and the average tariff was reduced from 31 per cent in 1987 to 11 per cent in March 1992. The import surtax established at 18 per cent of the c.i.f. value of imports under Law 75 of 1986 was gradually reduced and, as of 11 February 1992, eliminated. As of March 1992, the customs tariff was composed of five levels in the Harmonized System of zero, five, ten, fifteen, and twenty per cent. Between March 1990 and the end of 1991, the number of items subject to import licensing was reduced, and in February 1992, contracting parties were informed that 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. Tariffs were reduced for a total of 8000 items in February and March 1992. Import surcharges, surtaxes and quantitative restrictions are scheduled to be removed by 1995.

Czech and Slovak Federal Republic:⁵⁴ 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.

Ecuador: In September 1992, requested accession to GATT and the Council established a working party to examine the request. As part of its trade policy liberalization, import restrictions which involved prior deposits, tariff surcharges, monetary stabilization and prior licensing were lifted, with the exception of imports of primary products to be used in the pharmaceutical industry, for controlling traffic in drugs and national health protection. Customs tariffs range between 5 and 20 per cent, with a 40 per cent tariff in the automotive sector. In November 1992, the state monopoly on the exportation of oil was ended.

⁵⁴ Dissolved as of 1 January 1993. The description applies to the Czech Republic and the Slovak Republic.

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. All additional taxes on imports were also abolished. In May 1991, prior approval procedures for certain imports were abolished, as was the list of goods for which the issuance of letters of credit for importation was suspended. Import measures on some 30 items and most export restrictions were eliminated in August 1992. 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 acceded to.

Estonia: Under a program of economic reform introduced in 1991, quantitative restrictions on imports have been eliminated and duty-free treatment granted to products, with the exception of furs, automobiles, bicycles, yachts, alcohol and tobacco. Became a GATT observer on 19 June 1992.

European Communities: Elimination of a large number of quantitative restrictions maintained by member states, in particular France and Italy, in the Internal Market context (October 1991 and September 1992). Virtually all quantitative restrictions on industrial products, except for textiles and coal, were eliminated for the former Czech and Slovak Federal Republic, Hungary and Poland with the entry into force of the Interim Agreements on 1 March 1992. Elimination of all specific restrictions on imports from Estonia, Latvia and Lithuania and the CIS member states in January 1992. Article XIX actions which have been terminated include those on provisionally preserved raspberries introduced 17 January 1986 and terminated 21 September 1991, and on sweet potatoes introduced 19 April 1986 and terminated in 1987.

Finland: An Article XIX action on porous fiberboard impregnated with bitumen introduced 2 June 1986 was terminated 14 November 1986. As of 1 July 1990, a number of quantitative restrictions on agricultural imports were abolished, including those affecting a number of fresh fish items, fresh fruits and vegetables, and fruit and vegetable preparations. An import equalization tax is scheduled to be phased out by 1994.

France: In February 1991, the elimination of certain 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 Article XVIII:B was disinvoked.

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 are scheduled to be eliminated by 1994. Remaining trade measures are scheduled to be brought into conformity with the GATT.

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 to 20 per cent in 1992. Certain additional import charges were eliminated in 1990. The import permit regime was converted to an import register maintained for statistical purposes. Requested provisional accession to GATT in May 1987 and a working party was established by the Council; in October 1990, full accession was requested, and the working party's mandate was extended for the purpose of examining that request.

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. In July 1991, an "Exim Scrips" instrument, issued against exports at the rate of 30 per cent of their f.o.b. value, replaced the earlier Import Replenishment Licensing Scheme. Licensing restrictions have been liberalized for several product categories and 7,500 export and import licenses have been abolished. Administrative controls on imports of capital goods, intermediate goods and most raw materials were lifted in April 1992. In February 1993, the maximum rate of import duties was lowered from 110 to 85 per cent and the general rate for capital goods was lowered from 55 to 35 per cent, with further cuts being made for export-oriented industries and power-generation and distribution.

Indonesia: Successive trade reforms were introduced in each year 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. On 8 June 1992, the export bans on raw hides and skins (apart from reptiles), on certain types of timber (fancy wood, wet veneer, ramin, white meranti and agathis wood, chipwood materials and low value sawn timber), and on rattan were ended and replaced with export taxes.

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 are scheduled to be reduced to 12 per cent for textiles and certain other items, and eliminated for other items. The import levy, which is presently set at the level of 2 per cent, is scheduled to be reduced to 1 per cent by 31 December 1994.

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

Japan: Market-opening measures with respect to imports of certain agricultural products were implemented, including: (i) on 1 October 1988, the import quotas on pasta and non-citrus fruit puree and paste were eliminated; (ii) on 1 April 1989, the import quota on processed cheese was eliminated; (iii) on 1 July 1989, import quotas on tomato juice, tomato ketchup and tomato sauce were eliminated;

(iv) 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; and tariffs on 1004 products were also eliminated; (v) on 1 April 1991, the import quotas on beef and fresh oranges were eliminated; (vi) on 31 March 1992, the import quotas for coal and orange juice were eliminated.

Korea, Rep.: 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 would 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 the Council on 30 March 1991 phases out restrictions for 133 mostly agricultural products; restrictions on the remaining 150 items are scheduled to be either liberalized or brought into conformity with GATT provisions by 1997.

Lithuania: Under a program of economic reform begun in 1991, the state monopoly on foreign trade has been eliminated. Licensing requirements are being dismantled and the tariff will become the main instrument of trade regulation. Obtained GATT observer status on 29 September 1992.

Macau: Succeeded to GATT on 11 January 1991, and submitted a draft schedule of tariff concessions in May 1992, providing for duty-free treatment on a number of products.

Madagascar: Since 1988, trade liberalizing actions have included the elimination of certain quantitative restrictions and the establishment of a simplified tariff structure.

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 were liberalized at the end of 1991.

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

Mali: Succeeded to GATT on 11 January 1993 and assumed the concessions granted by France on behalf of French West Africa.

Malta: Between 1987 and 1991, import licensing was abolished for more than 800 H.S. headings. Quantitative controls such as partial restrictions, import quotas and outright prohibitions on certain products, were also eliminated. The state-trading system is being gradually dismantled.

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). As of April 1993, less than 2 percent of tariff lines are subject to import licensing, compared to all products in 1982.

Mongolia: Requested accession to GATT in June 1991 and a working party was established. Export taxes have been eliminated and a uniform import tariff of 15 per cent has been introduced to replace a system of varying rates.

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. A further 460 items were liberalized in March 1992.

Namibia: Succeeded to GATT on 15 September 1992 and assumed the schedule of concessions of South Africa.

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 remaining import licensing requirements have been abolished. Agricultural policy has been reformed, eliminating virtually all trade policies affecting imports and exports.

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.

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.

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 for most products and tariff rates on a large number of items lowered, in particular on some industrial raw materials and some types of machinery and chemicals. The number of items on the "negative" and "restricted" lists has been reduced.

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 reduced during 1988-92. As of the end of December 1992, import licensing on 2,761 items had been lifted since 1981; of the 135 items still subject to restrictions, 66 are scheduled to be liberalized by the end of 1994 (the remainder are to be restricted for health, safety and national security reasons), and by February 1993, the coverage of quantitative import restrictions had been narrowed to 135 items. In 1991, a four-tiered tariff structure (rates of 3, 10, 20 and 30 per cent) was announced, to be in place over five years. The 9 per cent import surcharge was reduced in August 1991 and eliminated in May 1992 on all but a few items. In July 1992, quantitative restrictions on 178 HS lines were converted into tariffs, and are scheduled to be reduced by 1995 in conformity with the overall schedule of tariff reforms.

Poland: On 1 January 1989, a new tariff regime was introduced for imports from all origins. On 1 January 1989, the state's monopoly on foreign trade was eliminated, most quotas removed and the scope of import and export licensing significantly reduced.

Romania: In the context of a program of reform initiated in August 1990, the state's monopoly on foreign trade was eliminated, and the customs tariff became the main instrument of trade policy. In 1990, the customs duty code was revised, the provisions for differential tariffs depending on the end-user were discarded, and the highest tariffs were reduced. On 1 January 1992, a new customs tariff, based on the Harmonized System, was introduced. General licensing of imports and exports has been abolished. Remaining quantitative controls of a permanent nature apply mainly to drugs and narcotics, military equipment and waste.

Russian Federation: In November 1991, the monopoly on foreign trade was abolished and all corporate entities registered on the territory of the federation were authorized to engage in external economic transactions. Subsequently, all import tariffs were temporarily suspended and non-tariff restrictions on imports eliminated. As from 1 September 1992, a Provisional Import Tariff has been in force which sets a unified rate of 15 per cent for most imports. The list of goods subject to export quotas and restrictions was limited to oil and gas, petroleum products, furs and precious metals on 1 January 1993.

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).

Slovenia: Requested accession to GATT on 9 June 1992 and a working party was established in July. Abolished GATT-inconsistent requirements for regional approvals on imported products. Reduced the number of goods subject to quotas by 48 per cent in 1992. GATT-inconsistent non-tariff charges on imports were suspended.

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, and all quantitative restrictions on imports of footwear were eliminated as of 31 December 1991.

Chinese Taipei: In the context of an ongoing program of tariff reform begun in 1984, the average tariff was reduced by 50 per cent by 1989. The average tariff was reduced to 4.97 per cent in 1991, and further cuts in tariff rates are scheduled under the "Four Year Tariff Reduction Plan" which began in 1989. The number of items subject to import control or prohibition has been reduced, the list of freely imported products expanded and the number of products requiring export permits has been reduced.

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, 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 has included the elimination of the negative list of imports by July 1992 (with the exception of primary agricultural products and items retained for national security or health reasons, or as provided for under international agreements), replaced by a temporary surcharge to be phased out by 1 January 1995. The stamp duty on imports of raw materials and on certain capital goods will be also phased out by 1 January 1995. The administration of the import regime has been simplified from 18 documents required previously to a single document.

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, with the result that the average tariff fell to 26 per cent in 1989. Acceded to GATT on 19 August 1990, and 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. By May 1992, 85 per cent of imports were reported to be free of quantitative restrictions.

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 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. In January 1993, the stamp duty, the municipal tax, the transportation infrastructure tax, and the import surcharge to finance the Support and Price Stabilization Fund, were abolished and reductions were made to customs duties.

United States: Terminated the additional duties on imports of heavy motorcycles in 1987 that had been imposed in 1983 under the provisions of Article XIX. 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). In November 1990, import restrictions on cotton comber waste were indefinitely suspended.

United Kingdom: In 1988, the government announced that industry-to-industry voluntary export restraint arrangements between domestic and foreign producers are unjustified and encouraged the 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, Korea and Taiwan.

Uruguay: As from 1 September 1991, total charges on imports (tariff and import surcharge) 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. Since April 1992, a four-tier tariff of zero, 10, 17 and 24 per cent has been in effect. As from 1 January 1993, the maximum level was scheduled to fall to 20 per cent.

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 maximum tariff rate was lowered to 20 per cent in 1992. 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.

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.

Appendix Table 4

A. Export restraints by selected sector, December 1992

	Exporting countries	Importing countries	Total number of restraints
Travel goods	3	13	14
Electrical equipment and appliances	2	10	11
Footwear	3	5	7
Machine tools	2	2	5
TVs or TV tubes	2	5	5
Other	-	-	37

B. Exporters and importers affected by export restraints, December 1992

Exporting country	Total number of restraints	Importing country	Total number of restraints
Korea, Rep.	46	European Communities and its member States	33
Japan	23	United States	17
Brazil	4	Austria	7
Chinese Taipei	4	Japan	6
China	1	Canada	3
Singapore	1	Sweden	2
		Hong Kong	2
		Norway	2
		Switzerland	2
		Australia	1
		Finland	1
		Iceland	1
		Singapore	1
		Chinese Taipei	1
Total	79	Total	79

- Notes:
1. Figures do not include restraints affecting exports of agricultural products, textiles and clothing.
 2. Figures for the European Communities and its member States include the EC-Japan agreement on passenger cars and light commercial vehicles as one restraint, despite the fact that the monitoring is applied at both the EC-level and at the level of five individual member States (see L/6922).
 3. In several instances of unilaterally applied restraints by the exporter, the importing country has not been notified of the measures; for example, 20 in the case of the European Communities, of which 14 are applied by the Republic of Korea.