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THE GATT MULTILATERAL TRADE NEGOTIATIONS

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Results which exceed appearances

The multilateral trade negotiations (MTN) - known as the "Tokyo Round" because the decision to initiate them had been taken in the Japanese capital in September 1973 by 103 nations of the world - ended on April 1979 with a general agreement on the essential points. Their goal was to reduce obstacles to trade in the world, and the most spectacular element is, to all appearances, the lowering of customs duties which will go into force at the beginning of 1980.

Nevertheless, without wishing to minimize the importance of this aspect, the results of the MTN far exceed the simple fact that in the future, duties will be lowered; basically speaking:

- a new discipline in international exchanges has been instituted

Between industrialized countries, customs duties - with the exception of "peaks" remaining in a few customs tariffs - had as obstacles to trade, become almost secondary as compared to the regulations and restrictions of customs valuations, of technical standards, subsidies, compensation rights, and protectionism in national markets. The MTN have helped to define (with one exception, the safeguard clause) new codes and other legal texts on these various aspects which should if not eliminate, at least reduce abuses and disguised protectionism and pave the way for a freer and more harmonious development in international exchanges.

- international trade for agricultural products will be considerably improved and facilitated, by taking into consideration the special aspects of this sector. Prior to the Tokyo Round two major gaps (among several others) existed in the organization of worldwide agricultural exchanges: the United States benefited from a dispensation which allowed it not to respect all the GATT rules and for example to apply a surcharge on imports of subsidized products without taking into account GATT's clear-cut regulations in this sector; the common agricultural policy (CAP) of the European Community was in certain of its aspects, the object of recurring disputes aimed at challenging

its legitimacy.

This situation has been modified by negotiation: the United States will, at present, accept greater international discipline; and the specific mechanisms of the CAP will no longer be contested as to their basic principle, their application being - as in the past - subject to GATT regulations.

- In addition, systems for permanent consultation have been introduced into the agricultural sector, in order to supervise the stabilization of world markets in view of the special responsibility of this sector in the solution to such problems as hunger in the world and the chronic malnutrition of entire populations.

Protectionism and the "world crisis" held in check

The results of the Tokyo Round are all the more significant that they were achieved in a period of international economic recession. In periods of expansion, it is relatively easy to reduce obstacles to exchanges as imports do not contribute to fear of unemployment or the failure of local business enterprises. The situation is quite different in times of recession when the "protectionist reflex" comes into play with the illusion that it is possible to solve problems by transferring them to others and by closing one's borders. The multilateral trade negotiations largely contributed to reducing this danger: conscious of their interdependence and their responsibilities, the leading countries or world trade-groups - headed by the Community - turned their backs on protectionism which could easily have taken hold and which, in case of failure of the negotiations, would have plunged them into a situation more severe than that of the 30's. The Vice-President of the European Commission, Mr. HAFERKAMP, had declared that in the event of a world trade war, the number of unemployed in the Community could have exceeded 10 million: social and political tensions would have become such that the structures of European society would undoubtedly not have resisted.

Naturally, to hold protectionism in check it would not be sufficient to suppress the barriers to exchanges without criteria, guidelines or precautions. The guidelines constitute the "rules of the game" . They are the codes and procedures already mentioned. The criteria concern, for example, the special advantages granted the weaker nations, that is to say, the developing nations, from whom the industrialized nations expect only partial reciprocity and in some cases none at all. Precautions refer essentially to the balancing of reciprocal concessions. After several years of efforts, the European Commission, which conducted negotiations on behalf of the Community, on the advice of the Council of Ministers and in permanent contact with the Committee of Representatives of the Member States (Committee known as the Article 113 Committee), has considered that the overall results are "reasonable, well-balanced and acceptable". From the European Community's point of view, the results are far from negligible ; goals have not all been achieved, but in a few fields they have even been exceeded; in return for certain concessions, the European Community has improved its access to the American market, and, to a lesser degree, to the Japanese market and to those of other developed countries. The Community Ministers have also shared this view, on the condition, of course, that the commitments subscribed to would be respected and that the decisions taken would be completely and correctly implemented by all countries.

Protracted and sometimes difficult negotiations

The multilateral trade negotiations (MTN) were formally opened upon the adoption of the "Tokyo declaration" by the Ministers of 103 countries, gathered together in September 1973 in the Japanese capital within the context of the General Agreement on Tariffs and Trade (GATT). The Tokyo meeting was the result of an initiative on the part of the United States, the European Community and Japan who, early in 1972, had agreed upon two joint declarations dealing with the timeliness of seeking ways to reduce obstacles to international trade. These declarations

gave the basic political impetus to the project. Following the Tokyo meeting, negotiation structures were rapidly put into place, in Geneva. However, the leading partners still had to define their goals and acquire the necessary instruments of negotiation.

For the Community, this was done in June 1973, when the Council adopted a "global concept" specifying the goals to be attained and the conditions for reciprocity. The government of the United States had to wait until January 1975 that Congress in its "Trade Act" grant it the necessary powers to negotiate. The following month, the Community established the details of of its negotiation stand.

After a long period of preparation, the actual discussions began towards the middle of 1977, when a certain number of basic divergences (concerning in particular the scope and conditions of negotiations relative to agriculture) between the Community and the United States were smoothed out. The criteria for the lowering of customs duties, with, as requested by the European Community, the acceptance of the principle according to which the highest duties were to be reduced to a greater degree so as to harmonize the tariff "profiles", were defined on the basis of a formula proposed by the Swiss. The basic agreements reached in the middle of 1977 made it possible to establish a precise schedule for the presentation of the demand and offers of the various participants with regards to "tariffs", "agriculture" and "non tariff measures" (for recurring problems), and also to achieve substantial progress in the elaboration of codes concerning the non-tariff measures liable to find multilateral solutions.

Towards the middle of 1978, an agreement in principle was achieved between the leading participants, on the content of the "final negotiation package", following a few difficult phases and several interventions at a political level. Technical difficulties were surmounted and the political will to succeed on the part of the Nine as well as of the United States, Japan and the other developed countries was confirmed. A "joint agreement memorandum" was published in July 1978, summing up the situation and

mentioning the goals still to be achieved. By the end of 1978, the tariff negotiations, both in the field of industry and agriculture, as well as the elaboration of the codes had been fully completed. Several months were then necessary to iron out the last divergences and to determine the particular conditions of reciprocal concessions. In April 1979, the negotiators were able to initial the minutes recording the results of the negotiations, in view of submitting them to the respective governments and authorities. The Congress of the United States accepted these results in July 1979. Confronted with a Commission report on the October negotiations, the Council of the European Community deliberated on it at its session on October 29. In the meantime, contacts and conversations were being pursued with the developing countries and with a few developed countries, among which Australia, with a view to completing the negotiations on specific points. A tariff protocol finalizing details of the tariff negotiations between industrialized countries was signed in July and an additional tariff protocol was established in November to enable other countries, principally the developing countries, to include their concessions.

It was not possible to conclude negotiations on one point alone, the new procedures and guidelines concerning the safeguard clause to be included in the GATT. Discussions on this subject will continue outside the Tokyo Round, and in the meantime the GATT's existing "clause" remains valid.

Lowered Customs Tariffs

Customs duties throughout the world had already been reduced in the past in preceding negotiations. There remained nevertheless, certain particularly high customs duties, specially within certain "irregular" tariffs which were composed of very high duties next to others which were very low. The Tokyo Round provides for a new generalized lowering of tariff rates by close to one third by the leading trade partners (European Community, United States and Japan in particular) and the total suppression of duties in a significant sector, aeronautics.

Reductions will not be "linear", that is to say that they will not be identical in their percentage: the duties which at present are the highest and which are to be reduced according to the so-called Swiss formula, will be subject to greater reductions than others. This will decrease the difference between the customs tariffs of the leading partners in international trade.

The customs duty rates of the European Community will, for the greatest part be of 5% to 10%; as few as 180 duties out of several thousand included in the Community's customs tariff will exceed 10% and only one (the rate applied to lorry imports) will exceed 20%. This homogeneous tariff will continue to constitute an important element of cohesion for the Community and will enable it to maintain reasonable protection with regard to outside pressures. For sectors with special economic and social conditions, the present reduction of duties will be small or non-existent: automobiles, lorries, shoes, fertilizers, and certain plastic and chemical products. In "sensitive" sectors such as the textile sector, protection is not provided by customs duties alone, but by quantitative agreements ("multifibre" international agreement).

The United States will reduce its tariff by close to a third. Thus, most of its imports will be subject to customs duties inferior to 5%; a few duties superior to 20% and even 30% will nevertheless still remain. In its final list, the United States thus tends to eliminate restrictions and to suppress the "American Selling Price".

Japan will reduce its tariff by almost one half if one takes into consideration the legal tariff (which, in fact, was not applied for several years), and by one quarter if the duties actually applied are taken into account. The profile of the Japanese tariff will be quite similar to that of the European Community (most duties will be inferior to 5%) but more 15% to 20% "peaks" will remain. The incidence of the Tokyo Round tariff reduction on the other industrialized countries will be less important particularly in view of the fact that the European Community already applies reciprocal exemptions in its exchanges with most of the Western European nations such as Switzerland, Austria, Sweden, Norway, Finland and Iceland.

Among the results, the following should also be mentioned: the total suppression among the leading industrial countries as a whole, of customs duties in the civil aeronautics sector, beginning in 1980. The Community had, in practice, already suspended the application of duties on its aircraft import: it finally has obtained total reciprocity, particularly significant for the Airbus sales to the United States and Japan, in addition to an extended application to exchanges of other products of this sector as well as to spare parts.

In general, the customs reductions will be spread out over a period of eight years, from 1980 to 1987, accelerated in certain cases such as in the field of aeronautics, as already mentioned. After the first five stages of reduction, the European Community will examine the situation to decide on proceeding to the final three stages, if disarming is pursued. The reductions as a whole should be in force by the beginning of 1987 at the latest.

Freer and more stable agricultural exchanges

The specific character of the agricultural sector, which the European Community has asserted from the start, and which has finally come to be recognized by all, has led to special solutions taking into account the fact that duties do not constitute in themselves the essential element regulating exchanges. For a few basic products - cereals, dairy products, beef - the goal was to set up special international arrangements and in two out of the three cases (with the exception of cereals) this goal was achieved. The principles and mechanisms of the Common Agricultural Policy (CAP) of the European Community were not called into question even in the aspects which had been challenged in the past (namely export refunds).

Only one important setback was noted: the failure to obtain in due time an international arrangement for cereals. The negotiations on this subject will continue outside the Tokyo Round. The arrangement on dairy products includes information and cooperation procedures for the sector as a whole, and price

guidelines for powdered milk, butter, butteroil and cheese products. The beef arrangement is based on a mutual information mechanism and on a system of multilateral consultations in case of problems in the world market. In addition, it set up an "advisory organism on agricultural problems".

These arrangements and procedures are completed by specific nation-to-nation concessions. The European Community has in particular, obtained freer access to the American market for cheese products, alcohols, spirits and beef in exchange for certain concessions on poultry and on a special variety of table grapes and for a few arrangements concerning the importing of tobacco, rice and prime quality beef.

Among other positive results for Europe, the improved access obtained for cheese products (Canada, Australia, Japan), for alcoholic drinks (Canada, New Zealand, Japan) and for products of the agro-alimentary industry should be mentioned. In exchange, the European Community will stabilize the regulation of its own imports of beef and of certain dairy products coming from various countries.

Improved discipline and more balanced development of international exchanges.

The reduction, and even suppression, of customs duties would not be very significant were the possibility of introducing other obstacles to trade, of applying discriminatory measures on foreign products or products originating in certain areas, of applying, whenever one chooses, compensation duties, of excluding certain sectors from international competition, not contained and disciplined. It is for this reason that the defining of new, more clear-cut and more equitable rules for international exchanges constitutes one of the most important results of the Tokyo Round, without which the customs reductions would have led to advantages that were simply illusory or at the least uncertain and short-lived.

At the same time, however, it would have been unthinkable - for the European Community as for the other nations - to grant partners excessive "inspection rights" over domestic legislation and conduct, which are dictated at times by legitimate and urgent demands (for example, when public health is involved). A balance has, in general, been achieved after long and complicated negotiations. The "codes" elaborated as a result, improve and update the rules and procedures governing world trade, by facilitating the suppression or reduction of a number of non-tariff barriers to exchanges and by improving supervision.

The new rules cover the following fields:

- code on the technical obstacles to trade, concerning obstacles resulting from the fact that the compulsory technical standards for a large number of industrial products (cars, electrical machinery, household appliances, etc.) are not the same from one country to another. The new agreement introduces procedures which, while respecting the right to establish the standards which protect the health and safety of consumers and utilizers, aim at avoiding discriminations and "disguised protectionism" (the possibility to protect national production by imposing standards which create problems that are often insurmountable for foreign producers).

Code on Government purchases. This code aims to eliminate legislation or administrative practices which channel government purchases to national suppliers or which provide price preferences for these purchases. The goal has only been partially achieved; but the code nevertheless opens exceptionally important markets to European industries while naturally guaranteeing a certain reciprocity. This presents two advantages: for the firms, which will benefit from a widening of their markets, and the governments which will benefit from broadened competition.

- code on subsidies and compensation rights. The goal of this code is to put an end to the arbitrary introduction of compensation rights on importing by guaranteeing a uniform application of the GATT provisions. The imbalance between rights and

obligations which previously existed has been eliminated. On the other hand, new procedures for the discussion of domestic subsidies which could adversely affect international trade, have been established.

- anti-dumping code which aims at prohibiting practices which consist of penetrating foreign markets by selling at prices below the normal price. In this case, the goal has also been to eliminate the discrepancies between the various countries in their application of GATT rules. Procedures have been more clearly defined.

- code on import licences and code on customs valuations (namely, the manner in which the value on imported products is calculated in view of applying an ad valorem customs duty to these). These codes cover technical fields, which, however, are of considerable importance to importers and exporters and to the legal basis for stability of exchanges. The same can be said of the agreement which aims at discouraging the exchange of spurious merchandise.

An agreement on a new safeguard clause was not reached. At the present time, should a country note that imports of a given product provoke serious perturbations on its market, it can adopt measures of protection, which, however, according to a certain interpretation of existing rules, must be applied to all exporting countries. The new clause under consideration would establish criteria for the application of "selective" measures exclusively to products from certain sources having caused the serious prejudice observed. Certain of the developing countries opposed the clause, fearing that, in practice, the "selective clause" would be more often directed against their products. Nevertheless, the problem remains extremely urgent for a large number of GATT countries and the European Community will continue to explore the possibilities of an agreement after the Tokyo Round.

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