The Multilateral GATT Negotiations

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The final package of the seventh round of multilateral GATT negotiations has been ready for initialling since April 11, 1979. What has been achieved in these negotiations, commonly known as the Tokyo Round, and what has been left undone?

The final package of trade measures prepared in the Tokyo Round has so far been initialled by the nine countries of the European Community (acting through their negotiator, the EC Commission), by the USA, Japan, Australia, New Zealand, Canada, Norway, Switzerland, Austria, Sweden, Finland and Spain, by four state trading countries – Bulgaria, the CSSR, Romania and Hungary – and by only one developing country, Argentina.

The developing countries have given their dissatisfaction with the negotiating process and results as the reason for their reluctance to initial the package. They take the view that they did not have an adequate part in the negotiations and that their particular interests did not receive sufficient consideration in the results. It was also to be expected that – partly for reasons of solidarity – many developing countries would want to wait for the outcome of UNCTAD V before committing themselves but Manila shed no fresh light on the attitude of the developing countries to the results of the Tokyo Round. Agreement was reached there only on a procedural decision, namely, to instruct the UNCTAD secretariat to examine and evaluate the Tokyo results. This is likely to take some time. In the meantime intensive talks are being held between the negotiating parties in the Tokyo Round with the aim of inducing as many developing countries as possible to give their assent to the negotiating results in the near future.

The latest round of GATT negotiations differed from previous multilateral trade negotiations which were overwhelmingly concerned with tariff cuts in that it dealt with a much larger number of subjects. In addition to the classic objective of tariff cuts they centred on the non-tariff obstacles to trade, and they also resulted in important institutional advances of GATT.

Tariffs

The negotiations on tariff cuts were based on the so-called Swiss formula which was to achieve two purposes – to reduce the tariffs and to harmonize them. The aim of harmonization was to be attained by bigger cuts in the higher tariffs and smaller cuts in the lower tariffs. Had the Swiss formula been applied without exceptions, the average tariffs of the principal industrialized countries would have had to be reduced by about 40%.

But there were exceptions and deviations from the Swiss formula. The tariff rates for various items were not cut at all, for others the reductions were larger or smaller than they should have been according to the formula. There were also differences about the starting rates; in some cases these were the actual tariff rates in use, in others they were the rates according to GATT rules.

The result is that the proportions of the tariff cuts may look different to different observers. The GATT secretariat calculated the tariff cuts in the industrial sphere at 33-38% while the EC on the basis of actually charged tariffs put them at 22-29%. By now it is generally accepted that the tariff cuts amount altogether to about 33%.

It is difficult to arrive at a corresponding figure for the agricultural sector as very many products in this field are subject to other measures than tariffs. The agricultural tariffs are – with reservations – assumed to have been cut by an average of 32-40%.

It is likewise difficult to make statements about the

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extent of the tariff cuts for export goods of developing countries. The available information is fragmentary but it seems that the cuts in this field are somewhat below the average which may be due to the fact that more export products of developing countries have been exempted from the tariff cuts than happened in the general average.

The Tokyo Round tariff reductions are in principle to start on January 1, 1980 and to be carried out in eight annual stages. In the sensitive sectors of textiles, steel and ceramics the tariff cuts are to be delayed by two years, starting on January 1, 1982, and proceed in six annual stages.

**Code on Subsidies**

In the non-tariff sphere a number of codes have been established for certain areas. The codes are intended to create more clarity and precision in the interpretation and application of the relevant GATT regulations. In part they represent a genuine advance on the existing GATT rules. Most of the codes provide for the appointment of committees with the task of supervising the implementation of the codes. They will at the same time arbitrate in disputes. The codes thereby develop GATT further in the institutional field and act at the same time directly as operationally effective instruments:

- The code on subsidies and countervailing duties (subsidy code) relates chiefly to Art. VI and XVI GATT. Its most important element is perhaps the fact that by the criterion of "material injury" it has created a common internationally recognized basis and prerequisite for the imposition of countervailing duties. Among other important elements of this code is the fact that the list of prohibited export subsidies has been brought up to date and the so-called internal subsidies have been regulated. It is recognized that the latter are important instruments for the realization of economic and social objectives. But it is made clear at the same time that such subsidies can have harmful effects on the economic interests of other countries. The signatories of the subsidy code are urged to avoid this kind of negative effects on the interests of other countries when granting internal subsidies as they may still do. In this way it is intended to create more international discipline in this area without however putting the internal subsidies on the same level as the banned export subsidies.

According to the code Art. XVI par. 3 GATT will in future apply only to agricultural, fishery and forestry products. Minerals which were hitherto regarded as basic materials in the meaning of Art. VI par. 3 GATT will now be classed with the manufactured products and thus be subject to the stricter provision applying to these. Important is also that the criteria of Art. XVI par. 3 GATT have been defined more precisely by the code. This is likely to prove very important for the agricultural export policy of the EC in particular.

**Code on Government Procurement**

- The code on government procurement introduces the principles of non-discrimination and equal treatment with domestic suppliers for products and suppliers from signatory states into the area to which it applies. It is thus unmistakably a further development of the previous GATT regulations which permitted discrimination against foreign firms bidding for contracts of government agencies.

The government agencies to which the code applies have been listed in an annex. The code applies to contracts for SDR 150,000 (about US $195,000) or more. It also contains detailed regulations on the invitation of tenders and the placing of contracts as well as the safeguarding of adequate information and transparence.

The validity of the code is confined to central governments but the signatories are required to inform the procurement agencies of regional corporations such as federal states and local authorities as well as unintegrated procurement agencies of central governments about the aims and advantages of the code. The Buy American Act in the USA is the main reason behind this proviso.

The code is to be re-examined in three years' time at the latest with the aim of extending and improving its application.

**Technical Obstacles to Trade**

- The code on technical obstacles to trade (norms) – also a further development of existing GATT regulations – puts the signatory countries under an obligation not to impede international trade unnecessarily by national norms and not to discriminate against imports in the application of national norms, testing regulations and marking systems. International standards are to be accepted and made the basis of national systems of technical norms to the widest possible extent. Improved transparence is to be ensured in this area by notification of existing national regulations and consultation. The code applies equally to industrial and agricultural products.

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