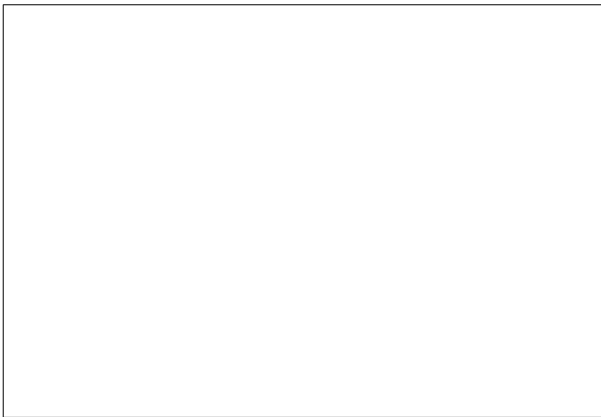


WTO achieves landmark agreement on financial services



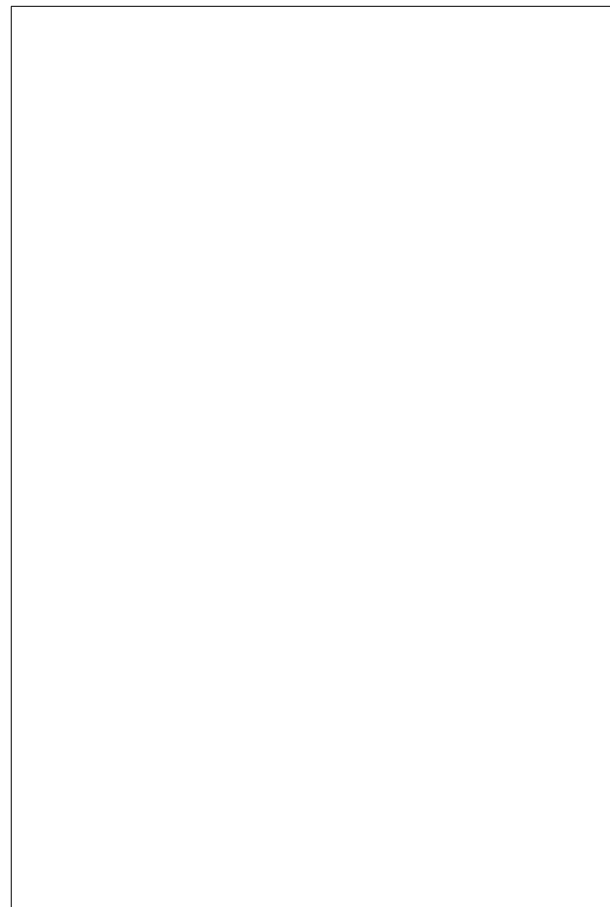
The WTO Committee on Trade in Financial Services applauds the successful conclusion of the negotiations to the delight of (right) Director-General Renato Ruggiero and the Chairman, Mr. Yoshio Okubo (Japan). (Photo by Tania Tang/WTO)

A rush of market-opening offers—with 34 new and revised submissions coming in during the final week—brought eight months of intensive negotiations to liberalize trade in financial services to a successful close on 12 December when the Committee on Trade in Financial Services adopted 56 market-opening offers from 70 countries (counting the European Communities as 15) as the result of the negotiations. In all, 102 WTO members now have multilateral commitments in this sector.

“This landmark agreement comes at a critical time,” WTO Director-General Renato Ruggiero said in congratulating the Committee. “With so much of the world facing economic turbulence, negotiators from all our member states have shown once again the courage and commitment to pursue the policies of liberalization which are essential to economic stability, growth and development.”

Mr. Ruggiero said that “nations representing over 95% of the trade in banking, insurance, securities and financial information have brought financial services into the realm of international rules; it is through these international rules, agreed by all our members, that businesses can best gain the certainty needed to plan their future international activities.”

“With this agreement, the WTO has completed a golden year,” the Director-General pointed out. “In 1997, our



members agreed on an historic global pact on telecommunications encompassing more than 95% of the global telecommunications market; they agreed to remove tariffs on information technology products, one of the fastest growing sectors of the global economy; and they agreed, through the High Level Meeting of Least-Developed Countries, on a path which will give important impetus to the integration of the world’s poorest lands into the multilateral trading system.”

Continued on page 2

Landmark agreement

(Continued from page 1)

Clock stopped

The success of the negotiations was not assured until the deadline of midnight, 12 December. At that time, the United States said it needed more time to complete negotiations on the final outstanding issues. The Chairman, Mr. Yoshio Okubo (Japan), therefore stopped the clock.

The Committee convened a few hours later with the Chairman presenting the 56 offers and 28 revised offers, including from the European Communities, Japan and the United States.

The United States, which did not join the 1995 interim financial services agreement because of what it viewed as inadequate offers from other members, said that the current package of offers was "impressive and truly a global deal" covering US\$18 trillion in global securities assets, \$38 trillion in global domestic bank lending and \$2.2 trillion in worldwide insurance premiums. The United States added that to deal with an outstanding issue in the negotiations regarding forced divestiture of foreign companies, it had included in its revised offer a limited m.f.n. exemption in the insurance sector.

"This is truly a global deal covering US\$18 trillion in global securities assets, \$38 trillion in global domestic bank lending and \$2.2 trillion in worldwide insurance premiums..."

Japan said it had incorporated all elements in its existing bilateral agreements with the United States on banking and insurance into its offer. It added that this had made its offer among the most liberal on the table. The European Communities said it had tabled additional commitments.

The Committee then adopted the new and revised offers as the final results of the negotiations.

The United States said the agreement sent a strong signal that liberalization was needed to promote financial stability.

Japan said it appreciated that developing countries that have been affected by the financial turmoil had come out with very important offers.

Canada said it had been a very long but worthwhile road, which at the end had brought financial services in line with the other important services sectors.

Thailand, on behalf of the ASEAN members, said that they had done their best under difficult circumstances. It underlined the importance of permanent and full m.f.n. treatment in implementing the results. Thailand said ASEAN was proud of being part of the agreement, which it said would strengthen the credibility of the WTO.

Switzerland said the efforts in the negotiations by countries facing financial difficulties should be recognized. It added that financial services was basically the last negotiations under the Uruguay Round.

All offers tabled in the Committee are to be annexed to the Fifth Protocol to the General Agreement on Trade in Services, which would be open for acceptance by members until 29 January 1999. The Protocol will enter into force 30 days after acceptance by all members concerned. If by 30 January 1999, it has not been accepted by all the members

RESULTS OF THE NEGOTIATIONS

The Committee on Trade in Financial Services adopted 56 market-opening offers from 70 countries, counting the EC as 15, as the results of the financial services negotiations which started on 10 April. These offers were from:

Australia, Bahrain, Bulgaria, Brazil, Canada, Chile, Colombia, Costa Rica, Cyprus, Czech Republic, the Dominican Republic, Ecuador, Egypt, El Salvador, the European Communities (15 members), Ghana, Honduras, Hong Kong (China), Hungary, Iceland, India, Indonesia, Israel, Jamaica, Japan, Kenya, Korea, Kuwait, Macau, Malaysia, Mauritius, Mexico, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Romania, Senegal, Singapore, Slovak Republic, Slovenia, South Africa, Sri Lanka, Switzerland, Thailand, Tunisia, Turkey, the United States, Uruguay and Venezuela.

□

Above, the US delegation led by Deputy Trade Rep. Jeffrey Lang and Ambassador Rita Hayes accepted the deal after intensive midnight negotiations. At right, EC Vice-President Sir Leon Brittan hailed the agreement as "a very good deal for the world and a very good deal for the WTO". (Photos by Tania Tang/WTO)

concerned, those members which have accepted it before that date may, within 30 days afterwards, decide on its entry into force.

Immediately after the Committee meeting, the Council for Trade in Services was convened by its Chairman, Ambassador Joun Yung-Sun (Korea), and adopted a decision related to the Protocol, which will address a situation in which the Protocol fails to enter into force for some unforeseen reason. □

Four panels established

The Dispute Settlement Body (DSB), on 18 November, established four panels to examine, respectively, India's quantitative restrictions on imports of agricultural, textile and industrial products, Japan's quarantine testing for fruits, Chile's taxes on alcoholic beverages, and measures by the European Communities affecting butter products. It considered, but did not establish panels, in respect to two requests by Korea regarding US anti-dumping actions. On adopted reports, the DSB heard statements by Japan and the EC.

India's quantitative restrictions

The United States made a second request for a panel to examine India's quantitative restrictions, including import licensing requirements, on more than 2,700 agricultural, and industrial product tariff lines. It said that these restrictions were no longer justified under WTO as the IMF had informed the Committee on Balance of Payments (BOP) Restrictions that India no longer had a BOP problem. The United States said that notwithstanding the panel, it would pursue further consultations with India to resolve the dispute.

The EC reported that it had reached a settlement with India the previous week on its own complaint against the BOP restrictions. It said that India had improved significantly on its proposal to the BOP Committee by reducing the phase-out period of the restrictions to six years and by "frontloading" products of interest to the EC. The EC said that the bilateral agreement, in form of an exchange of letters, would be notified to the WTO, and hoped that a similar settlement would be reached between the United States and India.

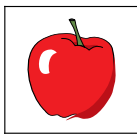
India accepted the US request for a panel, noting that it was being considered for the second time by the DSB.

The DSB established a panel to examine the US complaint.

Japan's quarantine testing for fruits

The United States, for the second time, requested a panel to examine what it said were WTO-inconsistent testing procedures by Japan on imported fruits. It said that Japan's required testing of each variety of a fruit before allowing importation even though quarantine treatment with respect to other varieties of that fruit had proven effective. The United States said Japan had not produced any scientific evidence in support of these measures, which it contended violated provisions of the Agreement on Application of Sanitary and Phytosanitary Measures, GATT 1994 and the Agreement on Agriculture.

Japan expressed regret that the United States had canceled a second round of consultations on this dispute, which it said went against a provision in the Dispute Settlement Understanding calling for achieving mutually-satisfactory solutions through consultations. It maintained that the measures in question were consistent with the WTO. Japan criticized the coverage of the US request as too broad and contended that should a panel be established, its mandate should be limited to products discussed in the consultations: apples,



Status of WTO disputes (As of 9 December 1997)		
Under Appeal		
Appellee	Panel Report Appealed	Date appealed
European Communities	<i>EC - Measures affecting meat and meat products (Hormones), complaint by the US</i>	24 Sept. 1997
European Communities	<i>EC - Measures affecting livestock and meat (Hormones), complaint by Canada</i>	24 Sept. 1997
India	<i>India - Patent protection for pharmaceutical and agricultural chemical products, complaint by the United States</i>	15 Oct. 1997
Panel Report Issued		
Complainant	Subject of the complaint	Issued
United States	<i>Argentina - Certain measures affecting imports of footwear, textiles, apparel and other items</i>	25 November 1997
Active Panels (15)		
Complainant	Subject of the complaint	Date established
US	<i>Japan - Measures affecting consumer photographic film and paper</i>	16 Oct. 1996
EC	<i>US - The Cuban Liberty and Democratic Solidarity Act (work suspended at EC's request)</i>	20 Nov. 1996
India, Malaysia, Pakistan, Thailand	<i>US - Import prohibition of certain shrimp and shrimp products</i>	25 Feb. 1997; 10 April 1997 for India
US	<i>EC, UK, Ireland - Customs classification of certain computer equipment</i>	25 Feb. 1997; 10 March 1997
Mexico	<i>Guatemala - Anti-dumping investigation regarding imports of Portland cement from Mexico</i>	20 March 1997
Canada	<i>Australia - Measures affecting the importation of salmon</i>	10 April 1997
Japan, EC, US	<i>Indonesia - Certain measures affecting the automobile industry</i>	12 June 1997
Brazil	<i>EC - Measures affecting importation of certain poultry products</i>	30 July 1997
EC, US	<i>Korea - Taxes on alcoholic beverages</i>	16 Oct. 1997
EC	<i>India - Patent protection for pharmaceutical and agricultural chemical products</i>	16 Oct. 1997
EC	<i>Argentina - Measures affecting textiles and clothing</i>	16 Oct. 1997
EC	<i>Chile - Taxes on alcoholic beverages</i>	18 Nov. 1997
United States	<i>India - Quantitative restrictions on imports of agricultural, textile and industrial products</i>	18 Nov. 1997
United States	<i>Japan - Measures affecting agricultural products</i>	18 Nov. 1997
New Zealand	<i>EC - Measures affecting butter products</i>	18 Nov. 1997
Recent Requests for Consultations		
Complainant	Subject of Consultations	Date requested
EC	<i>US - Tax treatment for "Foreign Sales Corp."</i>	18 Nov. 1997
European Communities	<i>Pakistan - Export measures affecting hides and skins</i>	7 Nov. 1997
United States	<i>Australia - Subsidies provided to producers and exporters of automotive leather</i>	10 Nov. 1997
Panama	<i>European Communities - Regime for the importation, sale and distribution of bananas</i>	24 Oct. 1997
United States	<i>EC - Measures affecting the exportation of processed cheese</i>	8 Oct. 1997

nectarines and cherries.

The United States said it could not agree to limiting the scope of its panel request, and insisted on the use of standard terms of reference.

The DSB established a panel to examine the US complaint and invited the two parties to consult on terms of reference in order to reach agreement within 20 days. The EC and Hungary reserved their third-party rights at the meeting; Brazil did so afterwards.

Chile's taxes on alcoholic beverages

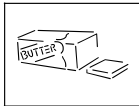
The EC made a second request for a panel to examine its complaint against what it claimed was Chile's preferential tax treatment to the Chilean drink *pisco* that discriminated against imported alcoholic beverages. It added that before the start the meeting, Chile had provided it with a draft law on the measure in question, which it said the EC considered not fully satisfactory in previous consultations.

Chile said that a law to reform its tax system on alcoholic beverages was published that day in its government journal, and that this law had not been discussed in consultations with the EC. It expressed regret that the EC had insisted on the establishment of a panel.

The DSB established a panel to examine the EC's complaint. Canada, Mexico, Peru and the United States reserved their third-party rights.

EC's measures affecting butter products

The DSB considered for the first time a New Zealand complaint that the EC had decided that New Zealand butter manufactured by the Ammix butter-making process and the spreadable butter-making process is not "manufactured directly from milk and cream", and thus had excluded that kind of butter from the EC tariff quota for New Zealand established at the conclusion of the Uruguay Round.



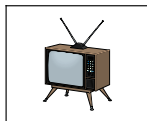
New Zealand claimed that the EC decision violated provisions of GATT 1994, and the Agreements on Technical Barriers to Trade, and on Import Licensing. It added that consultations with the EC had not resolved the issue.

The EC said that the matter was largely a technical issue, and regretted that in tariff negotiations, it happened sometimes that it had one view of what products were covered and that its trading partners had another. It noted that the dispute had been the subject of consultations, and agreed to the establishment of a panel.

The DSB established a panel to examine New Zealand's complaint. The United States reserved its third-party rights.

Korea asks for panels on two US anti-dumping actions

Korea requested the establishment of two panels to examine, respectively, its complaints against US anti-dumping actions on Korean colour television receivers and on dynamic random access memory semiconductors (DRAMs) of one megabyte or above. The DSB deferred consideration as the United States indicated it was not in a position to agree to both requests.

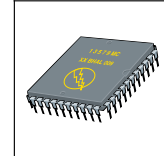


With respect to televisions, Korea complained that the United States had maintained an anti-dumping order for the

past twelve years despite what it said was the absence of Korean exports and of dumping. Moreover, the United States had initiated an anti-circumvention investigation on this order while no agreement had yet been reached in the WTO on the propriety of anti-circumvention legislation. Korea said the US actions violated provisions of the GATT 1994 and the Agreement on Anti-Dumping Practices.

Thailand said that it had participated in consultations on this dispute, and stressed that members should not take anti-circumvention measures before the completion of WTO work on this subject. Mexico said it also took part in consultations, and would be following closely this matter.

On DRAMs, Korea complained that the United States had decided recently not to revoke its anti-dumping duty despite findings of no dumping or *de minimis* dumping margins and a pledge by the concerned Korean companies not to resort to dumping in the future. It said the US decision violated provisions of the GATT 1994 and the Anti-Dumping Agreement.



Implementation of DSB recommendations

Japan reported that with respect to its implementation of the DSB recommendations regarding its taxes on alcoholic beverages, it was continuing discussions with Canada and the United States aimed at finding a mutually-satisfactory solution.

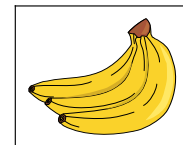
Canada urged Japan to implement the DSB recommendations within the 15-month period determined by arbitration.

The United States expressed concern that the current implementation programme of Japan would not be completed until the year 2001. It warned that Japan could trigger the retaliation provision of the Dispute Settlement Understanding should the 15-month time period not be respected.

Japan said that its understanding was that the 15-month period would end on 1 February 1998, and hoped that a solution could be found in the next few weeks through consultations.

"Other business"

» The EC noted that the five complainants (Ecuador, Guatemala, Honduras, Mexico and the United States) in the adopted Appellate Body and panel reports on its banana regime had requested recently arbitration to determine the reasonable period of time for EC's implementation of the DSB recommendations. It said that in consultations held so far, although final agreement was not reached, the complainants did not seem to have a problem with the period of implementation indicated by the EC (by 1 January 1999). The EC added that it would consult with the complainants on their arbitration request.



» The Chairman, Ambassador Wade Armstrong (New Zealand), invited delegations to put forward their views to him regarding procedural aspects of preparations for the DSB review of the Dispute Settlement Understanding next year. □



APEC leaders after their annual meeting on 25 November in Vancouver. (Cpl Desrochers/Canadian Forces Photo Unit)

APEC reaffirms commitment to WTO

The leaders of the Asian Pacific Economic Cooperation Forum (APEC), at their annual meeting held in Vancouver in November, have reaffirmed “the primacy of the open, rules-based multilateral trading system under the WTO” and reiterated their “commitment to APEC’s activity proceeding on the basis of open regionalism”, Canada reported to the Committee on Market Access during a meeting held on 2 December.

Canada said that APEC trade ministers have agreed to pursue an ongoing programme of voluntary liberalization in 15 product sectors, with nine of them identified for immediate action: environmental goods and services, fish and fish products, forest products, medical equipment and instruments, telecommunications equipment mutual recognition arrangement, energy sector, toys, gems and jewelry, and chemicals. APEC members agreed that they would build on early liberalization in these sectors as a basis for extending participation beyond the APEC and, where appropriate, for incorporation into the WTO, according to Canada. □

Committee adopts new origin rules for five product categories

The WTO Committee on Rules of Origin, on 21 November, agreed that the following processes involve a substantial transformation of the product, and thus confers country of origin to where these processes take place:

- » The processing of molybdenum ore into molybdenum concentrate (lubricant);
- » The conversion of metal ores into concentrates, including by calcination or roasting;
- » The production of briquettes, ovoids and similar solid fuels manufactured from coal;
- » The manufacture of pitch coke from pitches of coal tars and other mineral tars; and
- » The assembly of leather goods from parts.

The Committee also agreed that the liming and pickling of dehaired sheep or lamb skins does not involve a substantial transformation of the product.

The above decisions were reached after intensive bilateral and plurilateral negotiations held 13-20 November, the Chairperson, Mrs. Lourdes Berrig (Philippines), said at the meeting. Work on other draft rules, which include textiles, watches and clocks, wood and paper, pharmaceuticals, ceramics and glass, and musical instruments, will continue in

another round of negotiations to be held starting 25 February 1998. □

CTD focuses on technical cooperation

The Committee on Trade and Development, on 17 November, adopted the Implementation Modalities for WTO technical cooperation, and a Manual on Technical Cooperation and Training, which it asked the Secretariat to update regularly. It also took note of the WTO’s Three Year Plan for Technical Cooperation: 1998-2000.

The Committee had a first discussion on its review of the application of WTO provisions and decisions in favour of developing countries, in the particular the LDC members. Pakistan, supported by several delegations, suggested that the Committee arrange for an in-depth discussion of this item next year and report to the General Council.

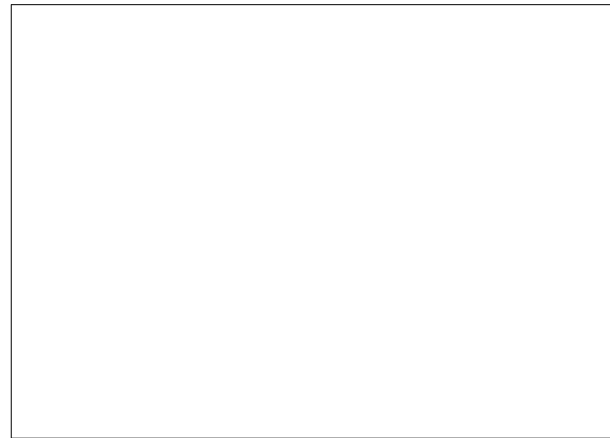
The Committee continued its review of the participation of developing countries in the multilateral trading system on the basis of an updated note by the Secretariat (*see page 8*).

At the request of Egypt, the Committee agreed to discuss the subject of electronic commerce at its next meeting, scheduled for 9 March 1998. □

Preparing for ITA II

The Committee of Participants on the Expansion of Trade in Information Technology Products, on 3 December, agreed to start in February 1998 negotiations on extending the product scope of the WTO Information Technology Agreement on the basis of request lists submitted by participants. Australia, Canada, the EC, Hong Kong (China), Japan, New Zealand, Norway, Switzerland, Chinese Taipei and the United States indicated they would be tabling their lists before the end-1997 deadline.

An EC proposal for a Secretariat survey on testing and approval procedures for IT products was approved. □



The Chairman of the Committee on Technical Barriers, Mr. Timothy H.M. Tong (Hong Kong, China), gavels to a close the first triennial review of the Agreement on 18 November. At his right is Deputy Director-General Chulsu Kim with other members of the WTO Secretariat, Mr. Gary Sampson and Mrs. Vivien Liu. The Committee adopted a future work programme covering a code of good practice for the preparation, adoption and application of standards; international standards; conformity assessment procedures; mutual recognition agreements; and special and differential treatment of developing countries. It did not see a need to amend the Agreement. (WTO Photo)

First review of intellectual property laws completed

Two years work aimed at avoiding disputes

The WTO Council on Trade-Related Intellectual Property Rights has just completed its first review of member countries' TRIPS laws. The task took almost two years and involved about 20,000 pages of complex legislation. It should play a major role in avoiding trade conflict.

The review cleared up many misunderstandings both about individual countries' laws and what the WTO's rules require. In some cases countries realized that their laws or regulations might not conform, and will amend them.

With much public attention focusing on disputes in the WTO, the detailed day-to-day work of examining how countries comply with WTO rules tends to be overlooked. As with the TRIPS Council's review, a large number of cases that could have been brought to the WTO's dispute settlement proceedings are resolved before they turn into conflict. This helps to enforce smoothly the rules of the trading system.

A huge effort with important benefits

The TRIPS Council examined the legislation of about 30 members. These are mainly developed countries that had to ensure that their laws and practices complied with the TRIPS Agreement on 1 January 1996. (For most rules, developing countries and — under certain conditions — transition economies are given five years from 1 January 1995 when the agreement came into force; least developed countries have 11 years.)

Although these reviews involved a huge effort, both for member countries and the WTO Secretariat, they yielded important benefits:

Countries take greater care when drafting new legislation. The knowledge that a country's legislation will be the subject of such a detailed review tends to make legal drafters and policy-makers more careful in examining the changes that are necessary to make the country's legislation conform with the WTO's rules. WTO members believe that effective mechanisms for monitoring compliance and for resolving disputes are necessary if international rules are to be of value.

Misunderstandings are cleared up. Because intellectual property laws are complex, countries do not always fully understand other countries' legislation. For example, concern about a country apparently failing to conform with the rules is frequently dispelled by the explanation that the point is tackled by other provisions which the questioning country may have overlooked.

Deficiencies in existing laws are identified. In a significant number of instances, the country whose legislation was under review has been willing to accept that it still has further work to do in order to make its laws conform fully with the WTO's rules. Examples include: ensuring that nationals of all WTO members receive the treatment required by the TRIPS Agreement; extending the term of protection of performers' rights to 50 years; protecting trademarks even when used on dissimilar goods and services; protecting layout-designs of integrated circuits; ensuring that procedures for enforcing intellectual property rights against imports of goods that infringe these rights conform with the rules.

Questions asked on TRIPS laws		
TRIPS subject	Date of Council meeting	No. of questions asked
Copyright and related rights	22-26 July 1996	502
Trademarks, geographical indications and industrial designs	11-15 November 1996	581
Patents, integrated circuits, trade secrets and anti-competitive practices	26-30 May 1997	768
Enforcement	17-21 November 1997	2,269
Total		4,120

Differences in interpretation have been identified. Some of these differences will be discussed bilaterally. If they are not resolved in that way, they could eventually turn into formal disputes under the WTO dispute settlement proceedings. In some cases, where countries believe the TRIPS Agreement is unclear, the differences may be taken up when the agreement as a whole is reviewed after 2000. In other cases, differences may be considered commercially insignificant; they would be put aside, at least for the time being.

Countries drafting legislation learn from the reviews. Developing countries and some transition economies enjoy transition periods which generally last until 2000 (and 2006 for least developed countries). The reviews give these countries important insights into how their trading partners are understanding and implementing the provisions of the TRIPS Agreement, and which aspects appear to be more particularly sensitive. A number of developing members (Brazil, Hong Kong China, India, Korea and Singapore) asked questions, particularly in areas where it would be helpful for the preparation of their own implementing legislation.

How the TRIPS review works

The exercise began with countries notifying fellow-members, through the WTO, of their intellectual property laws which implement the TRIPS agreement. Some 20,000 pages of legislation were notified, and over 12,000 of these were circulated to all members.

The review takes the form of a "peer group" examination. The legislation is studied by the notifying country's trading partners who are entitled to ask questions through the TRIPS Council. Responses to these questions are provided on the floor of the TRIPS Council and in writing. An opportunity is given for follow-up questions. Given the magnitude of the task, the review was divided into four subject areas (*see table*), each requiring a week-long meeting.

The records of each review, the questions put and the responses given, are distributed in a separate document for each country reviewed and for each area.

These are gradually being made available to the public, after derestriction which normally takes about six months.

At subsequent meetings of the TRIPS Council, members can follow up on any points they feel need further clarification or discussion. □

Working Party adopts PSI recommendations

The Working Party on Preshipment Inspection (PSI) adopted on 1 December a set of recommendations (*see box*) aimed at enhancing the implementation of the WTO PSI Agreement. These recommendations, which will be forwarded to the WTO General Council, are the results of a year-long review of the Agreement.



Members agreed to extend the life of the Working Party for another year to exchange views on a Code of Conduct/Practice of PSI entities, a standard inspection format, selective examination of shipments, auditing of PSI entities, the promotion of competition among PSI entities, fee structures for PSI entities, and the use to user members of

building price data bases. They also agreed to discuss next year technical assistance activities.

Thirty-four WTO members use PSI services. The six members that presented their national experiences with PSI use to the Working Party—Colombia, Côte d'Ivoire, Ghana, Kenya the Philippines and Peru—expressed satisfaction with the operation of the PSI Agreement.

A number of exporting members, including the United States, Australia, New Zealand and the European Communities, raised concerns on PSI use with respect to the following issues: price verification, confidentiality of business information, non-discriminatory application of inspection criteria, transparency, delays, on-site representation of PSI entities, and operation of the Independent Entity. □

Recommendations of the Working Party

(1) Price verification by PSI entities for customs purposes shall be limited to provisions of technical advice to facilitate the determination of customs value by the user Member. In this regard, the ultimate responsibility for customs valuation and revenue collection rests with user Members. All activities of PSI entities should be monitored by user Members who should be encouraged to reflect this in national legislation or administrative regulations.

In order to ensure compliance with the requirements of Articles 2.5 to 2.8 on transparency, Article 2.1 on non-discrimination and Article 2.20 on price verification, a user Member should require PSI entities to:

- (i) make publicly available a single set of price verification criteria; and
- (ii) inform exporters and importers of the applicable valuation methodology.

Price verification criteria should include the customs valuation methodology, as specified in user Members' national legislation or administrative regulations, used when providing technical advice on customs valuation. In this regard, user Members should encourage PSI entities to utilize electronic means for purposes of providing required information to exporters and importers.

User Members shall ensure that requests for information do not go beyond Articles 2.12 and 2.20 of the Agreement on Preshipment Inspection. Reciprocally, exporter Members should inform user Members when they become aware that PSI entities' requests for information go beyond these Articles. In conformity with Article 2.21, a user Member shall ensure that the PSI entity, when responding to a dispute on price verification, provides a detailed written explanation within 10 days of receipt of the complaint, setting forth the basis of its opinion of value by reference to the specific applicable elements of the price verification criteria.

(2) In accordance with Article 3.3, exporter members should ensure that their technical assistance activities are designed to address the specific needs of use Members in implementing the terms and objectives of the Agreement.

(3) User Members should ensure that PSI entities are encouraged to establish local focal points in countries where they do not have physical, on-site representation. The establishment of websites

by IFIA and by PSI entities with on-line services would enhance efficiency of PSI operations in such areas as procedures, methods, inspection criteria, responses to inquiries, and dissemination of other usable, essential information by importers and exporters. In addition to providing hard copies, PSI entities should be encouraged to communicate Clean Reports of Findings (CRFs) to importers and exporters through electronic means.

(4) All Members shall notify their laws and regulations, in accordance with Article 5 of the Agreement, as well as any changes thereto. In submitting these notifications, Members should endeavour to provide additional descriptive information on how they are implementing the Agreement.

(5) In furtherance of Articles 2.9-2.13, user Members shall ensure that contracts with PSI entities or national implementing legislation or administrative regulations specify procedures to be undertaken by such entities to limit the confidential business information they seek from exporters to that provided for under the Agreement and to ensure that any such information obtained by PSI entities is not used for any other purpose than PSI activities for the user Members, as defined in Article 1.3. Any breach of the rule of confidentiality by the PSI entity is an action that may be brought against the PSI entity in the appropriate judicial or administrative forum of the user Member.

(6) User Members shall ensure that contracts with PSI entities or national implementing legislation or administrative regulations provide for fee structures that do not create incentives for potential conflicts of interest in any way that may be inconsistent with the objectives of the Agreement. Additionally, contracts with PSI entities or national implementing legislation or administrative regulations shall specify that PSI entities should not inspect transactions involving products in which a PSI entity or its related company may have a commercial interest.

(7) User Members shall ensure that PSI entities issue CRFs to importers and exporters immediately on receipt of the final documents and completion of inspection. As foreseen in Article 2.16, in no case must the issuance of a CRF exceed 5 working days after an inspection. In the event that a CRF has not been issued, the user Member shall ensure that the PSI entity issues a detailed written explanation specifying the reasons for non-issuance. □

The most dynamic exporters last year? The developing countries.

Developing countries' exports continued to outperform world trade for the fifth consecutive year in 1996. They grew by 7.5 per cent last year as compared to 4 per cent for world merchandise exports. Even more significantly, the developing countries' share in world exports of manufactured goods continues to rise: up to 20 per cent in 1996, which is more than double its 1980 level.

These are some of findings of a Secretariat study presented during the meeting of the Committee on Trade and Development held on 17 November.

The developing countries' growing participation in trade in manufactures—the fastest growing sector of world merchandise trade over the past 20 years—is a “very positive development,” according to the study.

The makeup of developing country exports has thus changed significantly. The share in total exports of primary products (mining and agriculture) has dropped from 80 per cent in 1980 to less than 40 per cent today. On the other hand, the share of manufactures has risen from 20 per cent in 1980 to over 60 per cent in 1995/96.

According to the study, the share of developing countries in world agricultural trade has also grown to 28 per cent in 1996. Developing countries' share of world exports of mining products (including fuels) has remained relatively constant at around 50 per cent.

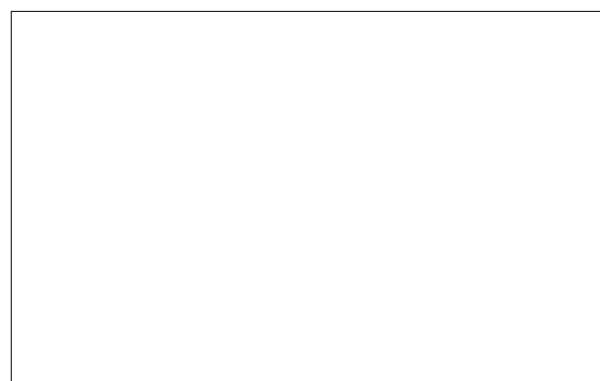
Regional developments

Continuing the trend of the 1980s, developing countries in Asia and China delivered the strongest export performance in the 1990s. Their share of world merchandise exports has increased since 1990 has risen from about 12 to 16 per cent, and China's share alone has risen from 2 to 4 per cent. However, the study points out that merchandise export growth in the region slowed substantially last year, notably for office and telecommunications equipment and textiles and clothing. Manufactures now account for over 80 per cent of the region's total merchandise exports. As for exports of commercial services, developing Asia's growth slowed down significantly in 1996 but still grew at double the world average rate.

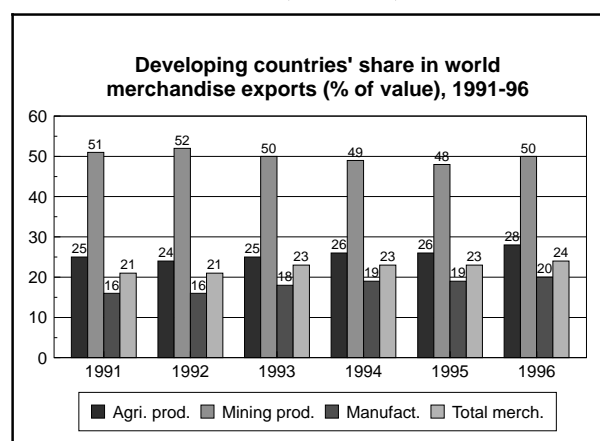
Latin America's share in world trade has also increased to almost 5 per cent in the 1990s, reversing the trend in the second half of the 1980s. The region continues to record export growth higher than the world average. Among the notable developments last year, according to the study, were the continued sharp growth of exports of automotive and clothing products, the increase in merchandise trade activity within the region as well as with North America, and continued strong growth in export of commercial services.

On the other hand, the share of world exports by Africa and the Middle East has declined over the past decade. In both cases, their exports are concentrated in mining product, which has been the slowed growing sector of world trade.

Nonetheless, 1995 and 1996 were by far more successful years for African than has been the case for a long time, according to the study. The value of Africa's exports rose by 13 per cent in 1995 and 11 per cent in 1996. Even though



The makeup of developing country exports is shifting from raw materials to manufactures. (ILO Photo)



Global Trade and the Product Structure of Selected Developing Areas, 1990-95

	World Exports: annual growth rate, 1990-95	Product structure of exports in 1995				
		Developing Asia (excl. China)	China	Latin America	Africa	Middle East
Manufactures	7.8	80.9	83.9	49.8	27.6	22.7
-Office and telecom equipment	13.1	29.0	9.8	5.6		
-Clothing	7.1	7.1	16.2	3.6		
-Other consumer goods	6.7	9.7	20.3	4.8		
Agricultural products	5.9	10.3	10.1	26.0	19.8	4.2
Mining products	2.9	7.3	5.7	23.2	44.4	72.3
Fuels	2.6	5.3	3.6	14.4	37.0	69.7
n.e.s.	13.6	1.5	0.4	1.0	8.2	0.9
Total merchandise	7.1	100.0	100.0	100.0	100.0	100.0

the increase last year reflects in large part the effects of rising world petroleum prices, the 4 per cent growth of non-oil exporting African countries was equal to the value of world trade growth and substantially better than the continent's annual export growth overall in the 1990s (2.2 per cent). □

Leading into the third millennium

Excerpts from the speech given on 18 November by Renato Ruggiero, Director-General of the WTO, to the Brookings Institution in Washington D.C.:

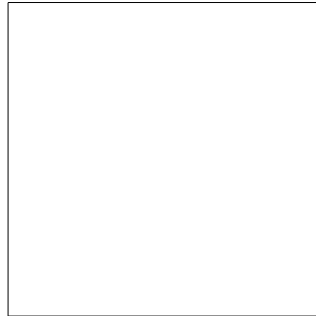
Let me just outline three priorities facing the WTO where US leadership is crucial to success. First there are the current financial services negotiations due to conclude on 12 December—negotiations which have been a clear US trade objective since the early 1980s. The goal is to achieve real improvements in access to markets for one of the most dynamic sectors of the US and the global economy. We cannot afford continuing doubt about the commitment of the major powers to multilateralism in this fundamental services sector. We cannot afford to lose at the last moment what has taken so long and so much energy to attain.

A second priority is to continue the momentum towards universal membership of the system. And this means completing the 32 accession negotiations currently underway without compromising the system's basic rules, rights and obligations. This list includes some of the most dynamic developing economies in the world, notably China. The successful accession of such countries is obviously important to the WTO's ability to manage a trading system of global proportions and scope. But at the same time, their WTO membership is a necessary part of the United States' effort to anchor some of its key economic relationships in a rules-based system—a system which includes a binding dispute settlement mechanism with an enforcement capacity.

Thirdly, we have to look towards the next major negotiating rendez-vous, which is now on the near horizon. In addition to the negotiations already scheduled for the new century in agriculture, services and aspects of intellectual property, we are already hearing calls to widen the scope.

If America's leadership is more important than ever to the future of the multilateral trading system, then the multilateral system is also more important than ever to America's economic future.

How, then, are we to read the current debate over "fast track"? I have no intention of entering into a discussion on U.S. politics. But I will make one general observation. Globalization is transforming peoples lives around the world—and in changing their lives, it is sparking an intense debate about jobs, incomes, social standards and the environment. Trade issues will continue to moved to the centre of public debate as trade policy continues to move beyond simple border tariffs, to involve deeper issues like investment policy, health standards, environmental regulations, labour standards, and legal structures—issues which raise important questions about how we pursue legitimate economic and social goals in an increasingly integrated world. This



*Renato Ruggiero: "Isolationism is no longer an option."
(Photo by T. Tang/WTO)*

debate will inevitably become more intense and complex as it becomes more pivotal.

The danger is not from the emerging debate about globalization and trade. The danger is that the debate will be one sided—with the risk of weakening domestic support for free trade, and a weakening of United States' leadership role. We have heard a great deal lately from those who oppose globalization. We need to hear much more from those who not only understand the challenges of globalization but grasp its immense opportunities. We need to here more about the enormous advantages which trade has conferred on the American economy—the many more high-paying jobs that have been created by exports; the inflation-fighting role of imports, the innovative stimulus of global competition.

We need to reinforce the inherent logic of multilateralism, and bring this message to the public in a clear and compelling way.

Perhaps most importantly, we need to ask what rational alternative those who oppose further multilateral trade liberalization are offering the American people in a world of ever-deepening interdependence.

It is true that trade liberalization and technological change pose enormous challenges of adjustment, especially for the most vulnerable sectors of the economy. But it is equally true that the vulnerable are not helped by making the strong and competitive weaker. They are helped through training, education, and adjustment assistance so they too can be successful world competitors and full partners in the global economy. In the United States, exports supported 7 million workers a decade ago; by the year 2000 it is estimated that more than 16 million jobs will be tied to sales abroad. Roughly one-third of all new jobs created in the United States over the last decade were tied to merchandise exports; and these jobs in export-oriented sectors pay 5 to 15 per cent more than the average American wage.

I am convinced that the United States will continue to exercise a leadership role in the multilateral trading system because leadership is so clearly in the U.S. interest. Certainly isolationism is no longer an option—least of all for the most powerful economy in the world. The days are long gone when America could attempt to solve the world's problems and then retreat back to its continental island.

Trade is now woven into the fabric of the U.S. economy as never before. The proportion of trade to domestic output more than doubled between 1970 and 1995 - from 10 to 24 per cent—the largest such increase for any developed economy over that period.

Moreover, the United States has an indispensable role to play not only in shaping the new trade agenda—as it already has in services and information technologies—but also in building the necessary consensus to move ahead. Without US leadership it is difficult to see how the multilateral trading system can move forward. A United States which is unable—or unwilling—to play a leadership role, risks watching its friends and allies trying to come to grips with globalization on their own, through regional, bilateral and even unilateral options—options which will make it all the more difficult to develop common approaches to global challenges. □

TPRB: The European Union

Praises, hopes and concerns on the single market

The following are excerpts from the concluding remarks by the Chairman after the Trade Policy Review Body's conclusion of its fourth review of the European Union's trade policies and practices held on 25-26 November:

Members noted with satisfaction that, in a growing number of areas, the single market and external liberalization had been mutually supportive, resulting in improved market access for external suppliers and increased exposure of the EU economy to competition. For example, aspects of the EU's participation in recent multilateral services negotiations drew on internal reforms.

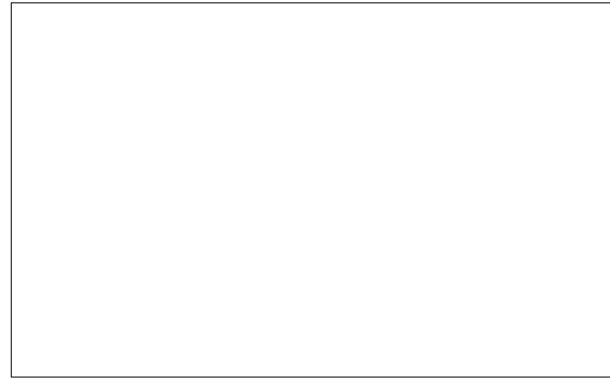
However, Members noted that significant impediments to trade and efficient allocation of resources remained, with potential adverse effects on external suppliers. Members mentioned the high level of State aid and its concentration on relatively few sectors, and limitations in the opening of public procurement. While recognizing that WTO rules were a growing point of reference in the elaboration of EU policies, Members urged that further efforts to ensure that all EU regulations respected the principles of transparency, non-discrimination and were properly notified to the WTO.

In reply, the representative of the European Union emphasized that the internal process of harmonization could be equated with liberalization. Third country suppliers benefited fully from measures aimed at eliminating obstacles to intra-Community trade. Increased intra-trade had not been at the expense of non-EU countries; these accounted for a steady 40 per cent of total EU imports and a rising share of domestic demand for manufactures.

Preferential agreements

Members noted the proposals for further enlargement of the EU and the continued expansion of its network of regional and other preferential agreements. They questioned the effects of these arrangements on third countries' trade. Concerns were expressed in relation to potential trade diversion; in this respect, members mentioned tariff and non-tariff barriers with respect to sectors such as textiles, agriculture and automobiles. Members stressed that regional integration should remain consistent with relevant WTO rules. In this connection, one discussant raised the need to ensure that WTO rules are adequate to deal with the growth and new structure of preferential and regional agreements. Members took note of the recent call by EU Ministers for more careful consideration of the WTO conformity of preferential agreements, as well as clarification of WTO rules on regional trading arrangements.

While some Members reported that they had satisfactorily concluded Article XXIV:6 negotiations with the EU on compensation following the accession of Austria, Finland and Sweden to the Community, other Members said that



Docking at Goteberg: members praised wider access to the EC market due to the single market and liberalization but expressed concern on protection given to certain sensitive sectors. (Photo courtesy of the Permanent Mission of Sweden, Geneva)

negotiations had not yet been completed and called for a rapid conclusion.

A number of participants expressed systemic concerns about certain new aspects of the EU's GSP scheme, in particular eligibility criteria relating benefits to environmental protection or labour conditions, concern about linkage with the fight against drugs was also raised.

The representative of the European Union replied that there was no contradiction between the WTO objective of progressive multilateral liberalization, and preferential agreements. He stressed that free trade was only one component of the EU's agreements which covered such aspects as democracy, economic cooperation, political and security relations, approximation of laws, migration, financial assistance for structural reforms, etc. The EU had been careful to ensure the consistency of its agreements with the WTO.

The EU GSP scheme, although autonomous and not creating absolute rights, was the most comprehensive in the world. It encouraged the introduction of policies for the protection of workers' rights and the environment. The special incentive scheme was a voluntary scheme to support the efforts of countries to combat the drugs trade, or to introduce forward-looking environmental or social policies.

Systemic trade policy issues

In general, Members acknowledged the EU's steady progress towards a more liberal trade régime in the last two years, in particular through the implementation of WTO tariff commitments and the phasing out of quotas and voluntary export restraints. They recognized that the EU had played a key role in the negotiations on basic telecommunications and information technology products and was a driving force behind current negotiations in financial services.

However, Members noted that import protection, various forms of assistance and the use of contingency measures remained of importance in sensitive sectors, some of particular interest to developing countries. While average industrial tariffs were now below 5 per cent and should be under 3 per cent in 2000, significant peaks remained in textiles and clothing, automobiles, and certain consumer electronics. In agriculture, very high rates still affected important products such as cereals, meat, dairy products, poultry, sugar and tobacco. In addition, the EU's tariff structure continued to display some degree of escalation. The trade-restricting im-

part of tariff reclassification was also raised.

A number of participants regretted the high incidence of anti-dumping, the concentration of recent actions on textile products and the use of anti-circumvention provisions; the combination of high tariff protection and quota limitations for textiles with intensive use of anti-dumping actions added further uncertainty in access to an already protected market.

The representative of the European Union provided details on its tariff nomenclature as well as tariff and customs administration and associated national and Community judicial processes. He also gave extensive replies to questions on the EU's anti-dumping rules and procedures. These, he said, were intended to restore fair trade and were in conformity with the WTO; the number of initiations was, moreover, diminishing. He asserted that procedures were open and transparent, and that there was no specific "targeting" of sectors or exporters. While special regard was given to developing countries, the Commission could only accept constructive solutions which remedied injurious dumping.

Sectoral issues

In agriculture, the implementation of the CAP reform and of WTO commitments, while largely aided by favourable market trends, was seen as a step in the right direction. Average tariffs had been reduced but high out-of-quota rates continued to protect sensitive products; producer subsidy equivalents had increased. Import arrangements for meat, dairy products, rice, fruit and vegetables continued to be a matter for concern. Members called for continued policy reforms in the sector, with further shifts towards direct payments and reduced reliance on price support and export subsidies. In this respect, the recent Commission's Agenda 2000 proposal was welcomed, although some Members wondered whether it went far enough in terms of improved resource allocation as well as market access.

Members acknowledged improved market access in manufacturing under the combination of single market provisions, the reduction of tariff and non-tariff measures, and new commitments under the Information Technology Agreement. However, several participants expressed disappointment about the slow liberalization of textiles and clothing imports and backloading of restrictive items to the last stages of integration under the ATC.

The representative of the European Union noted that the textiles and clothing sectors were in the process of re-integration into the GATT. The EU's schedule was wholly consistent with its liberalization obligations. However, the EU would review its Stage 1 integration in line with the recommendations of the TMB.

Conclusion

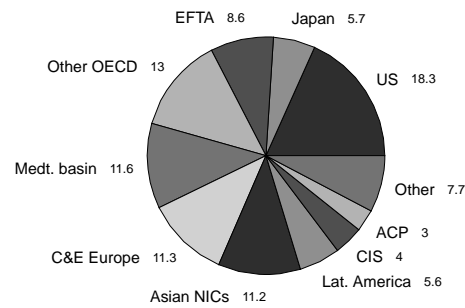
This review has illustrated that the EU's influence on the multilateral trading system and its evolution is clearly recog-

The European Union

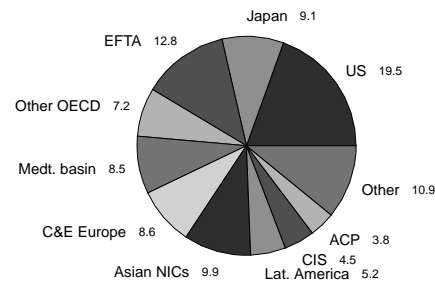
Austria, Belgium, Denmark, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Portugal, Sweden, Spain, United Kingdom

Area	3,239,500 km ²
Population ('95)	368.5 million
Merchandise exports (1996)	ECU 632.2 billion
Merchandise imports (1996)	ECU 579.3 billion
Trade in Services: Credits/Debits ('94)	ECU 181.4 billion/ECU 167.8 billion

EU merchandise exports (%), 1996



EU merchandise imports (%), 1996

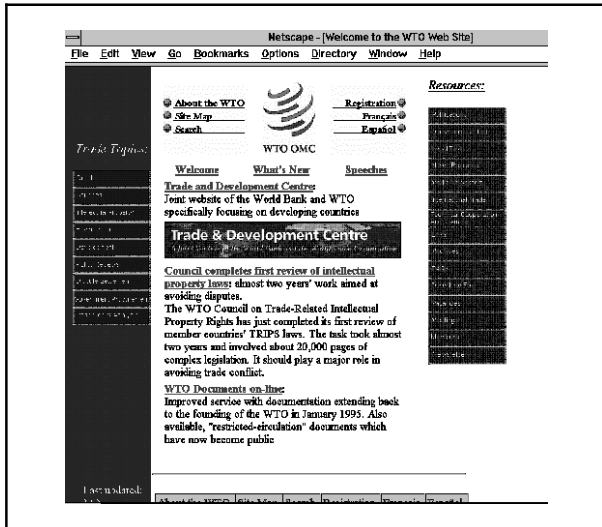


Direction of EU's merchandise trade: *The last two years saw the rapid growth of EU exports to Asia, with the largest increases in Japan and the newly industrialized countries. Exports to, and imports from, Central and Eastern Europe have also grown as a result of bilateral economic links.*

nized by Members. This has two consequences: that Members greatly value the positive effects of such liberalizing activities as the Single Market, and that Members are strongly sensitive to any trade policies or measures of the EU that are seen as potentially trade-distorting. Members have also shown their concerns about the systemic effects of the expansion of the EU, the development of a new generation of trade agreements with neighbouring and other countries, and a wide range of specific and sectoral issues. Certainly the trade policies and actions of the EU do not leave any WTO Member indifferent; this has been clearly seen in the large number of advance questions covering a multitude of issues, and the level of the debate in the meeting.

Although this is an "interim" review, it comes at an important time for the development of EU trade policies. Many new developments are underway, not least the move to economic and monetary union (leading to further integration and liberalization of the single market), the revision of the Lomé Convention, and steps toward further EU enlargement. We hope that the comments made in the past two days will be taken into account by the competent organs of the European Union—the Commission and the Member States—in developing their external relations within the multilateral trading system and in formulating the EU's internal policies which have direct or indirect implications for the multilateral trading system. □

The WTO Website: a wealth of information



The WTO Home Page

The WTO has revamped recently the look and structure of its website on the Internet (<http://www.wto.org>), adding more content and making it more user-friendly. Users can now not only get general trade information, but also browse and download thousands of WTO documents through a new facility.

The changes seemed to have attracted more interest. In November, some 32,234 individuals accessed the site (over 400,000 hits), representing a tenfold increase over the average monthly usage a year ago. Significantly, more than 16 gigabytes or roughly five million pages of WTO text were downloaded by users.

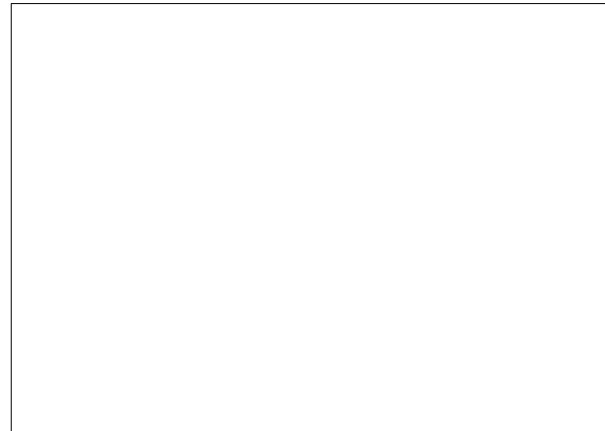
Visitors to the website come from all over the world—from some 134 countries including a large number in Africa. The biggest number of users come from the United States.

The most sought after data in November concerned the dispute-settlement reports (22% of the downloaded pages), the interactive WTO Guide (22%), and the Document Dissemination Facility (12.5%). Other resources available are economic studies, news releases, summaries and texts of agreements, *WTO FOCUS*, and schedule of meetings.

A new feature of the Website is the Trade and Development Centre, a joint WTO-World Bank project assisting in providing information and training to government officials and business leaders in the developing countries.

Another addition is the "Media News Room", which provides additional information to media representatives. Some 500 journalists, many of them from developing countries, have registered to use this new facility.

The WTO was among the first international organizations to establish a website. Director-General Renato Ruggiero, in launching the new information service on 26 September 1996, said: "As the youngest of all international organizations, the WTO must make itself well understood and truly accessible. Linking ourselves to millions of Internet users all over the world is an important step towards this goal". Two years down the road, the website indeed has become a well-used electronic bridge to the organization. □



Trade officials in Africa are being linked to the WTO website through a joint WTO-World Bank project. (WTO Photo)

Minimum requirements for accessing the WTO Document Dissemination Facility

- » IBM 486 or compatible
- » Windows 3.1
- » Internet link
- » Internet browser
- » WordPerfect for Windows and Lotus 123
- » PKZIP or WINZIP.

MEETINGS

January 1998

12-14	Textiles Monitoring Body
20	Committee on Trade in Financial Services
22	Dispute Settlement Body
26-27	Working Party on Professional Services; Committee on Anti-Dumping - Ad-hoc Group on Implementation
28	Council for Trade in Services; Committee on Anti-Dumping - Informal Group on Anti-Circumvention
28-29	Trade Policy Review: Japan

February 1998

3-4	Trade Policy Review: India
10	Working Party on State Trading Enterprises
13	Working Party on GATS Rules
16-18, 20	Committee on Regional Trade Agreements
17	Dispute Settlement Body
18	Committee on Government Procurement
18-20	Textiles Monitoring Body
19	General Council

WTO FOCUS

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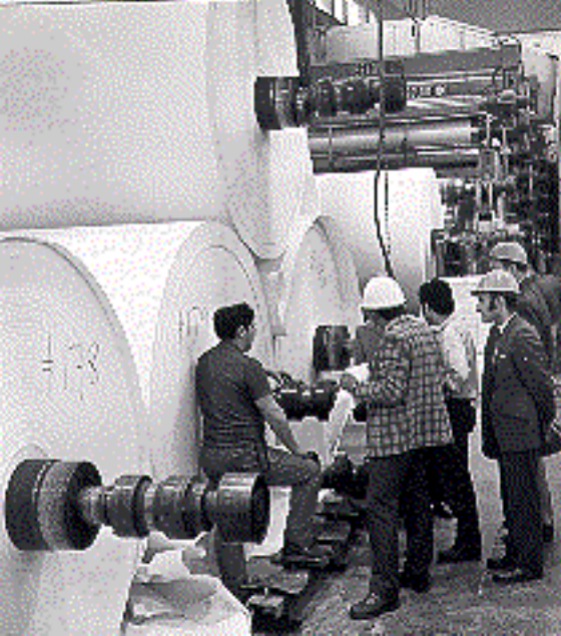












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