

1997 a good year for world trade

Delegations during the General Council's annual overview of developments in international trade and the trading system on 10 December 1997 highlighted major WTO accomplishments during the year, including the successful conclusion of negotiations on basic telecommunications and information technology products, the holding of the first WTO High Level Meeting for least-developed countries, the follow-up to the Singapore Ministerial Conference, and active recourse by members to the dispute-settlement mechanism.

In introducing his annual report (*see page 3*), which formed the basis of the overview, Director-General Renato Ruggiero concluded that in terms of economic trends and WTO activities "1997 had been a good year for trade."

The Chairman of the Trade Policy Review Body, Ambassador Munir Akram (Pakistan), warned that 1998 could be a more difficult year with the onset of financial turmoil in parts of the world. He urged members to be on guard against protectionist sentiments that could be encouraged by slower growth and trade imbalances, and cited the need to address issues of interest to developing countries.

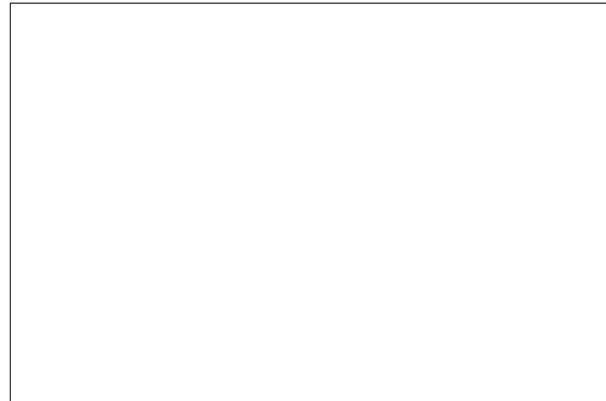
Sectors like telecoms and information technology were described by the European Communities as vital infrastructure to economies, adding that "if that infrastructure is not based on liberal open market principles, we all lose out—producers, service providers and consumers." Switzerland said the new agreements represented initial steps in efforts to adapt to the demands of globalization, which should "encourage us to redouble our efforts to open market still further".

Australia, Canada and New Zealand said the forthcoming Ministerial Conference would provide an opportunity for stocktaking and discussing future directions of the WTO.

India said the WTO needed to focus first on its current agenda before looking at future issues. It also said that members should be aware of positive as well as negative effects of globalization. Colombia called for improved market access in traditional sectors of interest to developing countries, such as agriculture and textiles.

Hong Kong, China said the pace of multilateral trade liberalization must keep pace with developments on the regional front. Argentina and Brazil highlighted MERCOSUR's contribution to trade growth and liberalization in Latin America.

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Director-General Renato Ruggiero and Chairman Ambassador Celso Lafer (Brazil) at the year-end meeting of the General Council. (Photo by Tania Tang/WTO)

Panel on Korea-US DRAMs dispute

The Dispute Settlement Body (DSB), at its first meeting of the year held on 16 January, established a panel to examine United States' anti-dumping duty on dynamic random access memory semiconductors (DRAMs) of one megabyte or above from Korea.



In requesting the panel, Korea said that no progress had been made in resolving the issue since November 1997 when it made its first request. In its formal complaint, Korea claimed that the final decision by the US Department of Commerce (DOC) in July 1997 not to revoke the anti-dumping duty on Korean DRAMs despite previous finding of no or *de minimis* dumping margins and certification by respondent companies that they would not dump in the future violated provisions of the GATT 1994 and the Anti-Dumping Agreement.

The United States accepted Korea's request but maintained that the procedures and standards of the DOC were in full conformity with the WTO.

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Council (Continued from page 1)**Annual reports**

The General Council reviewed WTO activities in 1997 on the basis of annual reports submitted by the WTO bodies, including the recently-established Working Groups on trade and investment, on trade and competition policy and on transparency in government procurement.

During the review, Colombia, on behalf of a number of developing country textile exporting members, expressed concern that the Council for Trade in Goods had not completed the major review of the implementation of the Agreement on Textiles and Clothing before the end of 1997 (see *Goods Council, page 8*). Major textile importing members maintained that the required review had been conducted.

Ministerial Conference

The General Council Chairman, Ambassador Celso Lafer (Brazil), said that in his ongoing consultations with delegations regarding preparations for the second WTO Ministerial Conference and the commemoration of the 50th anniversary of the multilateral trading system, which will be held in Geneva on 18-19 May and 20 May 1998, respectively, there was widespread support for the following:

- » That the General Council will submit to the Ministers a brief report on WTO activities during early 1998 in addition to the 1997 annual reports of WTO bodies; and
- » That delegations should indicate, by the target date of 31 January 1998, their level of representation to the commemoration of the 50th anniversary of the multilateral trading system, which would follow the Ministerial Conference.

BOP restrictions eased or removed

The Chairman of the Committee on Balance-of-Payments Restrictions, Mr. Peter R. Jenkins (United Kingdom), reported that the following countries have recently notified the easing or elimination of import restrictions justified under the BOP provisions of the WTO:

- » Bulgaria lowered its import surcharge from 5 to 4 per cent with effect from 1 July 1997;
- » The Czech Republic has withdrawn its import deposit scheme as from 21 August 1997 and will no longer apply WTO's BOP provisions; and
- » Hungary eliminated, on 1 July 1997, its import surcharge.

WTO-IMF-IBRD Agreements

The Director-General, Mr. Renato Ruggiero, presented a report on the implementation of the WTO Agreements with the International Monetary Fund (IMF) and the World Bank. The General Council approved these agreements in November 1996.

Mr. Ruggiero said he had continued to meet informally with the IMF Managing Director, Mr. Michel Camdessus, and the World Bank President, Mr. James Wolfensohn, who have expressed support for WTO activities like the financial services negotiations and technical cooperation for least-developed countries. He said that the WTO Secretariat had attended meetings of the two other agencies, including those of the IMF and World Bank Executive Boards. Mr. Ruggiero added that the two agencies have also been providing

DSB (continued from page 1)**Reports on US-India patent dispute adopted**

On a separate matter, the DSB adopted the Appellate Body report and the panel report, as modified by the Appellate Body, on India's patent protection for pharmaceutical and agricultural chemical products.



The Appellate Body upheld the panel's conclusions that India had not complied with its obligations under Articles 70.8(a) and 70.9 of the TRIPS Agreement. These provisions require all WTO members, upon entry into force of the WTO, to establish a means by which applications of patents for pharmaceutical and agricultural chemical products can be filed, and to have a system in place for granting "exclusive marketing rights" for such "mailbox" applications.

The Appellate Body, however, reversed the panel's findings that India had not complied with paragraphs 1 and 2 of Article 63 of the TRIPS Agreement. It concluded that these provisions, which require the publication and notification of TRIPS-related laws and regulations, were not cited by the United States in its panel request, and thus were outside the terms of reference of the panel.

The United States said that it looked forward the India's prompt implementation of the rulings.

India said the reports highlighted the complexity of the transitional provisions of the TRIPS Agreement. It regretted that the Appellate Body had upheld the panel with respect to Articles 70.8 and 70.9 but expressed satisfaction with the ruling on Article 63.

Under "Other Business", Hong Kong (China) urged the notification of a reported bilateral solution regarding the European Community's complaint against US rules of origin on textile products. The United States and the EC said they were working together on this issue. □

information to the WTO, including IMF background economic information to the BOP Committee.

Decisions

The General Council:

- » Extended the waiver on the EC/France trading arrangements with Morocco until end-1998 or earlier upon the entry into force of the Euro-Mediterranean Agreement;
- » Extended by one year the life of the Working Party on Preshipment Inspection;
- » Deleted the International Dairy Agreement and the International Bovine Meat Agreement from Annex 4 (plurilateral agreements) of the WTO Agreement from the date of their termination at the end of 1997; and
- » Agreed to the composition of the Textiles Monitoring Body and reappointed its Chairman, Mr. Andras Szepesi, to a further term of three years beginning on 1 January 1998. □

Renato Ruggiero

Overview of developments in international trade and the trading system

Recent trends in world trade

1996: Return to trend

After two years of exceptionally good performance, trade growth in 1996 returned to the more typical trend rate of the last few years. World merchandise trade grew at 5 per cent in real terms in 1996, compared to an average rate of 6 per cent for the first half of the 1990s. The latter average, of course, was pulled up by the unusually high growth rates of 8 per cent or more achieved in 1994 and 1995. Both merchandise production and world GDP grew at 2.5 per cent in 1996. This performance was very similar to that of 1995, but significantly better than the average of 1.5 per cent achieved in 1990-96. Trade growth has, as usual, outpaced domestic output growth by a significant margin, attesting once again to the onward pace of globalization.

Merchandise trade growth expressed in current dollar value terms was, somewhat unusually, lower than trade growth expressed in volume terms in 1996. Thus, the nominal merchandise export growth rate in 1996 was only 4 per cent. Among the main reasons for lower nominal growth in 1996 was the appreciation of the US dollar, and a reversal in the price rises recorded in 1995 for a range of primary and semi-manufactured products.

Notwithstanding these influences on current values, world merchandise exports exceeded the \$5 trillion mark for the first time in 1996, registering a total of \$5,120 billion. Exports of manufactured goods, accounting for some three-fourths of total merchandise exports, grew at 5.5 per cent in volume terms, much faster than agricultural and mining products, which registered export growth rates of 2 per cent and 2.5 per cent respectively in 1996.

Trade performance varied widely on a regional basis, with values being heavily influenced by exchange rate movements and relative price changes. The Middle East and Africa recorded the highest export growth rates of all major regions in 1996, largely due to the recovery in oil prices in 1996. Latin America recorded an above-average export and import performance in 1996, at 11 per cent, with Mexico's strong trade performance accounting for a significant part of this. While North America and the transition economies achieved export growth rates above the global average for 1996, at 6 per cent each, this was not the case for Western Europe and Asia, which recorded export growth rates of 3 per cent and 1 per cent respectively.

Exports of commercial services grew in current price terms by 5 per cent in 1996, significantly lower than the 14 per cent growth rate recorded in 1995, but partly explained by the dollar appreciation. The value of commercial services exports in 1996 was \$1,260 billion. Growth in commercial services trade has been above average in the Americas, and particularly in Latin America, where a growth rate of 8 per cent, or nearly twice the world average was recorded in 1996. A similar figure was recorded for Asia. In Western Europe, by contrast, the rate of export growth of commercial services was only 3 per cent. It should, however, be borne in mind that these are current values, influenced by exchange rate



Trade growth continues to outpace that of domestic output, attesting to the onward pace of globalization. (ILO Photo)

movements, and in particular, the appreciation of the US dollar.

Prospects: possible acceleration, but effects of Southeast Asian developments?

World trade and output are expected to have accelerated in 1997. There will be a narrowing of regional differences, with economic activity in Western Europe and the transition economies strengthening. While the dynamic East Asian economies are expected to slow down somewhat, most of them are still expected to record growth rates well in excess of the global average. North America is expected to record a strong growth rate, even if growth weakens somewhat in the last part of 1997. Latin America's recovery is expected to continue, resulting in a growth rate higher than that attained in the 1990-95 period. Africa will continue to grow faster than it has done for many years prior to 1996, although it is not expected to perform as well as in 1996. The overall improvement in economic performance expected in 1997 will spill over into improved real export growth. The continued appreciation of the US dollar will, however, depress the nominal value of trade, perhaps to the point of reducing the growth of the current dollar value of trade in 1997 below that of 1996.

The recent serious developments in the financial sector in a number of Asian countries will continue to pose policy challenges to all governments in the months ahead. It is still difficult to predict how strong and prolonged the impact of these developments on economic growth will be. The length and strength of the downturn will be alleviated above all by a forthright approach to dealing with structural problems in the economies, particularly the financial sector, and determined support of structural adjustment with appropriate macro-economic management. Confidence in the medium term potential of South-east Asian economies should still be strong as underlying factors that contributed to their past growth performance are still in place, namely high savings/investment ratios, high levels of education and training, and open trade policies.

Trends in trade policies

In approaching the fiftieth anniversary of the multilateral trading system and its impressive achievements, it is timely to look ahead at the challenges before it. An indicative, but not comprehensive, list of such challenges would include: to maintain—and where necessary, improve—the implementation of existing agreements; to carry forward effectively the “built-in agenda” resulting from the Uruguay Round and the Singapore Conference; to ensure a positive relationship between regional agreements and the multilateral trading system; to make the WTO a truly **World** trade organization, by achieving the successful accession of all candidates; and to ensure that, as WTO membership grows, no participants are marginalized. Above and beyond these is the fundamental challenge of shaping the multilateral agenda of the future.

The multilateral system is greatly helped in facing these challenges by the change of spirit in favour of open trade observed in the last decade. This has been widely confirmed since the creation of the WTO. In the Uruguay Round, all WTO members made substantial binding commitments under the WTO Agreements in regard of industrial tariffs and agriculture. Significant additional sectoral commitments were made on information technology products and pharmaceuticals following the WTO Ministerial Conference in Singapore. In addition, 55 trading entities representing 69 WTO members signed the Agreement on Trade in Basic Telecommunications Services in February 1997.

The Singapore Conference provided strong political support for the continuation of the process established with the creation of the WTO in 1994. This involves a number of major undertakings over the next few years, such as the expansion of WTO membership, the improvement of trading opportunities for the least-developed countries, negotiations on the continuation of reforms in agriculture and the pursuit of liberalization in trade in services, the review of a number of Uruguay Round Agreements and the exploration of issues such as investment, competition, trade facilitation and transparency in government procurement.

Among WTO Members, the dispute settlement mechanism is proving an effective instrument in which both developing and developed countries are participating. The use of anti-dumping and countervailing procedures, which is subject to new disciplines, seems to have been falling in developed countries, although an increasing number of developing countries are using such trade defence mechanisms.

Recent Trade Policy Reviews confirm that the momentum for trade liberalization is generally being maintained. However, the focus has changed and the interaction among autonomous liberalization, regional agreements and multilateral negotiations has become more complex.

- » For most transition economies, the process of economic transformation has deepened and strengthened; for countries in central and eastern Europe, much of this process is linked to the strong priority given to relations with the European Union, with the aim of eventual accession. As economic conditions in some transition economies have become more difficult, some new temporary trade measures have been taken for balance-of-payments reasons.
- » Liberalization in Latin America has also become more

complex as an autonomous process has given way increasingly to regionally-oriented trade liberalization. In some cases, this is coupled with a continuation of unilateral reductions in tariffs and other measures; however, concern has been expressed over recent increases in some tariffs.

- » South and South-east Asian economies are generally continuing the process of liberalization, within general political constraints; tariff levels are being reduced and non-tariff barriers gradually eliminated. The recent turbulence in South-east Asian economies has not, so far, led to a major reversal in this process, although again there is some sign of new import measures being introduced.
- » African countries are gradually becoming more integrated into the multilateral trading system, and the strong focus placed on Africa in recent technical cooperation activities of the WTO and its sister agencies seeks to increase their participation still further. There is little doubt that those African countries that have undertaken substantial liberalization of their trade policies are seeing their efforts repaid in higher growth rates.
- » The trade policies of developed countries (including the largest) have, up till now, continued to evolve in a favourable direction, particularly under the impetus of Uruguay Round commitments, although certain sectors, including agriculture and textiles, continue to benefit from high import protection and other forms of assistance. There is also a clear need to counter negative public and media perceptions of the effects of trade liberalization and globalization.

The substantial degree of consensus over the direction of individual trade policies derives from a growing recognition of the close relationship between external liberalization, domestic reforms, the opportunities provided by the integration of economies, and economic growth and development. In recent years, exports have for many countries been the main source of economic growth. For developing or transition countries, trade policy often serves as a spur to domestic transformation. The globalization of markets, the emergence of new technologies and the demand for new products and services are also creating pressure on policy-makers to adapt trade policies and to ensure that no opportunities are lost.

Nonetheless, longstanding areas of concern such as market access still present challenges. A recent joint study by the WTO and UNCTAD secretariats illustrates that even after the full implementation of the Uruguay Round, a substantial number of high tariffs will remain in both developing and developed markets, and that the sectors most affected by tariff peaks are still the classic areas of agricultural staples, fruit, vegetables and fish, processed foods, textiles and clothing, footwear, leather and travel goods, and the automotive sector—in addition to some “high-tech” sectors such as consumer electronics, which were largely excluded from the ITA. This pattern is reinforced by tariff escalation, yielding high rates of effective protection on some final products; the use of specific rates, particularly in agricultural and food products, also reduces the transparency of tariffs. While some of these sectors—such as fish, or automotive products—are included in regional initiatives such as that taken by APEC, others—such as agriculture and processed food, textiles, and leather and footwear—remain excluded.

In recent years, regional arrangements (customs unions,

free-trade agreements, or other associations with trade-related objectives such as APEC) have become the norm in international trading relations. In the past two years, the process of regional integration has intensified on all continents.

- » In Europe, the network of agreements between the European Union and other countries has been strengthened by new proposals for EU enlargement. At the same time, the EU is reassessing both the pattern of its free-trade area relationships and their relationships with the WTO agreements and with MFN trading partners. New structures for relationships with Mediterranean countries, the Lomé Convention group, South Africa, North America, MERCOSUR and Asia have been created; technical relations with the United States have been reinforced; and the GSP scheme has been revised.
- » In the Americas, Canada and Mexico are building on their relationship within NAFTA to conclude similar agreements with trade partners in Latin America. MERCOSUR seeks to complete its own common external tariff through a process of "convergence" by 2006, has already concluded agreements with Bolivia and Chile, and is also seeking to conclude free-trade agreements with other LAIA countries. Chile is also moving towards free-trade agreements with its Latin American partners, as well as participating actively in the APEC forum. The Free Trade Area of the Americas (FTAA) project also continues to be under discussion.
- » In Africa, a customs union among, principally, the Francophone countries of West Africa, is intended to come into effect in January 1998; in Southern Africa, negotiations have been engaged among the members of the Southern African Development Community (SADC) to create free trade among its members by 2004. The Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland), is subject to renegotiation, and negotiations are ongoing between South Africa and the European Union on the future structure of their trade relations.
- » In Asia and the Pacific, new members have been added to ASEAN, and completion of the Asean Free Trade Area (AFTA) has been accelerated from 2008 to 2005, with expansion both of the range of goods covered by the Agreement and in its overall scope to cover services and intellectual property. Negotiations among the members of the South Asian Preferential Trading Arrangement were initiated in 1996, aiming to achieve a South Asian Free Trade Area (SAFTA) by 2001.
- » Another long-term regional integration project covering Asia and the Pacific zone (including the Americas) is the Asia-Pacific Economic Cooperation (APEC) forum, which aims at reaching free and open trade and investment in the region by 2010 for the developed and 2020 for the developing economies. All progress in these fields is to be MFN-based. Recently, APEC Ministers agreed on a number of early sectoral liberalization actions which, they stated, should remain consistent with, and promote, further broad-based multilateral liberalization.

The inter-relationship between regional and multilateral activities is one of the crucial features of the trading world today. It is in areas like the gaps between MFN and prefer-

ential rates of duty, differences in regional and international standards, product approval procedures and health regulations, and the burgeoning multiplicity of rules of origin, that many of the "traditional" questions of trade in goods need to be addressed. In services, too, there are obvious risks that multiplying regional arrangements can lead to growing differences in standards for market access through establishment of regional conditions for cross-border access, for establishment or investment, or for entry of professional service suppliers or labour. In addition, one practical risk of the multiplication of regional activities is the possible incoherence stemming from the sheer time taken up by such activities for governments and administrators and the conflicting pressures that they create. These systemic questions will have to be effectively addressed if the multilateral system is to flourish; and it will be more than ever important, as regional initiatives progress, that the multilateral system remains at least as ambitious.

WTO Activities

The pace and direction of WTO activities in 1997 has been strongly influenced both by the negotiations on trade in information technology products, telecommunications and financial services, and by the outcome of the 1996 Singapore Ministerial Conference.

Details of WTO activities are spelled out in Chapter V of the Annual Report. This section thus focuses principally on the areas mentioned above, namely information technology products, telecommunications services, and work stemming from the commitments made by Ministers in Singapore.

In the area of goods, 43 WTO Members and States or separate customs territories in the process of accession, agreed in March 1997 to the elimination of tariffs on information technology products. Further, a group of seven countries and the EU agreed to accord duty-free treatment to 465 pharmaceutical products. Both of these initiatives have been undertaken on an MFN basis.

Negotiations were completed successfully on basic telecommunications services in February 1997, and intensive work is continuing up to the deadline of 12 December 1997 on financial services. As at end-November 1997, 37 offers had been submitted by 51 Members in the financial services negotiations. In addition, work is proceeding in the areas of professional services, including accountancy, the negotiation of GATS rules on safeguards, government procurement in services, and subsidies, and an information exchange programme endorsed by Ministers at Singapore.

In Singapore, Ministers stated their renewed determination to abide by the rules and procedures of the Dispute Settlement Understanding and other WTO agreements in the conduct of their trade relations and the settlement of disputes. Use of the dispute settlement mechanism continues to grow. In 1997 to date, the Dispute Settlement Body has received 40 notifications of formal requests for consultations under the Dispute Settlement Understanding. Ten new panels were established during the same period, and five Appellate Body and panel reports have been adopted. The Ministerial Conference assessed progress made in the implementation of WTO commitments, reviewed ongoing negotiations and the implementation of the Work Programme, examined developments in world trade, and addressed the challenges facing the evolving world economy. Ministers

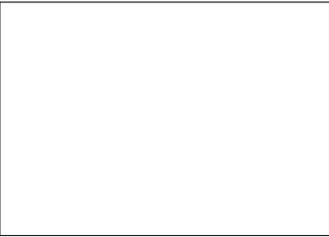
noted that much of the WTO's Work Programme since the entry into force of the WTO had stemmed from the "built-in agenda" inherent in the WTO Agreement and decisions adopted at Marrakesh. Some elements of the Work Programme, including those dealing with trade in services, agriculture and aspects of TRIPS, involved future negotiations, while many others called for reviews and other work. Ministers emphasized the importance of respecting the various time frames that had been established, while noting that work undertaken would not prejudge decisions that would need to be taken in the future.

Ministers at Singapore were sensitive to the need to ensure that the WTO should develop in the light of new relationships affecting the multilateral trading system. In this spirit, they established working groups to examine the relationship between trade and investment and to study issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices. These working groups are exploring the issues on the understanding that, if negotiations are to take place in these areas, they will proceed on the basis of a consensus decision regarding such negotiations. The General Council is to determine after two years how the work of each body should proceed. Both working groups have made substantial progress in preparing background material for their deliberations. In addition, both trade and foreign direct investment and trade and competition have been the subject of special studies in the WTO Annual Reports for 1996 and 1997.

Ministers also established two other new elements in the WTO's Work Programme. The first of these concerned transparency in government procurement, which is being studied with a view to developing elements for inclusion in an appropriate agreement. The other new element requires the Council for Trade in Goods to undertake exploratory and analytical work on the simplification of trade procedures in order to assess the scope for WTO rules on trade facilitation.

A recurring source of concern among Members is the problem of marginalization of least-developed countries, and the risk of it for some developing countries. Members have committed themselves to work for greater coherence and coordination among international agencies in dealing with these issues, including in the provision of technical assistance. In pursuit of this objective, Ministers agreed to a Plan of Action for the least-developed countries. The Plan calls for positive trade measures of benefit to the least-developed countries, in order to improve their capacity to respond to the opportunities offered by the trading system. It also calls for action aimed at enhancing conditions for investment, and export expansion and diversification.

In bringing forward the Plan of Action, a High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development was held in October 1997. The meeting—involving the International Trade Centre, UNCTAD, IMF, UNDP and the World Bank, in addition



The Singapore Ministerial Conference provided the momentum for WTO activities in 1997.

to the WTO-addressed questions of market access and of trade-related technical assistance, training and capacity building. Nine WTO Members announced new autonomous initiatives to improve market access for exports from least developed countries, while others reported on recent actions they had taken in this regard. Twelve least-developed countries provided comprehensive assessments of their needs for trade-related technical cooperation; other such assessments will be undertaken before the 1998 Ministerial Conference. Emphasis was also placed at the meeting on the potential represented by the use of information technology to assist in integrating LDCs into the trading system.

During the year, the technical assistance and training activities of the Secretariat have continued to grow, supported both from the regular WTO budget and from special contributions from governments. Specific technical assistance activities in 1996 and early 1997 have included seminars and workshops on many aspects of the WTO multilateral trading system, training courses, technical missions on specific issues, assistance to governments in their preparations for trade policy reviews, support in preparations by least-developed countries for participation in the High Level Meeting, and the provision of specific information and data upon request.

The relations of the WTO with the IMF and the World Bank have been developed under the two Agreements between the organizations. During the year, cooperation on technical assistance with the IMF, World Bank and other international agencies, including, notably, UNCTAD and the International Trade Centre has also been reinforced. In addition, non-governmental organizations have been brought more closely into contact with WTO activities, including issues relating to trade and the environment and to the programme of action for least developed countries.

Ministers at Singapore focused some attention upon the issue of regionalism. They noted that WTO Members were participating increasingly in regional agreements, and that such agreements could promote liberalization and fuller integration into the international trading system. At the same time, they reaffirmed the primacy of the multilateral trading system and renewed their commitment to ensure that regional trade agreements were complementary to and consistent with that system. The Committee on Regional Trade Agreements has continued its work, both in relation to the examination of regional trade agreements and consideration of systemic issues. It is currently examining fifteen agreements, and is scheduled to examine thirty-four others. A checklist of systemic issues has been prepared by the Secretariat, and discussions are continuing on the best way in which to proceed in examining these issues.

Ministers also noted at Singapore that they would work to bring new applicants expeditiously into the WTO, and called on applicant countries to contribute to the accession process by accepting the WTO rules and offering meaningful market access commitments. Two countries, Mongolia and Panama, became new Members of the WTO in 1997; 31 further applications are extant. Many of the applicants are currently undergoing a fundamental transition in their economies, heightening both the benefits to be derived from WTO membership, as well as the challenges that must be met in order to meet the substantive prerequisites of membership. □

TPRB: MALAYSIA

Sympathy on efforts to withstand financial turbulence

The following are excerpts from the closing remarks by the Chairman, Ambassador Munir Akram (Pakistan), at the Trade Policy Review Body's review of Malaysia's trade policies and practices held on 4-5 December 1997:

Members commended Malaysia on its remarkable macroeconomic performance since 1993. High rates of growth were coupled with low unemployment and inflation, and an improvement in the well-being of the population. This had been assisted by the pursuit of open trade policies. Nevertheless, questions were raised on macroeconomic and structural problems.

Members generally considered Malaysia's underlying economic fundamentals to be sound. Therefore, a number of members were concerned about the signals given by restrictive trade measures announced in Malaysia's 1998 Budget to address the current crisis.

In response, the Malaysian representative said that the current economic difficulties were caused by massive shifts of capital flows. The authorities believed that the risks associated with such flows could be minimized if the country's current account and reserve position was kept in equilibrium.

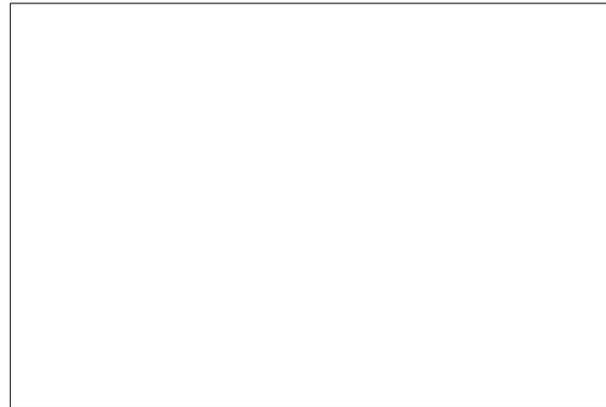
He emphasized that the fundamentals of the economy remained strong, but in light of the present crisis some measures had to be taken. He stressed that the tariff increases and other measures introduced in the 1998 Budget were consistent with Malaysia's obligations under the WTO, and noted that these measures were temporary. The need for the measures would be reviewed case by case.

Regional and multilateral issues

It was noted that, as a member of APEC and AFTA, regionalism was a major component of Malaysia's trade policy. Members hoped that these arrangements would promote greater trade liberalization and domestic efficiency. In this regard, specific questions were raised about possible trade diversion as a result of the implementation of AFTA; harmonization of standards within APEC; the justification for granting tariff preferences to Australia and New Zealand; and concrete liberalization measures taken by Malaysia as part of its APEC down-payment.

Members commended Malaysia's commitment to the multilateral trading system through its active role in the WTO, including in the ongoing financial services negotiations. They welcomed the announcement of a revised offer by Malaysia. However, some Members enquired about Malaysia's timetable for compliance with Uruguay Round undertakings, including progress with new anti-dumping legislation, the timetable for amending existing intellectual property legislation, a phase-out programme for prohibited export subsidies, and the elimination of local-content requirements.

The representative of Malaysia replied that ASEAN mem-



Kuala Lumpur's "Golden Triangle" business district: open trade policies have assisted remarkable economic growth but questions were raised on certain measures announced recently to address the financial crisis. (Photo by Business VGM)

bers were gradually changing specific duties to *ad valorem* duties and that these duties would be reduced on an MFN basis. Malaysia did not envisage any trade diversion as a result of AFTA. The Arrangement had been notified to the Committee on Trade and Development.

Specific trade-related measures and policies

In general, Members commended Malaysia's open trade regime, particularly the substantial reduction in tariffs since the last review.

Questions were raised about anti-dumping investigations and the timetable for bringing current anti-dumping legislation into full conformity with the relevant Agreement. The practice of not providing foreign exporters with an individual calculation of their dumping margin before final determination of definitive measures was also questioned.

Non-automatic licensing was confined to 17 per cent of national tariff lines, 60 per cent of which related to wood products, according to the Malaysian representative. This mechanism was designed to facilitate development of infant and strategic industries, and, in the case of wood products, for conservation purposes.

He indicated that new anti-dumping and countervailing legislation was being finalized and would be tabled in Parliament at its next sitting. In the meantime, as notified to the WTO, Malaysian anti-dumping authorities were applying measures administratively. Only two actions were taken during the period under review, both in 1995-1996.

Export levies and licensing on timber were designed to ensure sustainable forestry management, encourage downstream activities and finance R & D. These measures were constantly reviewed to ensure that the intended objectives are met. The local content requirement for the automotive sector would be phased out by 2000.

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I should like to thank Members for the participation in the TPR of Malaysia. I am sure all Members present appreciate the answers provided by Malaysia today. We also welcome Malaysia's announcement that its financial services offer has now been submitted. I am also sure all Members will be sympathetic to Malaysia's efforts to withstand the present financial sector turbulence. □

**Follow-up to the High Level Meeting:
22 more LDCs to benefit from the programme**

The Sub-Committee on Least-developed Countries (LDCs) met on 1 December to review follow-up actions flowing from the WTO High Level Meeting (HLM) on LDCs held in October 1997.

It was informed by the Secretariat that the six agencies involved in the integrated programme of technical assistance to LDCs were to meet later in the month and in January to complete their integrated responses to 22 more LDCs, which will bring to 34 the number of countries benefiting from the programme.

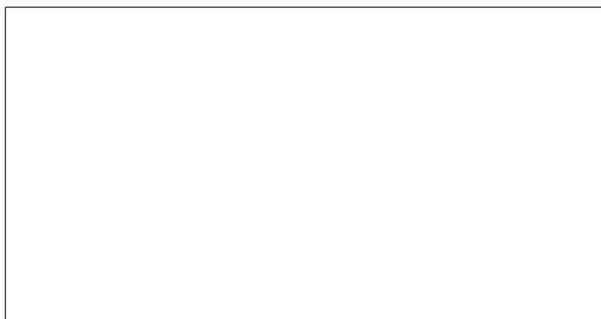
The Sub-Committee encouraged WTO members to submit formal notifications of improved market-access for LDC exports announced during the High Level Meeting.

The Secretariat informed the Sub-Committee that it was pursuing discussions with the other agencies involved on the establishment of a follow-up mechanism to the HLM. □

Symposium set on trade facilitation

The Council for Trade in Goods, at a meeting held on 19 November and 8 December, agreed to hold a WTO Symposium on Trade Facilitation in early March 1998. The Symposium is expected to help identify the main areas where traders face obstacles when moving goods across borders, and provide a direct interface between the practical level (traders) and trade policy level (officials in capitals and Geneva).

Regarding the Council's review of the implementation of the Agreement on Textiles and Clothing (ATC), the Chairman, Ambassador Terje Johannessen (Norway), reported that in lengthy consultations, no consensus was reached with respect to a summary of the discussions or a possible set of conclusions. Developing country exporters and major importers then expressed divergent view on whether the Council had fulfilled the ATC review provision or not. □



The WTO Divisions on Trade in Services and on Technical Cooperation and Training organized eight regional seminars on the services negotiations in 1997. Funded by the Government of the Netherlands, these seminars were aimed at facilitating more effective participation of members in the WTO, and assisting acceding countries prepare draft commitments under the GATS. The seminars were held on 8-10 July in Jakarta, Indonesia (participants and lecturers shown above); on 22-23 July in Caracas, Venezuela; on 29-30 July in Colombo, Sri Lanka; on 2-3 September in Cairo, Egypt; on 8-9 September in Pretoria, South Africa; on 15-16 September in Port of Spain, Trinidad and Tobago; on 22-23 November in Abidjan, Côte d'Ivoire; and on 24-25 November in Istanbul, Turkey.

WTO's annual report

The new *WTO Annual Report 1997*, published on 19 December, contains a detailed account of the third and, perhaps, busiest year of the World Trade Organization so far. It highlights major trends in trade policy during 1997, including the successful completion of negotiations on basic telecommunications and on information technology products. A whole chapter is devoted to exploring in depth the interaction between trade policy and competition policy.



In its review of developments in world trade in 1996, the report examines in great depth trade flows by region and product, intra-trade of regional integration agreements, and trends in commercial services trade.

The report is available from the WTO Secretariat in English, French or Spanish, SwF 75.-. A CD-ROM version is also available. □

Working Parties on Saudi Arabia, China and the Russian Federation make progress

Work on accession to the WTO of three major traders—Saudi Arabia, China and the Russian Federation—continued to make progress in late 1997:

- » The Working Party on the Accession of the Kingdom of Saudi Arabia, on 2 and 4 December, agreed to intensify market access negotiations in goods, agriculture and services. To this effect, Saudi Arabia will be sending a negotiating team to Geneva in late February 1998 for negotiations with interested members. The Working Party discussed a broad range of issues, including those touching on market-access on goods and services, import licensing, technical barriers to trade, trade-related aspects of intellectual property rights and preferential trading agreements.
- » The Working Party on the Accession of China, on 5 December, focused on a revised services offer submitted by China and stocktaking with respect to elements of a draft accession Protocol and the bilateral market-access negotiations.
- » The Working Party on the Accession of the Russian Federation, on 9 December, discussed issues related to trade-related investment measures, industrial subsidies and preferential trading agreements with members of the Commonwealth of Independent States. □

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