

## Moore spells out priorities for Seattle Ministerial Conference



*Mike Moore holds his first press conference as the new WTO Director-General: "The Seattle Ministerial will only be judged a success if there is a balanced outcome." (Photo by Tania Tang/WTO)*

New World Trade Organization Director-General Mike Moore underscored his priorities for the upcoming Seattle Ministerial Conference during his first media briefing in Geneva since assuming his post on 1 September.

Mr. Moore, the first non-European to head the WTO, stressed the importance of achieving a balanced outcome in Seattle which addresses the needs of all WTO member governments.

"Ordinary people greeted the launch of the Uruguay Round with apathy, the possibility of launching a new round in Seattle will be met with far greater emotions, some positive, some not so positive," he said.

"This time we will not be able to complain about apathy. In the absence of global conflict between 'isms' some people have chosen to focus their fury on globalism. Thus the WTO has become a target for abuse. This will necessitate new skills at governmental and at the international level to communicate and engage those citizens especially in the wealthy nations who will protest and march and call for barriers to be built to keep out products from poor countries which desperately need the opportunity to work and produce in comes for their fami-

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### **Call for greater efforts to assist poor countries**

Director-General Moore began his term in office, 1 September, by calling on the world's trading powers to do every thing they can to bring the poorest nations into the multilateral trading system by opening their markets to goods produced in the least-developed countries (LDCs) and by contributing more to technical co-operation programmes.

Mr. Moore, said that assisting the LDCs would be a top priority during his tenure and that he planned to meet with officials from developing and developed countries in the coming weeks to work on so-

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### New WTO report

### **Trade liberalization reinforces the need for environmental cooperation**

A new WTO Secretariat report argues that international economic integration and growth reinforce the need for sound environmental policies at the national and international level. International cooperation is particularly important in addressing transboundary and global environmental challenges beyond the control of any individual nation. This would be true even if nations did not trade with one another.

The WTO Secretariat's Trade and Environment Report<sup>1</sup>, released on 14 October 1999, addresses the economic and political economy dimensions of the interface between trade and environment<sup>2</sup>. The report argues that there is no basis for the sweeping generalizations that are often heard in the public de-

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### **Priorities for Seattle**

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lies. Even in developed countries large numbers of people have problems with international trade. Yet tens of millions of jobs in OECD countries are directly related to exports and overseas investment.

"A third of new US jobs are export related. As the global economy evolves, a major duty for the WTO's Director-General is to make the case for keeping the markets of the rich nations open to products from poorer countries. Imagine the economic - then social and political - implications if the markets of the North were closed during the recent Asian crisis?"

"It's a moral issue as well. A world now exists polarised by poverty and opportunity as it was once polarised by the cold war. I will judge my term in office by how much we could improve the conditions and opportunities of the most vulnerable economies.

#### **Seattle is the priority**

"Seattle is the priority, but the Seattle Ministerial will only be judged a success if there is a balanced outcome. We need to assist all member governments to engage in the process. Thus we need to increase the levels and focus of technical assistance from the WTO and other sources to

make this happen.

"The WTO is not the GATT and the Seattle Ministerial Meeting will not be like the Punta del Este launch. This is the cynical 90s and not the optimistic 80s. During the long months of the selection process, many ambassadors told me in no uncertain terms what is expected of a Director-General and the rules-based institution he manages on behalf of its member governments.

#### **Priorities**

"My duties and priorities are clear:

- To facilitate and assist countries to get the most balanced outcome from the negotiations, an outcome which truly benefits the more vulnerable economies.
- To advocate the advantages both for the great nations and the more modest nations of a more open trading system and how that can increase living standards and build a more prosperous, safer world.
- To strengthen the WTO and its system and rules, to build on and maintain its reputation for integrity and fairness, and to re-shape the organization to reflect the new reality of its Membership and their needs.

"All eyes are directed now at the Seattle Ministerial - hopes are high. Our goal is very clear, it's better living standards for all our people. Because it is through higher living standards that we achieve better health care, superior education systems, and a safer, better, environment. It's time now for me and colleagues in Geneva and capitals to roll up our sleeves and get to work." □

### **Helping the poor countries**

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lutions for incorporating the LDCs more fully into the trading system so that they can share in the benefits which have raised living standards so markedly in the advanced countries and in the emerging economies.

"The very poor, the Least Developed Countries, still don't get the access they need for their products and the technical assistance to fully engage so that they can sit at the table of our global family and share equally and fully. It would not cost the rich nations much to wipe away barriers for the poorest countries.

"There is no denying the importance of trade to development. In the past 25 years, 1.5 billion people in 10 developing countries have had their incomes doubled and trade has been a crucial element in raising the living standards of these people. Over the last 15 years, the share of developing countries in world trade over all has increased from 20% to 25% and within 10 years this figure will rise to more than 30%. But the fact is, that more needs to be done. Three billion people live on less than \$2 per day. This is unacceptable and we must, all of us, redouble our efforts at eradicating poverty.

"The World Trade Organization will join with others to win this battle. The good work of the United Nations, UNCTAD, the International Monetary Fund, the World Bank, the International Trade Centre and the WTO needs to be better co-ordinated.

"But the WTO has a vital role to play. Through a system of rules, agreed by consensus by our 134 member governments, the WTO has created a system where the little guy not only has a say, but where he can protect and defend his trading rights. It must be said that trade in itself will not solve all the world's problems, yet without trade the world's problems will be made much worse. Developing countries seeking to improve the lives of their citizens will have one very important avenue to prosperity closed to them. Trade remains a key element in sustaining and spreading the benefits of interdependence.

"At our Ministerial Conference in Seattle it is vital that WTO Member Governments dedicate themselves to finding solutions to problems of the poorest countries. We need these solutions now - not in seven or eight years.

"The negotiating agenda for Seattle is still being shaped. But we need to go beyond those sectors, agriculture and services, where negotiations have been mandated. No other issue is as important as addressing the plight of the poor nations.

"In the coming weeks and months, I will be meeting with government officials, members of civil society, academics and journalists in an effort to advance this cause. The WTO is an organization which stands for fairness and equity. It is an organization which is based on the rule of law, not force. The WTO was created to give each nation, each member government, the opportunity to raise standards of living, to expand the production of and trade in goods and services and to promote sustainable development. I intend to devote all my efforts to ensuring that we live up to that promise." □

## Seattle preparations enter crucial phase

Preparations for the Seattle Ministerial Conference intensified further in October with ambassadors holding almost daily informal meetings on a draft Ministerial Declaration put forward by the General Council Chairman, Ambassador Ali Mchumo.

The draft is based on discussions held in the General Council and the many proposals submitted by delegations.

Contained in the draft are proposed text for the launching of mandated negotiations. The agreements on services (the General Agreement on Trade in Services, GATS) and on agriculture state that new negotiations will resume by the beginning of 2000. In addition, many WTO members have proposed including other issues in the negotiations.

Ambassador Mchumo and WTO Director-General Mike Moore have been consulting intensively with delegations on the basis of the draft text to facilitate movement towards convergence.

### 150 proposals

The preparations kicked off at the Second Ministerial Conference in Geneva, in May 1998. They gathered pace in September 1998 in the General Council. Proposals for items to be negotiated were first tabled in March 1999.

By mid-September, more than 150 proposals had been tabled. The list of documents shows they cover tariffs, anti-dumping, subsidies, safeguards, investment measures, trade facilitation, electronic commerce, competition policy, fisheries, transparency in government procurement, technical assistance, capacity-building and other development issues, intellectual property protection, and many other subjects — in addition to agriculture and services.

Many of the proposals are not specifically for the negotiations, but for programmes of work on other important issues. Most of these have emerged as issues of concern for many countries over the last four years when the Uruguay Round results took effect or were implemented.

Which of these subjects will be included in the negotiations, and which in the work programme, is something that WTO members have been working out in their discussions in the General Council.

The draft also reflects proposals for the Seattle meeting to produce a special deal to help least-developed countries gain easier access to richer countries' markets, and to develop further work on technical assistance to least-developed countries under an integrated framework set up by the WTO and other organizations in 1997.

The Seattle Ministerial will only be the beginning of the negotiations, just as the Uruguay Round was launched at a ministerial meeting in Punta del Este in 1986 and the Tokyo Round was launched in Tokyo in 1973.

A number of countries have said they want the Seattle meeting to look carefully at how the Uruguay Round results are being implemented. This is also an area where a wide range of countries have expressed a lot of interest.

Developing countries, for example, want to examine how the agreements on anti-dumping measures, subsidies and textiles and clothing have been implemented. □

## Major trade negotiations

1947	<b>The birth of GATT.</b> On 30 October, the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations. The Agreement contained tariff concessions agreed during the first multilateral trade negotiations and a set of rules designed to prevent these concessions from being frustrated by restrictive trade measures.
1949	<b>Second Round at Annecy.</b> From April to August at Annecy, France, the contracting parties exchanged some 5,000 tariff concessions.
1950-51	<b>Third Round at Torquay.</b> From September 1950 to April 1951, the contracting parties exchanged some 8,700 tariff concessions in the English town, yielding tariff reductions of about 25 per cent in relation to the 1948 level.
1956	<b>Fourth Round at Geneva.</b> Completed in May, the round produced some \$2.5 billion worth of tariff reductions.
1960-62	<b>Dillon Round.</b> Named in honour of the US Under-Secretary of State Douglas Dillon who proposed the negotiations, the fifth Round was divided into two phases: the first was concerned with negotiations with EEC member states for the creation of a single schedule of concessions for the Community, and the second was further tariff negotiations, which resulted in about 4,400 tariff concessions covering \$4.9 billion of trade.
1964-67	<b>Kennedy Round.</b> For the first time, negotiations departed from the product-by-product approach to an across-the-board or linear method of cutting tariffs for industrial goods. The working hypothesis of a 50 per cent tariff cut in tariff levels was achieved in many areas. Concessions covered an estimated total value of trade of about \$40 billion.
1973-79	<b>Tokyo Round.</b> Launched in the Japanese capital, the seventh round resulted in tariff reductions and bindings covering more than \$300 billion of trade. As a result, the weighted average tariff on manufactured goods in the world's nine major industrial markets declined from 7.0 to 4.7 per cent. Agreements were reached on subsidies and countervailing measures, technical barriers to trade, import licensing procedures, government procurement, customs valuation, a revised anti-dumping code, trade in bovine meat, diary products and civil aircraft.
1986-93	<b>Uruguay Round.</b> Results of the most comprehensive trade negotiations ever undertaken included average tariff cuts of 40 per cent on industrial products; an average increase of tariff bindings from 21 to 73 per cent for developing countries, from 78 per cent to 99 per cent for developed countries, and from 73 per cent to 98 per cent for transition economies; a comprehensive programme of agricultural reform; phaseout of quantitative restrictions for textiles and clothing; new agreements on trade in services, intellectual property rights, sanitary and phytosanitary measures, and trade-related investment measures; and strengthened agreements on safeguards, technical barriers, customs valuation, import licensing, state trading, subsidies and anti-dumping measures. The Round also strengthened the dispute-settlement system and created the World Trade Organization.
1997	<b>Basictelecommunications.</b> Negotiations successfully concluded in February with 69 governments agreeing to wide-ranging liberalization measures. The agreement entered into force in February 1998. <b>Information technology.</b> In March, 40 governments agreed to cut customs duties on IT products to be binding on 1 July 1997 and eliminate tariffs altogether by 2000. International trade in these products amounts to some \$600 billion annually. <b>Financial services.</b> Negotiations successfully concluded in December when 70 governments agreed to open their financial services sectors, covering more than 95 per cent of trade in banking, insurance, securities and financial information. The agreement entered into force on 1 March 1999.

# Estonia becomes WTO's 135th member, Georgia on its way

**E**stonia will become WTO's 135th member on 13 November, in time for the Third Ministerial Conference in Seattle. The country notified the WTO that it had completed ratification procedures on 14 October. Thirty days after this date, under the WTO rules, the country becomes a full member of the organization.

Estonia will be the third former Soviet republic to join the WTO following Latvia and Kyrgyzstan.

The fourth - Georgia - is on its way towards becoming the 136th WTO member.

The General Council, on 6 October, adopted the working party report and goods and services schedules for Georgia. Ambassador Anne Anderson of Ireland, Chairperson of the WTO Working Party on the Accession of Georgia, introduced the final reports of her group.

Georgia's State Minister Vazha Lordkipanidze said that his country considered WTO membership as vital to its economic progress. He added that the organization and its rules form a useful instrument against nationalism and isolationism.

The General Council also established a working party to examine the membership application of Bhutan (see box). Bhutan said it was undertaking a trade liberalization programme, including the reduction of taxes and tariffs. It said that as a developing landlocked country, it would need technical assistance in its accession work. □



**Signing ceremony:** Georgia's State Minister Vazha Lordkipanidze signs his country's Protocol of Accession to the WTO as Director-General Mike Moore looks on. The Georgian delegation also included Trade Minister Tamar Beruchasvili, State Property Management Minister Michael Ukleba, Customs Chariman Tamaz Maglakelidze, WTO Ambassador Amiran Kavadze, Deputy Finance Minister George Khanishvili, State Protocol Deputy Chief George Zurabshvili, Senior Counselor Valerian Katamadze and Secretary of Mission Khatuna Janjalia. (Photo by Tania Tang/WTO)

### WTO membership and entry into force (135 as of 13 November 1999)

Angola 1 December 1996, Antigua and Barbuda 1 January 1995, Argentina 1 January 1995, Australia 1 January 1995, Austria 1 January 1995, Bahrain 1 January 1995, Bangladesh 1 January 1995, Barbados 1 January 1995, Belgium 1 January 1995, Belize 1 January 1995, Benin 22 February 1996, Bolivia 14 September 1995, Botswana 31 May 1995, Brazil 1 January 1995, Brunei Darussalam 1 January 1995, Bulgaria 1 December 1996, Burkina Faso 3 June 1995, Burundi 23 July 1995, Cameroon 13 December 1995, Canada 1 January 1995, Central African Republic 31 May 1995, Chad 19 October 1996, Chile 1 January 1995, Colombia 30 April 1995, Congo 27 March 1997, Costa Rica 1 January 1995, Côte d'Ivoire 1 January 1995, Cuba 20 April 1995, Cyprus 30 July 1995, Czech Republic 1 January 1995, Democratic Republic of the Congo 1 January 1997, Denmark 1 January 1995, Djibouti 31 May 1995, Dominica 1 January 1995, Dominican Republic 9 March 1995, Ecuador 21 January 1996, Egypt 30 June 1995, El Salvador 7 May 1995, Estonia 13 November 1999, European Community 1 January 1995, Fiji 14 January 1996, Finland 1 January 1995, France 1 January 1995, Gabon 1 January 1995, The Gambia 23 October 1996, Germany 1 January 1995, Ghana 1 January 1995, Greece 1 January 1995, Grenada 22 February 1996, Guatemala 21 July 1995, Guinea 25 October 1995, Guinea-Bissau 31 May 1995, Guyana 1 January 1995, Haiti 30 January 1996, Honduras 1 January 1995, Hong Kong, China 1 January 1995, Hungary 1 January 1995, Iceland 1 January 1995, India 1 January 1995, Indonesia 1 January 1995, Ireland 1 January 1995, Israel 21 April 1995, Italy 1 January 1995, Jamaica 9 March 1995, Japan 1 January 1995, Kenya 1 January 1995, Korea, Republic of 1 January 1995, Kuwait 1 January 1995, Kyrgyz Republic 20 December 1998, Latvia 10 February 1999, Lesotho 31 May 1995, Liechtenstein 1 September 1995, Luxembourg 1 January 1995, Macau 1 January 1995, Madagascar 17 November 1995, Malawi 31 May 1995, Malaysia 1 January 1995, Maldives 31 May 1995, Mali 31 May 1995, Malta 1 January 1995, Mauritania 31 May 1995, Mauritius 1 January 1995, Mexico 1 January 1995, Mongolia 29 January 1997, Morocco 1 January 1995, Mozambique 26 August 1995, Myanmar 1 January 1995, Namibia 1 January 1995, Netherlands - For the Kingdom 1 January 1995 in Europe and for the Netherlands Antilles, New Zealand 1 January 1995, Nicaragua 3 September 1995, Niger 13 December 1996, Nigeria 1 January 1995, Norway 1 January 1995, Pakistan 1 January 1995, Panama 6 September 1997, Papua New Guinea 9 June 1996, Paraguay 1 January 1995, Peru 1 January 1995, Philippines 1 January 1995, Poland 1 July 1995, Portugal 1 January 1995, Qatar 13 January 1996, Romania 1 January 1995, Rwanda 22 May 1996, Saint Kitts and Nevis 21 February 1996, Saint Lucia 1 January 1995, Saint Vincent and the Grenadines 1 January 1995, Senegal 1 January 1995, Sierra Leone 23 July 1995, Singapore 1 January 1995, Slovak Republic 1 January 1995, Slovenia 30 July 1995, Solomon Islands 26 July 1996, South Africa 1 January 1995, Spain 1 January 1995, Sri Lanka 1 January 1995, Suriname 1 January 1995, Swaziland 1 January 1995, Sweden 1 January 1995, Switzerland 1 July 1995, Tanzania 1 January 1995, Thailand 1 January 1995, Togo 31 May 1995, Trinidad and Tobago 1 March 1995, Tunisia 29 March 1995, Turkey 26 March 1995, Uganda 1 January 1995, United Arab Emirates 10 April 1996, United Kingdom 1 January 1995, United States 1 January 1995, Uruguay 1 January 1995, Venezuela 1 January 1995, Zambia 1 January 1995, Zimbabwe 3 March 1995. □

## DSB establishes 2 panels, adopts reports on India's QRs

The Dispute Settlement Body (DSB), on 22 September, established two panels, to examine, respectively, Mexico's complaint against Guatemala's definitive anti-dumping measures on grey portland cement and the United States' complaint against Canada's term of patent protection. It adopted reports on the US complaint against India's quantitative restrictions on imports of agricultural, textile and industrial products.

### Anti-dumping action on cement

Mexico reiterated its request for a panel to examine its complaint against alleged violations by Guatemala of the WTO Anti-Dumping Agreement in imposing definitive anti-dumping measures on grey portland cement from Mexico. It reiterated its reservations about the Appellate Body ruling regarding its previous complaint against Guatemala's anti-dumping investigation on the same product, and expressed the hope that the dispute this time would finally be resolved.

Guatemala maintained that its anti-dumping investigation against Mexican cement respected the provisions of the Anti-Dumping Agreement. It regretted that Mexico had not taken up its proposed solution to the dispute during consultations. Guatemala expressed concern that the measure in question would be subjected to two examinations and to two possibly different rulings as it is also under domestic review.

The Dominican Republic supported Guatemala's point against parallel processes in this case.

The DSB established a panel to examine Mexico's complaint. The European Communities, Honduras and the United States indicated their intention to participate as third parties in the panel proceedings.

### Term of patent protection

The United States, for the second time, requested a panel to examine its complaint that Canada's 17-year term of patent protection was in consistent with the TRIPS Agreement, which provided for 20-year patent protection. It expressed confidence that the panel would rule in its favour, and regretted that Canada had not agreed to resolve the matter bilaterally.

Canada said that its patent regime is consistent with its international obligations. None the less, it said it was looking carefully into the US complaint.

In its panel request, the United States contends that the TRIPS Agreement requires members to grant a 20-year term of protection for patents. It claims that under the Canadian Patent Act, the term granted to patents is sued on the basis of applications filed before 1 October 1989 is 17 years from the date on which the patent is issued.

The DSB established a panel to examine the US complaint.

### Other panel requests:

The DSB agreed to revert to the following panel requests at its next regular meeting:

- India requested a panel to examine its complaint against the EC's anti-dumping duties on imports of cot-

ACTIVE PANELS (25 September 1999)		
Complainant	Subject of the complaint	Date established
New Zealand	EC - Measures affecting butter products (panel proceedings suspended)	18.11.1998
EC	US - Tax treatment for "foreign sales corporations"	22.09.1998
EC, Japan	US - Measure affecting government procurement (panel proceedings suspended)	21.10.1999
US	Mexico - Anti-dumping investigation of high-fructose corn syrup (HFCS) from the US	25.11.1998
Canada	EC - Measures affecting the prohibition of asbestos and asbestos products	25.11.1998
EC	Canada - Patent protection of pharmaceutical products	01.02.1999
EC	US - Anti-Dumping Act of 1916	01.02.1999
Japan, EC	Canada - Certain measures affecting the automotive industry	01.02.1999
EC	US - Imposition of countervailing duties on certain hot-rolled lead and bismuth carbon steel products originating in the United Kingdom	17.02.1999
EC	US - Sections 301-310 of the Trade Act of 1974	02.3.1999
US, Australia	Korea - Measures affecting imports of fresh, chilled and frozen beef	26.05.1999 26.07.1999
EC	US - Section 110(5) of the US Copyright Act	26.05.1999
EC	US - Import measures on certain products from the EC	16.06.1999
US	Australia - Measures affecting the importation of salmonids	16.06.1999
US	Korea - Measures affecting government procurement	16.06.1999
EC	Argentina - Measures on the export of bovine hides and the import of finished leather	26.07.1999
Japan	US - Anti-Dumping Act of 1916	26.07.1999
EC	US - Definitive safeguard measure on imports of wheat gluten from the EC	26.07.99
US	Argentina - Measures affecting imports of footwear	26.07.1999
Mexico	Guatemala - Definitive anti-dumping measure regarding Grey Portland Cement from Mexico	22.09.1999
US	Canada - Patent protection term	22.09.1999

ton-type bed-linen from India. It claimed that the EC's initiation of anti-dumping procedures, the imposition of provisional duties and definitive anti-dumping duties contravened various provisions of the WTO Anti-Dumping Agreement. The EC said it could not agree to the panel request and invited India to further consultations.

- Thailand requested a panel to examine its complaint that Colombia's safe guard measure on imports of plain polyester filaments from Thailand violated provisions of the WTO Agreement on Textiles and Clothing. It said that despite a recommendation from the Textiles Monitoring Body (TMB), which had examined the case, to rescind the measure Colombia continues to apply the trade restriction. Korea supported Thailand's complaint, adding that it is one of the major suppliers of the product to Colombia. Colombia expressed surprise that Thailand had asked for a panel without holding

## DISPUTE SETTLEMENT

consultations on the matter. India said that it viewed the TMB process as a long consultation process that allowed the complainant to go directly to DSB and request the establishment of a panel.

### India's quantitative restrictions

The DSB, in November 1997, established a panel to examine a US complaint that India's quantitative restrictions, including the more than 2,700 agricultural and industrial product tariff lines notified to the WTO, are inconsistent with India's obligations under the GATT 1994 and the WTO Agreements on Agriculture and on Import Licensing Procedures. The panel found that the measures at issue were in consistent with India's obligations under Articles XI and XVIII:11 of GATT 1994, and to the extent that the measures apply to products subject to the Agreement on Agriculture, are in consistent with Article 4.2 of the Agreement on Agriculture. The panel also found the measures to be nullifying or impairing benefits accruing to the United States under GATT 1994, and the Agreement on Agriculture. Last May, India notified its intention to appeal certain issues of law and legal interpretations developed by the panel. The Appellate Body, in a report circulated to Members last August, upheld the panel's findings.

At the DSB meeting, the United States welcomed the reports as confirming its view that dispute settlement can be invoked regarding balance-of-payments matters. It said that India had maintained zero imports on many products. The United States agreed that there is no conflict between the Dispute Settlement Understanding and the BOP provisions, and that the findings do not require India to change its development policy.

India expressed serious reservations that the rulings constituted a fundamental change from GATT practices. It recalled that in the BOP Committee's consultations, it had submitted a six-year phase-out plan for the trade restrictions, which all members had accepted except one. India contended that the panel, by performing some of the functions of the BOP Committee, had modified the balance of rights and obligations of India under the WTO rules governing BOP consultations. It expressed the hope that its concerns will promote a healthy debate so that the political bodies of the WTO can continue to play their respective roles and that Article XVIII:B continues to be a relevant provision for the developing countries.

### Implementation of recommendations

The DSB heard progress reports on the implementation of its recommendations:

- The EC, regarding its regime for the importation, sale and distribution of bananas, said that it is continuing consultations with interested members regarding its implementation of the DSB recommendations. Several members, including Honduras, Guatemala, Mexico, Panama and the United States, stressed that the EC should implement a WTO-consistent trade regime for bananas.
- The United States, regarding its import prohibition on certain shrimp and shrimp products, said that its process of implementation is a very open one with inputs from all parties. It said that it was sending a team of ex-

### APPELLATE AND PANEL REPORTS ADOPTED SINCE 1 JANUARY 1999

Complainant	Subject of the complaint	Date adopted
EC, US	<i>Korea - Taxes on alcoholic beverages</i>	17.02.1999
US	<i>Japan - Measures affecting agricultural products</i>	19.03.1999
Korea	<i>US - Anti-dumping duty on dynamic random access memory semi conductors (DRAMs) of one megabit or above from Korea</i>	19.03.1999
US	<i>Australia - Subsidies provided to producers and exporters of automotive leather</i>	16.06.1999
Canada	<i>Brazil - Export financing for aircraft</i>	20.09.1999
EC	<i>Canada - Patent protection of pharmaceutical products</i>	01.02.1999
EC	<i>US - Anti-Dumping Act of 1916</i>	01.02.1999
Japan, EC	<i>Canada - Certain measures affecting the automotive industry</i>	01.02.1999
EC	<i>US - Imposition of countervailing duties on certain hot-rolled lead and bismuth carbon steel products originating in the United Kingdom</i>	17.02.1999
EC	<i>US - Sections 301-310 of the Trade Act of 1974</i>	02.3.1999
US, Australia	<i>Korea - Measures affecting imports of fresh, chilled and frozen beef</i>	26.05.1999 26.07.1999
EC	<i>US - Section 110(5) of the US Copyright Act</i>	26.05.1999
EC	<i>US - Import measures on certain products from the EC</i>	16.06.1999
US	<i>Australia - Measures affecting the importation of salmonids</i>	16.06.1999
US	<i>Korea - Measures affecting government procurement</i>	16.06.1999
EC	<i>Argentina - Measures on the export of bovine hides and the import of finished leather</i>	26.07.1999
Japan	<i>US - Anti-Dumping Act of 1916</i>	26.07.1999
EC	<i>US - Definitive safeguard measure on imports of wheat gluten from the EC</i>	26.07.99
US	<i>Argentina - Measures affecting imports of footwear</i>	26.07.1999
Mexico	<i>Guatemala - Definitive anti-dumping measure regarding Grey Portland Cement from Mexico</i>	22.09.1999
US	<i>Canada - Patent protection term</i>	22.09.1999

perts to Pakistan for technical assistance on the certification of the country's shrimp fleet. The United States is also pursuing efforts to launch negotiations of an Indian Ocean agreement on the protection of sea turtles. India, Malaysia and Thailand urged the United States to lift immediately the import prohibition.

### Reports on aircraft subsidies adopted

The DSB, on 20 August, adopted reports that sustained complaints by Brazil and Canada against each other's export subsidy measures on civil aircraft.

Canada welcomed the reports on Brazil's export financing programme, which it said meant that subsidies would cease on the Brazilian regional aircraft delivered after 18 November 1999. It added that it would collaborate closely with Brazil on the implementation of DSB recommendations in both cases.

Brazil said it was difficult for developing countries to enter the global market for high technology products, and expressed satisfaction over the finding that Canada had provided prohibited subsidies in a sector where a Brazilian aircraft had been successful. □

## Environmental cooperation

*Continued from page 1*

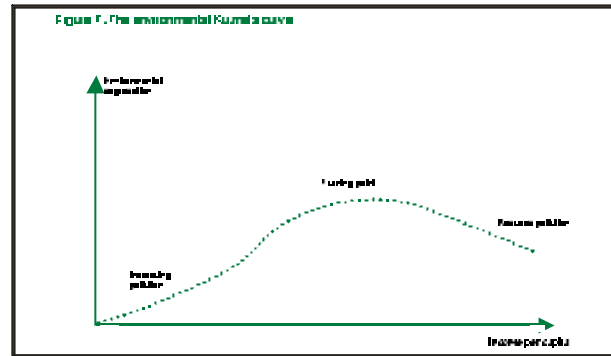
bate, arguing that trade is either good for the environment, or bad for the environment. The real world link ages are a little bit of both, or a shade of grey. “Win-win” outcomes can be assured through well designed policies in both the trade and environmental fields.

“Every WTO Member Governments supports open trade because it leads to higher living standards for working families which in turn leads to a cleaner environment. This report under scores that trade and environment need not be contradictory but can indeed be complementary,” said WTO Director-General, Mike Moore.

Among the questions the report seeks to answer are the following: is economic integration a threat to the environment? Does trade undermine the regulatory efforts of governments to control pollution and resource degradation? How can we ensure that economic growth driven by trade will help us to move towards a sustainable use of the world’s environmental resources?

Some of the main findings of the report include the following:

- Most environmental problems result from polluting production processes, certain kinds of consumption, and the disposal of waste products – trade as such is rarely the root cause of environmental degradation, except for the pollution associated with transportation of goods;
- Environmental degradation occurs because producers and consumers are not always required to pay for the costs of their actions;
- Environmental degradation is sometimes accentuated by policy failures, including subsidies to polluting and resource-degrading activities – such as subsidies to agriculture, fishing and energy;
- Trade would unambiguously raise welfare if proper environmental policies were in place;
- Trade barriers generally make for poor environmental policy;
- Not all environmental standards should necessarily be harmonized across countries;
- The competitiveness effects of environmental regulations are minor for most industries;
- A good environmental profile is often more of an asset for a firm than a liability in the international marketplace, notwithstanding somewhat higher production costs;



*The Environmental Kuznets Curve (EKC): pollution increases at the early stages of development but decreases after a certain income level has been reached.*

- Little evidence bears out the claim that polluting industries tend to migrate from developed to developing countries to reduce environmental compliance costs;
  - Yet, environmental measures are sometimes defeated because of concerns about competitiveness, suggesting a need for improved international cooperation on environmental issues;
  - Economic growth, driven by trade, may be part of the solution to environmental degradation, but it is not sufficient by itself to improve environmental quality – higher incomes must be translated into higher environmental standards;
  - And not all kinds of economic growth are equally benign for the environment;
  - Public accountability and good governance are essential to good environmental policy, including at the international level;
  - Effective international cooperation is essential to protect the environment, especially in respect of transboundary and global environmental challenges.
- The cooperative model of the WTO, based on legal rights and obligations, could potentially serve as a model for a new global architecture of environmental cooperation.
- Meanwhile, even within its current mandate, the WTO could do a few important things for the environment. The most obvious contribution would be to address remaining trade barriers on environmental goods and services in order to reduce the costs of investing in clean production technologies and environmental management systems. Another contribution would be to seek reductions in government subsidies that harm the environment, including energy, agriculture and fishing subsidies.

## **Main points from the Secretariat report**

- **Environmental degradation is driven by market and policy failures.** While trade itself may be associated with environmental problems, such as pollution arising through the transportation of goods, most problems occur during production, consumption, and/or the disposal of waste products. Appropriate regulations and taxes can ensure that environmental impacts are accounted for by producers and consumers – the “Polluter Pays Principle”. However, governments may not

only omit to correct market failures, they may also aggravate the problems through subsidies.

- **Trade would unambiguously raise welfare if proper environmental policies were in place.** Without adequate environmental policies, trade can prejudice environmental quality. For example, demand from the world market may encourage unsustainable logging when no proper management scheme is in place. In other instances, trade liberalization may mitigate the

underlying distortions. For example, a reduction in fishing subsidies, amounting to some \$54 billion annually, would reduce overcapitalisation in the industry and lessen overfishing.

- **Trade barriers are poor environmental policies.** Environmental problems are best addressed at source, whether they involve polluting production processes or undefined property rights over natural resources. Targeting in direct linkages, such as exports or imports of goods, can only partially correct market and policy failures, and at a higher price to society. At the same time, governments have found trade measures a useful mechanism for encouraging participation in and enforcement of multilateral environmental agreements in some instances, and for attempting to modify the behaviour of foreign governments in others. However, the use of trade measures in this way is fraught with risks for the multilateral trading system, unless accompanied with rules agreed by all parties.
- **Environmental standards should not necessarily be harmonized.** This conclusion refers only to local pollution problems that are arguably best addressed by standards targeted to the specificities of the local conditions. Neither poor nor rich communities (countries) are well served by setting standards at the average. The case is different for transboundary and global problems where policy harmonization and collective management of common resources is perhaps the only effective policy option.
- **The environmental repercussions of trade are theoretically ambiguous,** and depend on three interacting factors: (i) trade-induced changes in industrial composition, and hence the pollution intensity of national output, (ii) changes in the overall scale of economic activity, and (iii) changes in production technology. The net outcome is a priori undetermined. Sweeping generalisations about the linkages between trade and environment, whether positive or negative generalisations, must therefore be rejected.
- **The gains from trade are sufficient to pay for additional abatement costs.** The income gain as so cited with trade could *in principle* pay for the necessary abatement costs and still leave an economic surplus. This has been shown in various economic simulations. In other words, by combining trade and environmental reforms one can find ways to raise income and consumption without compromising the natural environment. At least in this sense, there is no inherent conflict between trade and environment. Rather, the conflict arises as a result of the failure of political institutions to address environmental problems, especially those of a global nature which require a concerted effort to solve.
- **The competitive effects of environmental regulations are minor.** The direct cost of pollution control in the OECD is minor, just a few percentage points of production costs for most industries. No corresponding estimates are available for developing countries, but unless the regulatory cost is zero, the cost savings of moving offshore are less than suggested above. Moreover, some observers have noted that these numbers are in any event exaggerated. The "Porter hypothesis"

holds that regulatory pressure, just like competitive pressure, encourages industrial innovations that make production both leaner (less energy and resource demanding) and cleaner at the same time, thereby offsetting the direct compliance costs. The empirical evidence partly supports this hypothesis, although it would be wrong to conclude that environmental regulations do not cost anything. They *do cost*, but they also bring significant benefits to society and the quality of life.

- **Environmental leaders are not less profitable.** Studies that have compared the profitability of firms in the same industry have not found much evidence that environmental leaders pay a price in terms of reduced profitability. For several reasons, environmental leaders can often recoup costs in the marketplace. Firstly, a growing number of consumers are willing to pay a premium for "green labels." Secondly, firms that accord with the environmental management standards promulgated by the International Organization for Standardization (ISO 14000) seem to enjoy certain competitive advantages, including lower liability insurance, less regulatory oversight, and increased access to customers (including the public sector) that care about their own environmental reputation.
- **Polluting industries are not migrating from developed to developing countries** to reduce environmental compliance costs, although there are of course exceptions. While it is certainly true that developing countries are net recipients of foreign direct investment, the composition of investments they receive is *not* biased towards polluting industries, but rather to labour-intensive industries that are less polluting on average. What the data tell us is that, to the extent developed countries are exporting their dirty industries, they are exporting them to each other, not to less developed economies. This suggests that environmental regulations are at most of secondary importance for international investment decisions.
- **Multinational firms are moving towards a policy of standardised technologies for all their production plants in the world** The reason is simple. It is less costly to duplicate the home technology than to modify the process in each country. What is more, the choice of technology is not just based on current standards, but on what is expected in the future. It makes commercial sense to install state-of-the-art technology at the time an investment is made rather than retrofitting abatement equipment at a later stage at a much greater expense. Finally, multinationals are becoming more sensitive to the reputation they earn in the marketplace, at least those multinational firms that are based in countries with an active environmental community. Market forces then reward good environmental performance rather than cost savings at any price, including financial markets that react negatively to environmental mishaps. It has not always been this way, but the tide has changed in recent years. Much of this advance is thanks to the relentless efforts of non-governmental organizations around the world that have made consumers sensitive to the environmental profile of products and producers. In short, when con-



sumers care, producers care.

- **Yet, environmental measures are sometimes defeated because of competitiveness concerns.** Market forces can not be entrusted to solve all problems themselves. Governments must do their part by regulating polluting and resource degrading activities appropriately. This creates a difficult political dilemma. If policy makers and voters think that domestic industry is crumbling under environmental regulations at the expense of domestic investments and jobs, it may be difficult to forge the necessary political support for new regulatory initiatives. And this problem may be come worse still when trade and investment barriers are removed, since industry then become more mobile and more difficult to regulate. In deed, some evidence suggests that industries often appeal to competitiveness concerns when lobbying against environmental regulations, and on occasion with some success.
- **How serious is this problem?** It would clearly be a serious problem if competitiveness concerns prevented environmental standards from being raised to appropriate levels, or if governments were compelled to build in protectionist elements in environmental regulations to “compensate” industry for alleged adverse competitive effects. However, competitiveness concerns could potentially be a positive force if governments that find it difficult to act individually for political reasons seek cooperative solutions to environmental problems. The growing number of multilateral environmental agreements (currently some 216) may be one indication of the trend in that direction. The last in effect of “regulatory chill” may then be more procedural than substantial. That is, initiative may have to shift from the national to the supranational level, just as we saw a shift from the local to the central level in federal states in the 1970s to overcome environmental policy foot-dragging at the local level. Admittedly, however, international cooperation in these matters is not easy to achieve unless governments are convinced of its urgency.
- **Is economic growth, driven by trade, part of the problem or part of the solution?** One reason why environmental protection is lagging in many countries is low income. Countries that live on the margin may simply not be able to afford to set aside resources for pollution abatement, nor may they think that they should sacrifice their growth prospects to help solve global pollution problems that in large part have been caused by the consuming life style of richer countries. If poverty is at the core of the problem, economic growth will be part of the solution, to the extent that it allows countries to shift gear from more immediate concerns to long run sustainability issues. In deed, at least some empirical evidence suggests that pollution increases at the early stages of development but decreases after a certain income level has been reached, an observation that has become known in academic circles as the Environmental Kuznets Curve (EKC).<sup>3</sup>
- **How does trade enter the growth and environment debate?** Trade enters into this debate for several reasons. The most direct reason is that trade is one cylinder

that propels the engine of growth. An other reason is that trade may affect the shape and relevance of the EKC. It is at least conceivable that the turning point enjoyed by developed countries as far as certain pollutants are concerned is partly due to migration of polluting industries to developing countries, although the evidence does not seem to support this position. A third reason why trade comes into the picture is the political economy of environmental policy making. Competitive pressure may prevent environmental standards from being upgraded to turn around the pollution path. Growth driven by liberalization of the world economy may then defeat the mechanisms that in principle could generate an environmental Kuznets curve. As observed before, there is some evidence of a “regulatory chill” which may call for increased policy coordination among governments.

- **Economic growth may be part of the solution, but primarily for local pollution problems.** The empirical evidence in support of the EKC hypothesis is mixed. The evidence suggests that the EKC hypothesis may be valid for some types of environmental indicators, but equally untrue for other important indicators. Those indicators that appear to demonstrate some characteristics of an inverted U-shape pollution path are certain types of local, primarily urban air pollution, and to a lesser extent some types of fresh water pollutants. In contrast, pollutants of a more global nature do not seem to accord with the EKC hypothesis, notably emissions of carbon dioxide. In essence, countries seem more prone to act on pollutants that affect their own backyard than pollutants that degrade the global environment, although there are also some encouraging developments in respect of the latter, such as the reductions in ozone-depleting substances rendered possible by international cooperation under the Montreal Protocol.
- **Economic growth is not sufficient for turning environmental degradation around.** It should also be emphasized that nothing in the EKC literature suggests that environmental degradation will turn around with increasing income by compelling necessity. If economic incentives facing producers and consumers do not change with higher incomes, pollution will continue to grow unabated with the growing scale of economic activity. In other words, income growth, while perhaps a necessary condition for allowing countries to shift gear from more immediate economic and social concerns to more long term sustainability issues, is not sufficient to reverse environmental degradation. Environmental policies must be brought to bear.
- **Accountability and good governance is critical.** The importance of a democratic political process cannot be underestimated in this regard. Governments that are not held accountable for their actions, or rather inaction in this case, may fail to deliver the necessary upgrading of environmental policies. Comparing countries at the same income level, pollution tends to be worse in countries with skewed income distribution, a high degree of illiteracy, and few political and civil liberties. Moreover, these “political access” variables considerably

weaken the relationship between per capita income and environmental quality. This suggests that the EKC relationship is not so much dependent on income levels per se, but rather on institutional and democratic reforms that tend to go hand in hand with increased income, and which are necessary for allowing ordinary citizens to articulate their preferences for environmental quality and influence the political decision-making process.

- **Good governance is also needed at the international level.** One of the disturbing conclusions of the empirical literature is that the turning points of global environmental problems, such as global warming driven by CO<sub>2</sub> emissions and other greenhouse gases, are estimated at considerably higher incomes than more localized problems. One interpretation of this is that people do not care much about global warming and climate change. They would rather accept the consequences

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The way forward is to strengthen multilateral environmental cooperation, just like countries 50 years ago decided that it was to their benefit to cooperate on trade matters. ...

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(on behalf of their children and their children's children) than the costs of curbing emissions. An other possible reason for political foot-dragging is that governments seek to free ride in the context of weak political institutions at the international level, including weak enforcement mechanisms. Indeed, one reason why the WTO has become the focal point for environmental disputes is that the WTO has an integrated adjudication mechanism backed by trade sanctions as the ultimate enforcement tool.

- **Environmental degradation will turn around when political conditions are ripe.** The political obstacles to sound environmental policy should not be exaggerated. The turning points that have been estimated for different kinds of pollutants have a tendency to fall within the income range of leading countries at the time the specific problems became an issue of intense public debate. For example, there may be nothing special about a turning point for CFC emissions at some \$12,000 to \$18,000 – it just happened to be the income range of the leading countries (which have also assumed the fastest phase-out commitments) at the time the Montreal Protocol was signed in 1987. And although we find estimates of a turning point for CO<sub>2</sub> emissions of up to several hundred thousand dollars in per capita income, the fact that global warming has now risen to the forefront of public attention may result in a curbing of emissions at an earlier date. This will require, however, that countries go from words to actions and honour their commitments under the Kyoto Agreement. In the end, the environmental Kuznets curve may not have a “natural” turning point – it will turn when ever political conditions are ripe for delivering the necessary policies to address environmental degradation effectively, including through transfers of resources and technologies to allow developing countries to modernize their production.
- **Not all kinds of growth are equally benign for the environment.** Economic growth requiring ever more

inputs of natural resources is obviously not as benign for the environment as economic growth driven by technological progress that saves inputs and reduces emissions per unit of output. This kind of growth will not necessarily emerge spontaneously, but may require economic incentives that steer development in a sustainable direction.

- **Trade could play a positive role.** Trade could play a positive role in this process by facilitating the diffusion of environment-friendly technologies around the world. Of course, this would require that countries are ready to scrap trade barriers on modern technologies and suppliers of environmental services to reduce the cost of investing in clean technologies and environmental management systems. A new round of trade liberalization negotiations could make a contribution here. An other potential contribution of such a round would be to address subsidies that harm the environment, including energy, agricultural and fishing subsidies. This would yield a double dividend by benefiting the environment and the world economy at the same time.

- **The way forward is multilateral environmental cooperation.** Let us conclude with an observation quoted by Long (1995), which summarizes the core of the trade and environment debate. During an OECD meeting of Environment Ministers, one Minister noted that “his country, along with most others, had committed itself at the 1992 Earth Summit in Rio to the pursuit of sustainable development. How ever, when ever he tries to promote the behavioural and technological changes necessary to move in that direction, i.e., when he attempts to internalise the costs of environmental pollution and resource degradation, he is branded a ‘green protectionist’ outside his country, and a destroyer of national competitiveness at home.”

In short, trade is really not the issue, nor is economic growth. The issue is how to reinvent environmental policies in an ever more integrated world economy so as to ensure that we live within ecological limits. The way forward, it would seem to us, is to strengthen the mechanisms and institutions for multilateral environmental cooperation, just like countries 50 years ago decided that it was to their benefit to cooperate on trade matters. □

#### Footnotes:

<sup>1</sup> The report, published in the *Special Studies series of the WTO*, is authored by Håkan Nordström of the *Economic Research and Analysis Division of the WTO* and Scott Vaughan, formerly with the *UN Environmental Program (UNEP)*, and currently with the *NAFTA Commission for Environmental Cooperation*.

<sup>2</sup> *Legal issues, such as the extent to which WTO rules accommodate trade measures for environmental purposes, are not addressed in the main text. However, an overview of the continuing deliberations in the WTO Committee on Trade and Environment is included in an annex to the study.*

<sup>3</sup> *The hypothesis is named after Simon Kuznets, who received the Nobel Prize for economics in 1971 for his work on the relationship between the level and in equality of incomes, which tend to follow an inverted U-shaped relationship. That is, in income inequality tends to become worse as a country grows out of poverty, stabilizing at a middle-income level, and then gradually becoming more equal.*

TPRB: Israel

## Encouraged to stay on the trade liberalization path

The TPRB concluded its second review of Israel's trade policies on 14 and 16 September. The Chairperson's concluding remarks:

Since its previous review in 1994, Israel has taken important legislative, regulatory and practical steps towards a more open, transparent and liberal trading regime. Through its trade liberalization programme, as well as the timely implementation of its multilateral commitments in the WTO, Israel actively contributes to the stability of the multilateral trading system. Israel's efforts in the areas of structural reform and further liberalization of its economy, including through the pursuance of increasingly open trade and investment policies, are commended. Output growth slowed in 1998 after several years of high GDP growth, during which a wave of immigration was successfully absorbed. Israel is therefore encouraged to continue on its liberalization path and, where appropriate, to intensify privatization. It is also noted that traditional, labour-intensive manufacturing industries received high tariff protection, while high technology industries, with relative low levels of protection, are becoming increasingly competitive. Israel's commitments under the GATS (basic telecommunications - already producing tangible benefits to Israeli consumers - and financial services) and its meaningful contribution to ITA are welcomed.

Israel's trade and investment regimes are seen to be generally transparent. The foreign investment regime is considered as being liberal: considerable incentives are



*Israel's Trade Director-General Dr. Reuven Hores said trade reforms have led to a 92% increase in non-preferential imports in 1993-98. (T. Tang/WTO)*

provided, discriminating at times against domestic investors. Recent trade reforms, in particular on customs valuation and trade facilitation, are welcome.

Against this broadly positive appreciation, concerns were however raised on some specific subjects, *inter alia*:

- the complexity of the tariff structure, with the existence of specific, compound, alternate rates, and of seasonal tariffs, and with a low level of tariff bindings as well as a gap between applied and bound rates. Further efforts at simplification, transparency and predictability are suggested;
- a number of other import charges, notably safe guard levies, and a wharfage fee discriminating against importers;
- prohibition or restriction measures on imports of certain meat (in particular non-Kosher) and dairy products, animals, flowers and fruit, beer, pharmaceutical, chemical and textiles;
- international consistency of domestic mandatory standards and some SPS measures;
- competition policy, offset requirements in government procurement, state aid, and the protection of intellectual property rights, in particular for copy rights, piracy enforcement, pharmaceutical patents and geographic indications;
- the still significantly protected agricultural sector, in particular high tariffs, import controls, state trading and subsidies;
- remaining restrictions in the services sector: banking, insurance, maritime transport, tourism and professional services.

Israel is party to an increasing number of preferential trade agreements covering the bulk of its trade. While the complementarity of these agreements with the multilateral system was highlighted, it was noted that due regard should continue to be paid to the risk of trade distortion and to potential disadvantages for other trading partners.

All the clarifications given by Israel to the Members are fully appreciated, in particular the commendable effort made by the delegation of Israel to provide comprehensive answers in writing for the benefit of all Members during the course of the review.

In conclusion, Israel is encouraged to continue on its trade liberalization path and to take an active role in the forthcoming multilateral trade negotiations. □

### Secretariat report

An increasingly liberal and open trade and foreign direct investment regime has contributed to Israel's economic development, says a new WTO report on the trade policies of Israel. In general, Israel has continued to move towards a more open trade policy regime, mostly through an increasing number of preferential trade agreements. Foreign investment has played a role in integrating Israel into the world economy, generating benefits through increased competition and transfer of technology.

The report concludes that a steady pursuit of structural reforms will make the Israeli economy more flexible and more attractive to foreign investment. It suggests that such reforms could include enhanced efforts to increase competition, including through further privatization, labour market reform and further liberalization of the trade regime, in particular in agriculture. The report also notes that it is important to avoid any risks of trade diversion away from most efficient import sources. In this connection, Israel's active participation in a broader multilateral trade liberalization, as envisaged in the forthcoming new trade negotiations in the WTO, would create an enhanced competitive environment in Israel and ensure better resource allocation. □

TPRB: Philippines

## Trade opening contributing to a more resilient economy

*The TPRB concluded its second review of the Philippines' trade policies on 27 and 29 September. The Chairperson's concluding remarks:*

We have had frank and constructive discussions on the Philippines' trade policies and measures, with Members warmly commending the Philippines on the economic reforms undertaken since its previous Review in 1993. The opening of the trade and investment regimes has contributed to a more resilient economy which, in general, had dealt well with the Asian financial crisis and natural disasters. The Philippines thus provides a good example of the advantages of structural reform, particularly trade liberalization, in withstanding external shocks. Continued efforts to enhance the outward orientation of the economy would bring further benefits to Filipino workers and consumers. This is necessary in view of the still low per capita income, and savings capacity in the Philippines and of the on-going efforts to alleviate poverty.

Members were impressed by the decline in protection to producers, including reductions in the average MFN tariff from 26% in 1992 to 10% at present. The Philippines' WTO commitments in services, and the expansion of its tariff bindings as a result of the Uruguay Round had significantly enhanced predictability. Furthermore, most quantitative import restrictions had been abolished. Although the selective tariff increases introduced in 1999 were seen as detracting from the otherwise positive direction of trade policies, Members were reassured by the clear statement from the Filipino representative that those increases were temporary and would be phased out by 1 January 2000. The Philippines was also commended on its goal to attain a generally uniform 5% tariff by 2004.

Members also took note of the Philippines' renewed commitment to comply to the best of its ability with WTO rules: in particular that it would shift by 2000 to the transaction value method for customs valuation, terminate PSI, as well as conform to the provisions of the TRIMs and TRIPS Agreements; in due time, the Philippines would notify the WTO of its new Anti-dumping and Countervailing Duty Laws.

The Philippines shed light on a number of issues raised by Members during the Review, including:

- rationalization of investment incentives;
- export incentives and their WTO consistency;
- liberalization of existing foreign ownership restrictions, including in the banking, telecommunications and retail sectors;
- competition policy and possible adoption of a general competition law;
- relationship between WTO and preferential agreements, particularly AFTA, commitments;
- customs administration (influence of local firms on customs clearance), customs valuation, and trade facilitation;



*The Philippine delegation headed by Ambassador Edsel Custodio (centre): members commended the reduction in average tariffs from 26% in 1992 to a current 10%. (T. Tang)*

- expansion of tariff bindings;
- potentially discriminatory excise taxes on distilled spirits, soft drinks and automobiles;
- import restriction on rice, fish products, coal, used cars, colour reproduction machines and antibiotics;
- and protective measures on food products, automobile parts and vehicles, and steel products;
- alignment to international standards, and SPS measures;
- transparency and efficiency of government procurement practices;
- time frame to eliminate WTO-inconsistent TRIMs;
- current and future intellectual property legislation and its enforcement;
- state trading in grains including rice, and administration of Minimum Access Volumes;
- ratification of the Fourth and Fifth Protocols to the GATS; and
- further liberalization and WTO commitments in transport, telecommunications, financial services and natural persons supplying services.

Members recognized that the Philippines had incurred social and political costs in liberalizing its trade regime, but the stronger multilateral system that this had helped establish had been instrumental in facilitating the flow into the Philippines of foreign investment and goods required to increase domestic competitiveness, and the recent sharp expansion of Philippine exports. The seriousness with which the Philippines itself takes its WTO commitments underlined its call to other Members to do the same. In this respect, the Philippines expressed concern about certain trade-inhibiting measures maintained by some of its trading partners, including the high levels of export subsidies and domestic support measures in agriculture, as well as the application of rules of origin, in textiles and clothing, contingency and SPS measures in steel and processed food, respectively.

In conclusion, Members encouraged the Philippines to continue on its liberalization path and domestic reform process, and welcomed the Philippines' resolve to implement fully its WTO commitments by the multilaterally agreed dates. Members were cognizant of the Philippines' expectation that any new multilateral undertakings would need to be balanced to the benefit of all, and contribute to sustainable development, and looked forward to its active role in the forthcoming multilateral trade negotiations. □

TPRB: Romania

## Reforms continue despite difficult external environment

*The Trade Policy Review Body concluded its second review of Romania's trade policies on 4 and 5 October. Excerpts from the Chairperson's concluding remarks:*

We have had very informative discussions on Romania's trade regime, allowing Members an appreciation both of the challenge of transition in Romania and the contribution of trade policy reform to results to date, in particular steps toward establishing a market economy with a clear legal framework. Members uniformly welcomed Romania's active and constructive role in the multilateral trading system. Romania's tariff commitments in the Uruguay Round were comprehensive, and were followed by WTO commitments on ITA products and on telecom and financial services. Romania has removed quantitative export restrictions and has not taken trade defence measures under the multilateral trade agreements. Members also appreciated the progress by Romania on the regulatory framework for private sector development, but were aware that in stability of key elements of the business regime appeared to be adversely affecting the perceptions of foreign direct investors. Privatization efforts have been redoubled in recent years, and have contributed to a rise of foreign investment, albeit from a low base. They also took note of the more difficult external environment for Romania's reforms in recent years, due to the east-Asian and Russian economic crises, as well as recent events in the Balkans including, *inter alia*, the consequence of embargoes.

Together with the internal challenges of transition, these external events have contributed to the ongoing recession and the deteriorating balance of payments. The latter occasioned the introduction of a temporary surcharge in October 1998, but which is scheduled to be phased out by 1 January 2001 at the latest. Romania's recently concluded agreements with the IMF and World

Bank indicate confidence in the Government's policy mix of tight fiscal and monetary policy, combined with an acceleration of structural reform. They should also help increase the confidence of investors.

In addition to these general points, Members were grateful for the comprehensive explanation given by the Romanian delegation on many specific points, including:

- the finalization of privatization and the discretionary nature of the new regime of incentives for large investments, taking into account the international context; the competition policy and its impact on state aids;
- the complementary relationship between Romania's regional trade agreements and its multilateral commitments, and in particular the effect of tariff removal on high-rate items from preferential trade partners on third countries' access to the Romanian market;
- the gap between applied and bound rates, in particular on agricultural products, which may create uncertainty for exporters;
- customs clearance procedures, in particular the relation between fixed prices for customs valuation of certain products and WTO commitments;
- excise tax reductions on domestically-produced cigarettes and motor vehicles in relation to national treatment;
- the scope of technical requirements on imported products and the adoption of European or international standards;
- price controls on insurance products and pharmaceutical products;
- reform of government procurement policies and Romania's willingness to accede to the Government Procurement Agreement; the role of small and medium-sized enterprises; policies in the agricultural sector;
- the law on television broadcasting requirements and GATS commitments;
- limits on the supply of services on the Romanian market, in particular on insurance and financial services; and
- measures ensuring consistency of intellectual property rights regulation and TRIPS, together with steps to improve enforcement.

Members appreciated that, in spite of the difficult internal and external environment, Romania faced in its transition to a market economy, it has maintained an open trade regime while aware of the social impact. Members noted the concerns of Romania about certain measures maintained by trading partners, that have an inhibiting effect on its exports, such as anti-dumping or counter-vailing measures and quotas on clothing.

In conclusion, the Members complimented Romania on its strong commitment to the WTO, reflected both in the conduct of its trade policy and in its active participation in the preparation for Seattle. Members welcomed Romania's intention to participate actively in the forthcoming negotiations, noting in particular its interest in agricultural policies and industrial tariffs. They also urged Romania to continue with the structural reform begun in 1989, particularly privatization. Noting the difficult external environment for Romania of recent years, Members pledged their full support to Romania's efforts. □

### Progressing towards market-economy

While Romania has made good progress in the transition to a market economy, decisive action on state-owned enterprises and greater stability in key business-related policies would help Romania realize the full benefits of the reforms, says a new WTO report on the trade policies of Romania.

The report states that in 1999, Romania is experiencing its third consecutive year of recession. Industrial production continues to drop and real net exports are down. A difficult debt-management situation is compounded by the repercussions of the Russian debt crisis and the effects of the conflict in Kosovo on neighbouring countries. Romania has an open and liberal investment regime, the report says.

Romania substantially improved its regime with the introduction of external account convertibility in March 1998 and the principle of equality between foreign and domestic investors. □

## Trade for development—the way ahead

*In his first speech as WTO Director-General, Mike Moore, on 14 September, addressed the Group of 77 Ministerial Meeting in Marrakesh, Morocco, the first GATT or WTO head to speak before the group of developing countries. Excerpts from his speech:*

The Marrakesh Agreements resulting from the Uruguay Round transformed the network of world trade rules from a relatively simple structure – GATT plus the plurilateral agreements – into a much more comprehensive, but also complex, system of rules covering goods and services. They opened the way to greater liberalization in agriculture and textiles, reduced tariffs in many areas of manufactures, created a framework for negotiation of new international conditions for trade in services (and opened up many areas, including financial services and telecoms) and gave a firm footing to a previously ineffective and unstable system of dispute settlement.

Five years on, we should be open and transparent enough to say what we did right at Marrakesh and what we did wrong, as well as the unfinished business. We should also admit that the “game” changes, new circumstances intervene and that often the best economic predictions are in hind sight. But broadly, I would say that we got it right on liberalization of tariffs and quantitative restrictions; we started out in the right directions with agriculture and services; and we got it very substantially right on dispute settlement. Any thing can be improved and must be.

As we can see from the agenda for Seattle, there is a lot of unfinished business and much fine tuning to be done. Many of us are disappointed that the Uruguay Round has not delivered the sort of results that we wanted. Many of us are concerned that the package has not been adequately balanced to reflect our needs. It is not surprising that five years after Marrakesh many of you are clamouring for changes and corrections. I agree. That is why we must have a round.

I would like to restate the three aims that I gave myself on my first day as Director-General:

- to facilitate and to assist all participants to get the most balanced outcome from the new negotiations, and an outcome which benefits the most vulnerable economies;
- to be an advocate for the benefits to both great and modest nations of a more open trading system, and one that can increase living standards and build a more prosperous, safer world; and
- to strengthen the WTO and its rules, to build on and maintain its reputation for integrity and fairness, and to reshape the organization to reflect the reality of its membership and their needs.

What do these three aims mean in practice?

First, to make sure that trade liberalization continues in a way that brings real benefits to all countries but especially to developing countries.

I would see this particularly in the areas of agriculture, processed foods, and sensitive sectors like textiles. There are still too many high tariffs. Tariffication of QRs in agriculture was good, because it revealed clearly how high levels of protection on many products are. Our task now is to begin to reduce these high tariffs, as well as tackling the



*“A rising tide lifts all boats.”*

*(ILO Photo)*

is sue of agricultural subsidies and support systems. This is delicate because it will involve new pressures on developed countries at a time when many of their own farmers are in difficulties. But we must find a way to open up access for competitive products, including from developing countries.

Second, to ensure that rules are developed in a way that developing countries can use them.

Many Ministers and Ambassadors of developing countries tell me that their problems stem from the complexity of international rules, or their inability to apply them. They are correct. This is a serious concern that must be addressed. Wealthy countries know this, and increasingly they are aware of the importance of full engagement by all WTO Member Governments. John F. Kennedy said, before the Kennedy Round was launched, that a rising tide lifts all boats. He was right. To day I would describe these boats as part of a convoy, in which we are all dependent on each other and which must all advance together.

We must therefore make sure that negotiated rules are fair, well understood, and applicable, and that both time and help are given to developing countries to apply them. This will require a substantial increase in both technical and financial assistance.

Third, to make sure that rules and procedures for “contingent” protection are applied fairly, and that such measures don’t become a substitute for old-fashioned protectionist barriers.

Since the Uruguay Round, there has not been an enormous growth in the use of these measures, but it’s clear that developing countries have borne a more-than-proportionate burden, that certain sectors of interest to developing countries have been targets, and that some developing countries themselves have become experts in using these measures. Ministers have told me that the world trade system works until their products start to have an impact – that is, until they accept the gift of opportunity.

Fourth, to ensure that access to the dispute settlement mechanism is available on an equitable basis.

Many of you have complained about the cost of DSU procedures and it is clear that there is an imbalance here. This must be addressed. One option is the creation of a Legal Advisory Centre, which many of our Members support. There are some other good ideas as well. The

instrument to achieve a better outcome is debatable, the objective is not.

Fifth, to make sure that information about the WTO and its activities is readily available to all Members, including the most vulnerable.

The rapid growth and the complexity of the WTO's activities have become a problem for many Members who have either small delegations in Geneva or none at all. We must improve the effectiveness of our communications with small delegations in Geneva and with non-residents in other European stations, and at home. We need to be sure that our information is accurate and appropriate, that it gets to the right people, and that it is usable by the Ministers and advisers who need it.

I appreciate the generosity of the wealthy countries that have contributed funds to important programmes for development. I have appointed a highly experienced individual to advise me, a former Ambassador from a small developing country, to see how we can better serve those Members without representation in Geneva and to audit our efforts so far. As a first step, we shall hold a week of briefings for WTO Members and Observers without missions in Geneva, early in November.

But these assistance efforts must not stop at Seattle. After Seattle we must do even more to make the vision of Seattle a reality for families and our people.

### ***The least-developed countries***

One group of WTO Members for which I have a particular concern is the LDCs. Together, these account for about half a percentage point of world trade. Most of them are highly dependent on a few export products and their trade and economic outlook is generally bleak. This must change.

I want to build on the initiative begun by Renato Ruggiero as an "achievable" at Seattle: to get bound, duty-free access for all products of export interest to LDCs. It would be splendid if this Conference could send a strong message to Seattle supporting this initiative.

But what the LDCs also need - like many other developing countries, but more so - is capacity building to enable them to trade, grow and diversify. Ministers and Ambassadors have been very supportive so far of the work we are doing, hand-in-hand with UNCTAD, the ITC, UNDP, the World Bank and the IMF. The "Integrated Framework", agreed in Geneva in 1997, must be a reality and not just a series of documents - action, not alibis. I would hope that you can also press strongly for this in Seattle. I am strengthening our Secretariat efforts in favour of the LDCs by appointing a colleague as Coordinator for the LDCs. His first task will be to support Members in their efforts to achieve, at Seattle, the access terms that LDCs need, and to put flesh on the bones of the Integrated Framework. I hope you will also give this new initiative your strong support.

Since the WTO was formed, demand for technical assistance has rocketed. We are doing our best to respond to these demands, on our own and in cooperation with other international organizations, as well as with experts from individual WTO Members. We have already strengthened and diversified our training programmes, which are recognized as a quality product, and these are now again under review. Any-

thing can be improved. In this we need your advice.

There can never be enough technical assistance. Success breeds new demands that have to be satisfied. We need to be able to plan for a steady increase in technical assistance to meet the new demands that will undoubtedly

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result from Seattle. I hope that you, Ministers and Ambassadors, will support my request that our growing technical assistance, which is now largely financed from trust funds, be in future funded from our regular budget.

Ministers and Ambassadors from developing countries have identified the "modernization" of special and differential treatment as a priority at Seattle. I would also like to thank Rubens Ricupero and his staff for the work they have done in this area. We must work together to understand what kinds of special conditions are likely to be most effective in ensuring that developing countries are able to apply the negotiated agreements and benefit from them to the full - what some have described as "making space for policies" to implement market-oriented development strategies.

### ***The Seattle challenge***

The Seattle process is a challenge for us all. As a Secretariat, we have to make sure that the preparation is done well. This means in an inclusive manner, which adequately reflects all interests. For Governments, the challenge is to identify those interests and make them clear early. We will do our best to make sure you know what the parameters of negotiations are, and that you receive the best possible advice when you request it.

But you and I know that success at Seattle will not be the result of any Secretariat's work. We know that Governments are better prepared for these negotiations than for any previous round. We also know that the stakes are greater than ever before. Before I go, perhaps we should remind ourselves why we are here. Trade is not an end in itself, it is a means to an end. It will raise living standards when the system gives fair opportunity. From that comes better outcomes. And I don't have to tell you because you have told me that despite our best efforts, over 3 billion people exist on less than \$2 per day. Market access alone won't do the job; it has to be backed up by capital, training, infrastructure and sound governance. The tyranny and debt of history weighs heavy on resources and burdens the options of many governments. One UNCTAD report recently spoke of a country where debt repayment is up to 9 times what is spent on health - and that in the midst of an AIDS epidemic. Coherence is a cliché. However, clichés are normally truths. I want to help put that truth into action. This meeting of the G77 is therefore an important step on the way to reaching the well-balanced outcome that I personally am looking for, and that I believe our peoples need, want and deserve. I am, and I will remain your servant, will do my best to shape the WTO - which is only one sister of the multilateral family of organizations - so it can help make the next century a century of persuasion unlike so much of this century which too often was a century of coercion. □

## 12<sup>th</sup> WTO trade policy course opens in Geneva

The WTO's twelfth Trade Policy Course for twenty-six officials from developing countries started on 20 September last. The list of participants is attached. The course, being held in English, began on Monday, 20 September and will end 10 December 1999.

The aim of the training courses is to provide the participants with greater understanding of trade policy matters, the functioning of the multilateral trading system and the work of the WTO. The courses will also address the provisions of the agreements resulting from the Uruguay Round of multilateral trade negotiations and the rights and obligations of WTO Members. Offered in English twice every year and French and Spanish every second year, the courses are open to officials from developing, least-developed and transition countries, including countries which are not WTO Members.

The courses have a practical orientation and are designed to help participating officials, who already have responsibilities for the formulation and conduct of foreign trade policy in their respective governments, to perform their functions more effectively, and to promote a more active and effective participation of their respective countries in the multilateral trading system. Apart from a series of lectures on WTO law, the programme includes participation in seminars and group discussions, a work-

shop on negotiating techniques and simulation exercises for conducting trade negotiations and for settling disputes. The participants also attend official meetings. During the course, the participants undertake a one-week study tour abroad as well as a shorter study tour in Switzerland, which includes visits to institutions and enterprises connected with foreign trade. Norway will host the study tour abroad for the participants of the twelfth Course. In addition to WTO Secretariat officials, many guest lecturers, including senior officials of government delegations and international organizations, as well as academics, are invited to address the participants. The year 2000 will mark the 45<sup>th</sup> anniversary of the GATT/WTO training courses. Since 1955, the GATT/WTO will have organized 94 regular courses for more than 1,800 officials from over 160 countries and more than ten regional organizations. These figures do not include the 212 senior trade officials from Eastern and Central European and Central Asian countries who participated in the nine special courses organized by GATT since 1991, with the financial support of the Swiss Government, nor the 100 senior officials from Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, the Russian Federation and Ukraine who attended the four special GATT/WTO courses funded by the United States in 1994, 1995, 1996 and 1997. □

### Norway boosts LDC trust fund

The Norwegian Government recently contributed two million Norwegian Kroner (approximately SwF 400,000) to the WTO Global Trust Fund to be used to benefit least-developed countries. The Fund was established in July 1999 to receive extra-budgetary donations from WTO Members to finance technical cooperation activities carried out by the WTO.

"I welcome Norway's generous contribution to the Fund," said WTO Director-General Mike Moore. "Since the WTO was formed, demand for technical assistance has increased dramatically. We are doing our best to respond to these demands, on our own and in cooperation with other international organizations. We need to be able to plan for a steady increase in technical assistance to meet the new demands that will undoubtedly result from the WTO's Ministerial Conference in Seattle later this year.

"The WTO's regular budget for technical assistance of SwF 741,000 is insufficient to meet all the demands of developing and least-developed countries, as well as the needs of economies in transition, to enable them to engage more fully in the trading system. In recent years, these funds have largely been supplemented by the generous contributions from countries such as Norway to support important programmes for development." □



*Beijing Seminar: China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) hosted a national seminar in Trade Negotiations Simulation on 13-17 September. Above, the participants to the seminar with Mr. He Ning, MOFTEC Deputy Director-General, Prof. Guohua Pan of Peking University, Mr. Raymond Krommenacker of the WTO Technical Cooperation Division and Mr. Alexandre Liontas, WTO consultant.*

### WTO FOCUS

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