November 1999 No. 43

WTO holds its 3rd Ministerial in Seattle

Ministers of the 135 member governments of the World Trade Organization are set to define the international trade agenda for the beginning of the next millennium in Seattle on 30 November-3 December. This will be the culmination of intensive work at the WTO headquarters in Geneva since September last year.

Observing their work will be officials of the 30 governments negotiating their membership into the WTO and scores of other international organizations. Also attending are representatives of non-governmental organizations, whom the WTO has invited for a dialogue on 29 November.

Continued on page 16

Message from the Director-General

Over the next few days, trade ministers representing over 130 of our member governments, will sit together and work towards developing the framework for the Global Trading System in the 21st century. It is important to keep in mind that much of our work here in Seattle will be dedicated to laying a foundation for future negotiations. We know for sure that there will be intensive negotiations on agriculture and services. Other sectors may be included for future negotiations as well. For many developing countries, a very important issue is the implementation of existing agreements.

While these negotiations will not yield definitive outcomes for several years, there are areas where we may reach agreement at this Ministerial Conference. Certainly, it's conceivable we could reach

WTO Director-General Mike Moore

Continued on page 16

SEATTLE MINISTERIAL CONFERENCE
Proposed Order of Business*

Tuesday, 30 November	10 a.m.	Inaugural session (Paramount Theatre)
	3 p.m.- 3:20 p.m.	-Opening of the business session -Adoption of Agenda -Agreement on organization of work -Statement by Amb. Ali Mchumo, Chairman of the General Council on the Report of the General Council
Wednesday, 1 December	9:30 a.m.- 1 p.m.	Overview of activities of the WTO - General Statements *(Ministers will have the opportunity to review the operation and functioning of the multilateral trading system and to make general statements related thereto. They will also further pursue their evaluation of the implementation of individual agreements and the realization of their objectives.)*
	3-7 p.m.	General Statements
	9 p.m. - 12 a.m.	General Statements
Thursday, 2 December	9:30 a.m- 1 p.m.	General Statements
	3-7 p.m.	General Statements
Friday, 3 December	10 a.m - 1 p.m. & 3-6 p.m.	-Action by Ministers (*Ministers are expected under this item to adopt a Ministerial text and take any other action which they may deem necessary for the future work of the WTO.*) -Date and venue of the Fourth Session of the Ministerial Conference -Election of Officers -Closure of session

*The above reflects only the formal meetings of the Conference. Informal working sessions will be organized as appropriate by the Chairperson, in the light of developments during the Conference.

Global trading environment more favourable for next WTO talks, says Moore

Ministers in Seattle will be working in a more favourable global trading environment as compared to the situation when the Uruguay Round was launched at Punta del Este in 1986.

Director-General Mike Moore, in introducing his annual report (*see page 5*) to WTO members, said that the "the world trading environment is generally sound—economic growth is strengthening and the outlook for the next year is promising."

He cited as one recent example of the benefits of the multilateral trading system what happened during the Asian financial crisis in 1997-98: "the good sense of governments and WTO rules kept markets open, providing a critical base for recovery".

Mr. Moore said that when the Uruguay Round was launched, "growth was sluggish and market-sharing arrangements were becoming the order of the day—faith in the system was fading". Against this background, members managed to produce path-breaking agreements and establish the WTO.

"Now is the right time to build, and in building—by drawing all countries into our system, by strengthening the rules and by making more readily available the gains from trade—I urge you to remember that trade is not the end: it is a means to progress, a tried and trusted vehicle for advancement, prosperity and a safer, better world for us all," Mr. Moore concluded.

The Director-General's report was presented to the General Council—acting as the Trade Policy Review Body—at its annual overview of the developments in the international trading environment during the past year on 3 November.

On 4 November, the General Council dealt with the following items:

- On the organization of the Ministerial Conference, the General Council Chairman, Ambassador Ali Mchumo, said that the opening ceremonies will be held at the Paramount Threatre in Seattle at 10:00 a.m. on 30 November to be followed by plenary sessions. He said that the Conference Chairperson will convene informal meetings as needed. At the conclusion of the Conference on 3 December, Ambassador Mchumo said that the Ministers are to adopt the Seattle Ministerial Declaration, take note of the General Council's report and endorse the recommendations contained therein. Bolivia, supported by Panama, Mauritius, Cuba and Uganda, expressed concern about what it said was a lack of transparency in informal small-group meetings on the Seattle preparations. It urged that the results of any meeting involving either the General Council Chairman or the Director-General be made known to other delegations as soon as possible.
- It considered requests for observer status at the Seattle Ministerial Conference from four countries (the Bahamas, Libya, Eritrea and Comoros) and six intergovernmental organizations (the Organisation Internationale de la Francophonie, the Conference of Ministerial of Agriculture of West and Central Africa, the International Civil Aviation Organization, the West African Economic and Monetary Union, the Joint UN Programme on HIV/AIDS and the United Nations University. It was agreed that these requests will be granted provided no objection is received from members by 8 November.
- On the review of the WTO's Dispute Settlement Understanding, the new chairman of the Dispute Settlement Body, Ambassador Kåre Bryn (Norway), reported that although the deadline for completing this review had passed on 31 July 1999, progress in informal consultations among some delegations indicate that a Seattle agreement on DSU amendments is still possible.
- On the review of the GATT 1994 exemption granted to the United States for the Jones Act (excluding foreign participation in domestic shipping), the United States reiterated that the General Council should conclude that the conditions allowing the exemption had not changed. It said it was ready to answer all questions from members, and that it would soon provide replies to those posed by the EC and Japan. Panama, Japan, the EC, Korea, Australia and Hong Kong, China reiterated their concerns over the US measure.
- The General Council adopted the Committee on Balance-of-Payments Restrictions' report on its consultations with the Slovak Republic held last September over the country's imposition of a 7% import surcharge in June 1999. The BOP Committee recognized that the Slovak Republic faced serious economic difficulties and a fragile balance-of-payments situation, and considered that the surcharge, accompanied by a phase-out period ending on 1 January 2001, is consistent with the GATT 1994.
- It reviewed the activities of the organization duringing 1999 on the basis of the annual reports of all standing WTO bodies. These reports, including that of the General Council, will be forwarded to Seattle. □

President Clinton, in May 1998 in Geneva, invites the WTO to hold its Ministerial Conference in the United States. The 1998 Geneva Ministerial set into motion preparations for the Seattle Ministerial. (Tania Tang/WTO)

Panel set on EC anti-dumping duties on Indian bed-linen, reports on Canadian dairy measures adopted

The Dispute Settlement Body, on 27 October, established a panel to examine India's complaint against the European Communities' anti-dumping duties on imports of cotton bed-linen from India, and agreed to revert to three new panel requests at its next meeting. It adopted the Appellate Body report and the panel report, as modified by the Appellate Body, on Canadian measures affecting the importation of milk and the exportation of dairy products. Thailand withdrew its panel request on Colombia's safeguard measures on import of plain polyester filaments from Thailand after Colombia's announcement that the measures had expired on 25 October.

EC anti-dumping duties

India reiterated its request for a panel to examine its complaint against the EC's anti-dumping duties on cotton-type bed-linen from India. It said that the EC measures have had a significant impact on Indian exports, and that bilateral consultations had failed to settle the dispute.

In dia claimed that the EC's initiation of anti-dumping proceedings, the imposition of provisional duties, and the imposition of definitive duties (in November 1997), were inconsistent with several provisions of the WTO Anti-Dumping Agreement on of GATT 1994. It added that the EC had failed to consider India's status as a developing country before imposing the provisional anti-dumping duties.

The EC expressed regret that despite its efforts in the consultations, India has asked for a panel. It noted that as this is the second time the DSB is considering the request, India has the right to the establishment of a panel.

The DSB established a panel to examine India's complaint. Egypt, Japan and the United States indicated their interest to participate as third parties in the panel proceedings.

US safeguard measure on lamb

New Zealand and Australia filed separate requests for a panel to examine their respective complaints against the United States' imposition in July of a safeguard measure—in form of a tariff-rate quota—on imports of fresh, chilled or frozen lamb meat.

New Zealand claimed that the US measure, which it said imposed substantial tariffs on lamb imports above the quota level, contravened several provisions of the Agreement on Safeguards and of the GATT 1994. It said it was agreeable to the establishment of a single panel that would examine its complaint as well as that of Australia.

Australia said that as the largest supplier of lamb meat to the United States, it had been substantially affected by the US measure. It said that US tariffs on lamb imports covered by the quota as well as those exceeding the quota are inconsistent with the US tariffs bound under the WTO, and that the measure breached provisions of the Safeguards Agreement and the GATT 1994.

The United States maintained that the measure is consistent with the Agreement on Safeguards, and that the quotas and tariffs are to be liberalized over time. It said that US safeguard investigation had been open and transparent, and that it had consulted intensively with both Australia and New Zealand. The United States stressed that the Safeguards Agreement permits action to counter threat of serious injury to domestic industry due to imports, and objected to the panel requests.

The DSB agreed to revert to the panel requests at its next meeting.

Thailand's anti-dumping duties on Polish steel

Poland requested a panel to examine its complaint against antidumping duties imposed by Thailand in May 1997 on angles, shapes and sections of iron or non-alloy steel and H-beams from Poland. It claimed that Thailand's determination that Polish imports caused injury to the domestic industry, the calculation of the dumping margin, and the way the investigation was initiated and conducted violated the provisions of the Anti-Dumping Agreement.

Thailand objected to the request and invited Poland to further consultations.

ACTIVE PANELS

(9 November1999)

Complainant	Subject of the complaint	Date established
New Zealand	*EC - Measures affecting butter products (panel proceedings suspended)*	18.11.1998
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 productss*	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*	26.0719.99
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
India	*EC - Anti-dumping duties on imports of cotton-type be-linen from India*	27.10.1999

The DSB agreed to revert to Poland's request at its next meeting.

US anti-dumping measures on steel products from Korea

Korea requested a panel to examine its complaint against United States' anti-dumping measures on stainless steel plate in coils and stainless steel sheet and strip from Korea. It claimed that the US measures violated provisions of the Anti-Dumping Agreement, including the requirements for the determination and calculation of dumping margins. Korea added that bilateral consultations held in September had failed to settle the dispute.

The United States maintained that the measures are in full compliance with the WTO, and objected to Korea's request.

The DSB agreed to revert to this matter at its next meeting.

Reports on Canada's dairy measures adopted

The DSB adopted the Appellate Body report, and the panel report as modified by the Appellate Body regarding the complaints by the United States and New Zealand against Canada's measures affecting the importation of milk and the exportation of dairy products.

The panel, established in March 1998, found that the measures complained against were inconsistent with Canada's obligations under Article II:1(b) of GATT 1994, and Articles 3.3 and 8 of the Agreement on Agriculture by providing export subsidies as listed in Article 9.1(a) and 9.1(c) of the Agreement on Agriculture. The panel report was circulated in May 1999. In July, Canada notified its intention to appeal certain issues of law and legal interpretations developed by the panel. The Appellate Body, in a report circulated in October, reversed the Panel's interpretation of Article 9.1(a) and, in consequence, reversed the panel's finding that Canada acted inconsistently with its obligations under Article 3.3 and 8 of the Agreement on Agriculture. However, the Appellate Body upheld the panel's finding that Canada was in violation of Article 3.3 and 8 of the Agreement on Agriculture in respect of export subsidies listed in Article 9.1(c) of the Agreement on Agriculture. In addition, the Appellate Body partly reversed the Panel's finding that Canada acted inconsistently with its obligations under Article II:1(b) of GATT 1994.

Surveillance of implementation

The DSB considered status reports on the implementation of its recommendations regarding the following two cases:

- On the **EC's regime for the importation, sale and distribution of bananas**, the EC reported that it had continued discussions with various interested parties on the implementation of the DSB recommendations. It stressed that it was working in good faith and that it wanted to settle this matter as quickly as possible. Ecuador said that the EC should ensure that there would be no discrimination in its new banana regime. The United States said that it had offered some suggestions to the EC in how to implement the DSB recommendations. Mexico, Honduras, Guatemala, Colombia and Panama expressed the hope that the EC's implementation would be quick and consistent with the WTO.
- On the **US import prohibition of certain shrimp and shrimp products**, the United States said that on the basis of the revised certification guidelines, it had approved shrimp imports from the Spencer Gulf of Australia. It said that US authorities had found that shrimp trawl fishery in that area did not pose a threat to the incidental taking of sea turtles. The United States stressed that its implementation process is open to all parties. Malaysia, Thailand and India urged the United States to lift its import ban. Australia said that it still had outstanding concerns on the US measure. It added that it had hosted recently a workshop on turtle conservation, which it said is an approach preferable to taking trade restrictive actions. □

Panel to look into Australia's implementation of automotive leather panel report

The original panel will examine the implementation of the automotive leather report.

The United States, at the DSB meeting on 14 October, said that that it did not consider that Australia had withdrawn subsidies on exports of automotive leather as called for in a panel report adopted by the DSB in June. It claimed that Australia had asked the company concerned, Howe Leather, to repay a portion of the subsidy and later reimbursed the company through the grant of a non-commercial loan. The United States requested the original panel to examine its complaint pursuant to Article 21.5 of the WTO Dispute Settlement Understanding, adding that it had reached agreement with Australia on the WTO procedures to be followed in this case.

Australia maintained that it had implemented the panel's recommendations, and recalled that it had accepted the panel report without appealing. Australia confirmed its agreement with the United States, and did not object to the US request.

The DSB agreed to refer the US complaint to the original panel. The EC indicated its interest to participate as third party in the panel proceedings.

India's QRs

India indicated to the DSB its intention to meet its WTO obligations with respect to the reports on its quantitative restrictions on imports of agricultural, textile and industrial products adopted by the DSB in September. It said it would require a reasonable period of time to do so, adding that the panel had recognized that India need a period longer than 15 months to comply with the DSB recommendations. India said that it would discuss with the complainant in this case, the United States, on a mutually-agreeable period of time for implementation.

The United States said it could not accept India's proposed implementation period, and expressed the hope that an agreement could be reached on this question. □

Annual Report by the Director-General

Overview of developments in the international trading environment

Recent trends in world trade

Sharp slowdown of trade growth in 1998

World trade and output growth dropped sharply in 1998. Merchandise trade rose by 4% in volume, less than half the 10% growth rate achieved in the preceding year, but still almost twice that recorded for world output. All regions were affected by the slowdown, especially Asia where imports by Japan and East Asia fell for the first time since 1974. The share of developing countries in world trade declined for the first time in more than a decade. Nearly two thirds of the world's economies recorded a decrease in their export earnings, which was the worst performance observed in the 1990s.

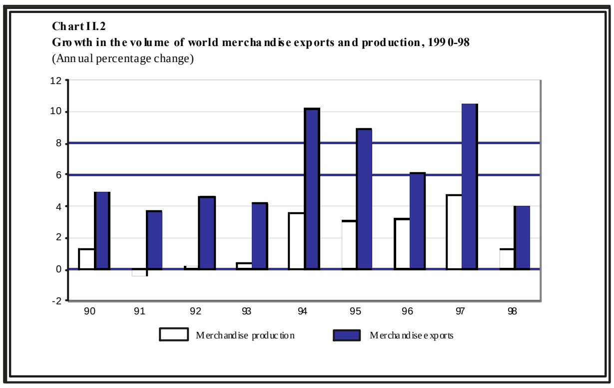
Trade in manufactures – the traditional engine for world trade expansion – rose by 3.5%, one of the lowest rates in the 1990s and a dramatic slowdown from the 12% expansion in 1997. The fastest growing product group, office and telecommunications equipment, as well as clothing appear to have played a prominent role in the sharp deterioration of manufactures trade. On the other hand, trade in minerals rose by about 6% and agricultural trade stagnated. The value of merchandise imports was around US$5,270 billion, 2% less than in 1997.

Regional import volume developments show only a moderate deceleration from the high import growth rates in 1997 for North America, Mexico, and Western Europe. North America's fast growing import demand was the most dynamic component of the global trade expansion in 1998. Central/Eastern Europe and Africa, excluding South Africa, showed above average import growth. Imports in Asia contracted by 8%; the countries most affected by the financial crisis cut back their imports by one fifth and Japan's imports declined by more than 5%. Latin America, excluding Mexico, registered a dramatic deceleration in import growth, but still recorded growth above the world average. Variations in the export performance of regions were much smaller than for imports, but all regions recorded substantially lower growth than in the preceding year; Japan recorded an absolute decline.

Trade in commercial services stagnated for the first time since 1980. The global slowdown in services exports could be observed for all major regions with the exception of Western Europe, which recorded higher growth than in the preceding year. Asia recorded the strongest contraction of imports and exports of commercial services among all regions. Exports by the transition economies and Africa are estimated to have decreased by less than 5%, and imports stagnated. North America and Latin America both registered a very strong deceleration in the growth of their commercial services exports and imports.

Slowdown halted in 1999

Preliminary indicators point to a halt in the slowdown of world trade growth in the first months of 1999 and an acceleration of growth in the second quarter. For 1999 as a whole, world economic growth is expected to strengthen moderately with GDP growth estimated at 3%. The outlook for the world economy has somewhat improved, especially taking into account the improved growth forecasts for all the Asian crisis countries, and that recessions in Russia and Brazil have proved less deep than anticipated. The growth of world merchandise trade volume is expected to average 4%, the same as in 1998, provided that trade gains momentum in the second half of the year, especially in Western Europe.



World trade growth dropped sharply in 1998 but is expected to rise to 6-7% in 2000.

For the first half of 1999, the value of world merchandise trade was unchanged from the preceding year's level. Negative growth was recorded for the dollar value of imports by Latin America, the transition economies, and Western Europe. Asia's imports recovered markedly throughout the first six months of 1999, and in the second quarter exceeded the preceding year's level by more than 5%. U.S. merchandise import growth in the first half of 1999 was close to 8%, a higher rate than in 1998.

Despite the onset of recovery in Asia and the continued strong U.S. growth, the retarding forces from lower growth in Western Europe, the transition economies, and Latin America hold back the acceleration of global output expansion. The repercussions of sluggish growth in Western Europe, especially in early 1999, is expected to result in a marked reduction of import growth for the full year. Latin America's stagnation of output in 1999 is the main factor that could lead to a contraction of its imports. On the other hand, the recovery of Asia's imports could turn out to be even stronger than was expected earlier in 1999, if the momentum of the upswing observed in the first half can be preserved during the rest of the year. Japan's imports rose by 6% in volume terms, while North America's import growth was still close to 10% and will constitute the principal engine for this year's trade expansion.

For North America, Western Europe, and Asia, an excess of import over export growth is expected for 1999; this should enable other regions, in particular Latin America and the transition economies, to record a faster export than import growth.

Expectations for recovery in the year 2000

Early indicators suggest that there will be a recovery both in world output and trade in the year 2000. The International Monetary Fund is predicting an acceleration of output growth to 3½% in the year 2000 largely due to higher growth in the developing countries. World trade is expected to expand by 6 to 7% which would be close to the average growth rate observed in the 1990s.

Trends in trade policies

The state of the world trading environment is generally sound. There have been no major trade policy reversals in 1999, and there is no evidence of a return to protectionist measures. On the contrary, a number of countries have undertaken concrete measures to further liberalize their economic and trade regimes.

Two years ago the "Asian financial crisis" erupted in Thailand, spreading rapidly to other countries in the region, affecting general investor sentiment in those and other developing countries and transition economies, notably Russia in mid-1998 and later Brazil. Output and employment contracted sharply in the most directly affected countries, in turn adversely affecting trade by their partners and, together with steep commodity price declines, trade by many other developing countries. In the past, such events could have been invoked as a justification for raising import barriers, in an attempt to contain the domestic consequences and shift the burden onto trading partners, possibly provoking counter-measures, and thereby exacerbating the downturn. However, this very serious crisis unfolded in the framework of the WTO, the strengthened multilateral trading system created by the Uruguay Round Agreements. The system, and the good sense of governments, helped keep markets open, facilitating adjustment and providing a critical element for recovery from the crisis.

The countries most directly affected by the crisis – Thailand, Korea, Indonesia, Malaysia, and the Philippines – undertook macroeconomic stabilization and structural reform, including the unilateral liberalization of their trade and foreign investment regimes. Several of them have also strengthened their financial systems to encourage more market-oriented lending practices, a process that has been supported by their participation in the WTO agreement on financial services. At the same time, the trading partners of these countries have provided an external environment conducive to adjustment. Among the largest traders, growth in the United States played a pivotal role. The U.S. economy sustained its strong rate of growth for the ninth consecutive year in the face of domestic constraints on its productive capacity; imports provided a safety valve to satisfy domestic demand, helping to dampen inflationary pressures that might otherwise have emerged and thus contributing to low market interest rates.

The Asian financial crisis was followed by an adverse shift in capital-market sentiment towards other countries in the region, notably Korea, Indonesia, Malaysia, and the Philippines, with adverse repercussions also for Hong Kong, China and Singapore. The shift in sentiment contributed to a sharp reduction in investors' desired exposure to emerging markets, with the result that net private capital flows into these (and other) countries fell. To correct their macroeconomic imbalances, the countries directly affected by the crisis undertook disciplined fiscal and monetary policies. In addition, a number of them undertook structural reforms, which included tackling outstanding impediments to trade. Thus, while the severe economic downturn and consequent loss of jobs and related social problems might have led to protectionist pressures in these countries, information collected by the Secretariat for Trade Policy Reviews suggests instead that the liberalization of trade, investment, and payments regimes has, by and large, progressed.

The WTO system, and the good sense of governments, helped keep markets open, facilitating adjustment and providing a critical element for recovery from the crisis.

A factor contributing to investors' loss of confidence in Asian and other emerging market economies was the perceived weakness of their financial systems, as manifested by imprudent lending. This weakness, partly due to a lack of experience within the financial institutions themselves, but also due to inadequate regulation and supervision by the authorities, could be partly attributed to constraints on competition in the financial services sector. Of note, therefore, is the countries' participation in market-opening measures for financial services implemented under the WTO agreement on financial services; far-reaching commitments to open the sector to new domestic and foreign service providers have been made by some countries. Such commitments reflect the recognition that liberalization of financial service sectors will help to avoid some of the practices that contributed to the financial crisis and thereby facilitate a more efficient allocation of capital.

By firmly rejecting protectionism, the countries most affected by the Asian crisis, together with their trading partners, placed a high degree of confidence in the multilateral trading system. A striking feature of the present situation is the absence of recourse to new "legal" measures of protection. Although most countries directly affected have significant leeway to raise applied tariffs without breaching their bindings, by and large, they have not done so. Nor is there evidence of unusual levels of activity involving most measures to safeguard domestic industry, the balance of payments, transitional safeguard measures for textiles and clothing, or countervailing; however, led by several recent high-profile cases involving steel, there does appear to be some increase in the initiation of anti-dumping actions.

The overall level of anti-dumping activity has risen slightly since the low point recorded in 1995. The latest available information (up to December 1998) based on Members' notifications, indicates an increase in anti-dumping investigations. There were 516 initiations of anti-dumping investigations in 1998, 13% more than in the previous year, although the number of final measures declined sharply (60 in 1998 compared with 203 in 1997). Anti-dumping investigations by the United States and New Zealand increased somewhat in 1998; however, the bulk of the increase was due to cases initiated by developing countries, in particular India, Mexico, and South Africa.

The role of the Dispute Settlement Body (DSB) in managing the settlement of disputes within the WTO has remained positive, reflecting the fact that Members continue to show confidence in the dispute settlement mechanism. During the period 1 January to 15 August 1999, 24 new requests for consultations were received by the DSB, bringing the total to 179 requests since the WTO's establishment. The proper functioning of the DSB has clearly contributed to the strengthening and consolidation of the WTO and the multilateral trading system.

There has been no delay in the implementation of trade liberalization commitments agreed in the context of the Uruguay Round. WTO Members are phasing in, on schedule, reductions in tariffs on products, in export subsidies, and in other measures of assistance to agricultural products. The integration of textiles and clothing into the WTO is proceeding as scheduled, though the expected liberalization effects are not satisfactory to all Members; the first and second phases of integration took place in 1995 and 1998, the third phase is set for 2002, and full integration is to be achieved by 1 January 2005. In addition to their Uruguay Round obligations, 45 WTO Members (and one other participant) are implementing the commitment to eliminate tariffs on information technology products under the ITA. Many WTO Members made market-opening commitments on telecommunication services, opening the bulk of the world telecommunications market. The national monopolies that have dominated the industry in almost all countries are now facing competition and in many countries are being privatized. Many Members have also made commitments on financial services.

The full application of the TRIPS Agreement is delayed for many WTO Members until 2000, under the transitional arrangements that apply to developing country and transition economy Members; least-developed countries may delay full application until 2006. A number of the concerned Members chose to notify their trading partners of their existing framework, in preparation for the needed changes to domestic legislation, their administration and enforcement. In the area of customs valuation one set of transitional arrangements for implementation ends in 2000 for many developing countries. Consequently, the WTO Secretariat has received a very large number of requests for technical assistance on these and other implementation issues in the past year, and responded by arranging over 300 events in 1998, including in cooperation with other relevant institutions.

Looking ahead, WTO Members are preparing the ground for the Seattle Ministerial Conference in November 1999, at which they will seek to establish the future WTO work programme. The "built-in" agenda, which results from the Uruguay Round, already includes negotiations on trade in agricultural products and services. WTO Members also recognize that the multilateral trading system must adapt to new challenges if it is to conserve its important role in the world economy. For example, in September 1998, they initiated a work programme to examine all trade-related issues in global electronic commerce. WTO Members also continued their work on the relationship between trade and investment, the interaction between trade and competition policy, transparency in government procurement, trade facilitation, and trade and environment.

During 1999, WTO Members have undertaken evaluations of the operation of the Trade Policy Review Mechanism (TPRM) and of the Dispute Settlement Understanding, pursuant to the appraisal and review provisions in the respective Uruguay Round agreements. Although technical in nature, such evaluations are essential to ensure that the institutional mechanisms of the WTO function as desired by the Members. On Trade Policy Reviews, Members are generally of the view that the TPRM is functioning effectively and that its objectives remain important; efforts to improve the efficiency in the use of resources allocated to the TPRM should continue, given the importance of reviewing all Members, including least-developed countries (LDCs), at least once, as soon as possible. On dispute settlement, the Uruguay Round negotiations produced a new system without precedent in international economic relations, and in which all potential issues and concerns, as well as the manner in which they should be resolved, could not have been foreseen by the drafters. The review has devoted considerable effort to improving the implementation of final rulings; the issue has been given particular visibility in the past year owing to certain recent high-profile disputes involving some WTO Members.

Joining the current Members of the WTO in Seattle will be the six new Members since 1995: Bulgaria, Ecuador, Kyrgyz Republic, Latvia, Mongolia, and Panama; in addition, Estonia and Georgia have accepted, subject to ratification, their Protocol of Accession to the WTO. Most of these new members, as well as many of the 30 applicant countries still completing their accession process, are in transition from a centrally planned to a market economy and recognize the unique contribution of the WTO to the internal reform process. Each of the WTO's new Members has undertaken to apply the WTO rules and to liberalize trade. A typical feature is a comprehensive coverage of tariff bindings (100% of lines in most cases) together with market-opening in a broad range of services, including value-added and basic telecommunication services, and financial services.

In parallel with preparations for the Seattle Ministerial, a number of countries requesting WTO membership have accelerated their accession process. Even if not all become Members in time for the Seattle meeting, they are already reaping some of the economic benefits of the process. The first "fact-finding" phase of the accession procedure requires the applicant to collect and submit detailed information on its trade and economic regime, thereby improving the regime's transparency. Most applicants are engaged throughout the accession process in a continuous improvement of their trade and economic policies, and some countries have taken steps to liberalize their trade and economic policies.

The process of assessment and action is continuous within the WTO. One illustration is the priority being given by WTO Members to the full integration of LDCs into the world trading system. Another illustration is the activity on transparency and scope for dialogue with representatives of civil society. Transparency with respect to WTO documents has been improved by accelerating the de-restriction process as well as by making all de-restricted documents available on the WTO website. Arrangements were also made for NGOs' presence at plenary sessions of ministerial conferences. In addition to regular briefings for NGOs, the WTO Secretariat has created a special section on the WTO website, and recently organized high-level meetings with NGO participation on trade and environment and trade and development. The WTO Secretariat also circulates a monthly list of NGO position papers that it has received, and makes them available to Members upon request.

These developments in the WTO – in terms of the implementation of existing obligations by Members or the willingness to conclude new agreements to continue the liberalization process, to better integrate the LDCs, improve the functioning of vital institutional mechanisms or public support for the WTO – are signs of the vitality of the multilateral trading system. They also demonstrate the commitment of its Members to respect their existing obligations and build for the future, even in the face of challenging events, such as the Asian crisis.

During 1999, most WTO Members participated in trade and investment liberalization at the regional level. As pointed out in the WTO's 1998 Annual Report, the revival of regional integration in the 1990s is a very significant movement, covering virtually all WTO Members and a broad spectrum of market-access issues in goods and services, as well as regulatory convergence. The process of regional and multilateral integration can, in principle, be complementary: domestic reforms can be "locked in" at the multilateral and regional levels, greatly enhancing their beneficial impact on the business environment; multilateral negotiations can offer the opportunity to "multilateralize" the benefits of regional trade agreements, when these are ripe for such action; given the overlapping membership of regional agreements with the WTO, multilaterally agreed trade pacts also benefit regional trade. However, to ensure that the appropriate balance is maintained between these two main avenues for liberalization, the WTO needs to find more effective methods of examining and monitoring regional trade agreements.

Recent Trade Policy Reviews confirm that despite raising protectionist pressures, the momentum for trade liberalization, combining multilateral initiatives, regional agreements, and unilateral trade reforms, has overall been maintained. Trade liberalization measures have been undertaken by some countries throughout all regions. For example:

A department store in Seoul: despite financial turmoil, some Asian countries continued to liberalize.

- The financial turmoil notwithstanding, the general thrust of **Asian** countries' trade and investment policies has been liberalization. While some countries directly affected by the crisis raised some tariffs, the overall trend remains downward. Some countries in the region have continued to pursue their traditionally open trade policies, while further liberalization measures were implemented by countries such as Indonesia, Korea, the Philippines and Thailand.
- In **Japan**, growth was negative in 1998; domestic demand was weak and a decline in import volume contributed to the difficulties of emerging market economies in the region. Despite its economic difficulties, Japan implemented its trade liberalization agreed in the Uruguay Round ahead of the original timetable; it is also in the process of implementing structural reforms, particularly in the banking sector.
- In spite of domestic pressures to limit import competition, the financial crisis in Asia has not materially changed **Australia**'s policy of openness and commitment to structural reform. There has been a recent slowdown in tariff liberalization, however, and an increase in export assistance.
- The strong sustained growth of the **United States** economy provided a supportive external environment for recovery from the crisis. Since the outbreak of the financial crisis in Asia, growth of the U.S. economy has continued to be strong – reaching almost 4% annually in 1997 and 1998; strong growth has been accompanied by the lowest levels of unemployment and consumer price inflation since the 1960s. Trade and investment liberalization has contributed to this trend. Imports have provided a safety valve, helping to satisfy domestic demand. A large and growing current account deficit, which reached a record level of US$233 billion in 1998, has enabled the U.S. economy to sustain its strong rate of growth in the face of domestic constraints. In their review of U.S. trade policies, participants in the TPRB noted that the U.S. current account deficit reflected the gap between national saving and domestic investment, which had widened since 1995. Contrary to popular perceptions, national saving has been rising in the United States; the sharp decline in household savings has been more than offset by stron-

ger corporate saving and the shift from a fiscal deficit to surplus. An additional source of funds for domestic investment has been capital inflows from abroad; the shortfall of national savings relative to domestic investment was made up by foreign investors who have continued to be drawn to the United States by its liberal investment regime, profitable investment opportunities, and its attractiveness as a safe haven following the Asian financial crisis.

- On the other hand, the widening current account deficit has provoked allegations in the United States that some foreign producers are engaging in "unfair" trading practices to the detriment of domestic producers. Such allegations have, in turn, led to protectionist pressures from some sectors, aimed at persuading the Government to implement trade remedy measures to curb imports of some products from specific countries; by and large, the Administration has resisted such pressure, much to the benefit of the multilateral trading system.
- As part of its outward-oriented trade and investment strategy, **Canada** is pursuing reform on an autonomous basis – notably lowering inter-provincial barriers to trade – and is an active participant in regional integration initiatives. In addition to its solid support of the multilateral trading system, Canada has forged preferential links with other partners such as Chile, Israel, and EFTA. It is also actively participating in broader schemes such as APEC and the FTAA.
- Growth in the economies of the Member States of the **European Union** (EU) is also playing an important role in the adjustment to the Asian financial crisis, although growth in 1998 was considerably slower than in the United States (2.8% compared with 3.9%). For 1999 and beyond, the introduction of the Euro on 1 January 1999 in the 11 countries involved in the European Monetary Union (EMU) could provide an impetus to growth and boost demand for imports from non-EU countries. Should such growth materialize in the EU, it would facilitate the adjustment of the emerging market economies, as well as neighbouring transition economies.
- In **Latin America and the Caribbean**, the move towards an increasingly open trade and investment regime has, by and large, continued. This is partly the result of autonomous measures and regional initiatives, such as MERCOSUR, the Andean Community, the Central American Common Market, and CARICOM. Some countries, however, have become relatively important users of contingency protection such as anti-dumping measures.
- In the case of **Brazil**, here again, foreign investors experienced a sudden shift of market sentiment against a country with weak external and fiscal balances, maintaining a fixed exchange rate as an external anchor for internal price stability. Brazil moved to a floating exchange rate regime in January 1999, and the subsequent 30% depreciation of the real against the dollar has increased the cost of imports and improved Brazil's external competitiveness. Repercussions are anticipated for Brazil's partners in MERCOSUR, given the depth of intra-regional trade, which accounts for some 20-30% of imports and exports for each regional partner. For Argentina, in particular, whose currency is fixed at parity to the U.S. dollar, the depreciation of the Brazilian real has led to some protectionist pressures. The TPRB found that Argentina's macroeconomic discipline and wide-ranging structural adjustment, including significant trade liberalization, had created a basically sound economy, boding well for its capacity to adjust.
- **Bolivia** highlights the benefits of a 10% uniform tariff regime in terms of its predictability, transparency and promotion of an efficient allocation of resources. The Trade Policy Review of **Nicaragua** noted the restructuring of the customs tariff to converge progressively to levels agreed within the Central American Common Market (CACM) so as to comply with WTO binding commitments and to implement a unilateral reduction plan (1997-2002); hitherto, this process has contributed to a considerable decrease in the average MFN tariff rate. Nicaragua is also making efforts to update and expand its legal framework for the protection of intellectual property rights.
- In the **Caribbean**, Jamaica and Trinidad and Tobago, the two most populous members of the 15-member CARICOM, have undertaken substantial liberalization following implementation of CARICOM's common external tariff (CET). In 1992, the CARICOM agreed to reduce the maximum tariff on industrial products from 45% in 1993 to 20% in 1998, keeping the maximum rate at 45% for agricultural products. The 20% ceiling on industrial products was implemented by Trinidad and Tobago in 1998, and Jamaica was to implement the ceiling by January 1999. Both countries have also undertaken new commitments on services under Protocol II of the CARICOM Single Market and Economy (CSME), which is expected to be completed by the end of 1999.
- In **Africa**, an increasing number of countries are further opening their trade and investment regimes, in most cases under comprehensive structural adjustment programmes. These efforts are complemented by a revived impetus towards the development of regional integration development. The Trade Policy Reviews of some African countries highlighted these issues as well as the connection between private sector development and governance, in terms of transparency, accountability and respect for the rule of law.

The developments listed above have been appreciated by all WTO Members. On the other hand, there are still a number of long-standing issues of concern to some Members, such as in the area of market access. Examples include high tariffs on a large number of products, and the use of specific duties, which tend to conceal high *ad valorem* equivalents.

During 1999, regional trade agreements have continued to be at the forefront of trade liberalization efforts. The political impetus to increase their number and widen their scope has increased. TPRs show that, overall, regional and multilateral trade liberalization have gone ahead side by side in recent years. However, there are some important issues that need to be addressed, such as the gaps between MFN and preferential tariffs, differing

Regional trade initiatives are on the rise. (ILO Photo)

regional and international standards, multiplication of rules of origin, and other market-access areas. Regional initiatives, including customs unions, free-trade agreements, preferential trade agreements, or other trade-related initiatives, are present in all regions of the world. Examples include the following.

Europe

The EU's accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia, which opened in December 1997, have continued during 1999. The Trade Policy Reviews of Hungary and Romania focussed on the role of trade policy and price reform in stimulating market competition in the transition, buttressed by structural reform and macroeconomic stabilization. Following the Europe agreements and CEFTA, trade reform advanced in the WTO with commitments on tariff bindings, as well as market-opening for telecom and financial services. Reform is now geared mainly to the transposition of the body of EU "acquis communautaire", which might, in some instances, such as agriculture, lead to a less liberal trading regime. Hungary has been very successful in attracting foreign investment to modernize its capital base and the provision of services, and trade with the EU has flourished. Romania, in contrast, has had some difficulty in carrying through on structural reform, and is not in the "first wave" of EU applicant countries.

Turkey also illustrates the extent to which trade reform can be driven by regional commitments. The customs union with the European Union, which entered into force in 1996, gave a new impetus to the liberalization process, taking Turkey beyond its Uruguay Round commitments in many instances. Turkey has adopted the EU's common external tariff (CET) for most industrial goods and for the industrial component of processed agricultural goods; legislation in a large number of trade-related areas has been harmonized with the EU "acquis communautaire". Turkey, Hungary, and Romania are expanding their networks of preferential trade agreements to encompass regional trade partners and countries with which the EU has concluded trade agreements.

Under the Euro-Mediterranean free-trade area initiative "new generation" bilateral free-trade agreements have been concluded between the EU and Israel, Jordan, Morocco, and Tunisia, as well as an agreement between the EU and the Palestine Liberation Organization (PLO) on behalf of the Palestinian Authority in the West Bank and Gaza Strip. Negotiations are on-going between the EU and Algeria, Egypt, Lebanon, and Syria, respectively. Information gathered for the 1999 Trade Policy Review of Israel also indicates an expansion of the network of preferential agreements between Mediterranean partners.

Following up on the cross-regional integration initiative, launched by the EU to establish closer political and economic ties with Latin America and the Caribbean, framework agreements with the objective of reciprocal trade liberalization were concluded with Mexico, MERCOSUR, and Chile.

The Americas

Linking Latin America and the Caribbean with North America, the initiative to create the Free-Trade Area for the Americas (FTAA) by 2005 was announced in December 1994 at the (First) Summit of the Americas, in Miami. The negotiations for an FTAA were formally launched in April 1998 at the (Second) Summit of the Americas in Santiago, Chile. The negotiations, aimed at progressively eliminating barriers to trade in goods, services and investment, are to be concluded no later than 2005. It is expected that the outcome of the negotiations will be a "single undertaking", and that the FTAA negotiations will "improve on WTO rules and disciplines wherever possible".

The Trade Policy Reviews of Argentina and Uruguay, two of the four members of MERCOSUR, featured the changes in MFN tariffs due to the required convergence with the Common External Tariff by 2006; for Argentina, this process will bring a modest decrease in the average MFN rate from 13.5% in 1998 to 11.1% in 2006, but for Uruguay, the reverse may be true. Argentina and Uruguay confirmed that the additional temporary 3% increase of the CET agreed among MERCOSUR members on 31 December 1997, prompted in part by the deterioration of Brazil's current account and budget deficit, will be eliminated on schedule by 31 December 2000.

Asia and the Pacific

In the wake of the Asian crisis, members of the Association of South-East Asian Nations (ASEAN) accelerated trade liberalization within the ASEAN Free-Trade Area (AFTA), adopted fiscal incentives for all investors, created the ASEAN Investment Area to provide national treatment to ASEAN investors in the manufacturing sector, launched a round of liberalization negotiation on services, and introduced a long-term Action Plan to promote economic recovery among the members. On the Common Effective Preferential Tariff (CEPT) of AFTA, each of the six founding members agreed to achieve a minimum of 85% of the tariff lines of its Inclusion List in the 0-5% range by 2000, covering 90% of intra-ASEAN trade. They also brought forward from 2003 to 2002 the date of implementation of the CEPT on all items in the inclusion lists. The Trade Policy Review of Indonesia, in 1998, noted that the reductions in the CEPT and MFN rates have proceeded in parallel, so that the margin of preference for regional suppliers has remained relatively modest.

According to the "Bogor Declaration", the Asia-Pacific Economic Cooperation (APEC) framework aims at "open" trade and investment regimes in the region (that is, whose benefits are available to all trading partners), by 2010 for industrialized economies and no later than 2020 for developing economies. APEC is working in several directions to this end, based on the principle of voluntary participation – Individual Action Plans; the identification of sectors for early and voluntary liberalization (EVSL); and Collective Action Plans (CAPs) on measures of investment and trade facilitation. EVSLs for 15 product categories, comprising tariff elimination, reduction of non-tariff barriers, trade facilitation, and economic and technical cooperation, are on the APEC agenda. The first (non-tariff) action under an EVSL was approved in June 1998; it entails a framework to conclude mutual recognition agreements for conformity assessment of telecommunication equipment, which is expected to facilitate and expand trade flows of such equipment in the APEC region, currently estimated at US$45 billion annually.

Africa

During the past two decades, countries in Africa have attached increasing importance to regional cooperation and integration initiatives to develop a viable internal market and industrial base, thereby fostering investment in the region and lifting the isolation of land-locked economies. Such initiatives have been either entirely new or revitalized long-standing regional integration efforts. A new impetus to the development of regional integration bodies has also resulted from the trade arrangements proposed by the EU for a successor to the Lomé Convention, which envisages Regional Economic Partnership Agreements with groupings of ACP countries.

Progress of the Southern African Customs Union (SACU), the oldest regional organization in Africa, was featured at the Trade Policy Reviews of SACU members, as a group (Botswana, Lesotho, Namibia, South Africa, and Swaziland). Under the SACU Treaty, members apply to imports into the Union the same duties and taxes set by South Africa. SACU is part of the wider grouping of the Southern African Development Community (SACU members plus Angola, the Democratic Republic of Congo, Malawi, Mauritius, Mozambique, Seychelles, Tanzania, Zambia, and Zimbabwe), which intends to implement a free-trade area by 2000. The Common Market for Eastern and Southern Africa (COMESA), which stretches from Egypt to Swaziland, also hopes to establish a free-trade area by October 2000.

Substantial progress towards regional integration has also been made within the West African Economic and Monetary Union (WAEMU), featured at the Trade Policy Reviews of Burkina Faso, Mali, and Togo (other WAEMU members are Benin, Côte d'Ivoire, Guinea-Bissau, Niger, and Senegal). Building on long-standing ties between members of the CFA monetary zone, WAEMU established a monetary union in 1994, and intends to achieve a variety of other goals, including the convergence of fiscal policies, and a common market.

The countries that are members of WAEMU are also members of ECOWAS, established in 1975 as the general regional organization for the 17-country subregion of West Africa. One member of ECOWAS, Nigeria, was reviewed in 1998 and another member, Guinea, was reviewed in 1999. Although the two regional agreements overlap, ECOWAS members agree that, in the long term, it will be the only regional agreement in West Africa, fast liberalization under WAEMU will contribute to such an integration. With respect to developments in ECOWAS, the reviews of Nigeria and Guinea indicated delays in the implementation of the agreed tariff reduction commitments on intra-member trade, and in the establishment of a common external tariff, originally planned for 2000.

Harvesting tea: the 48 least-developed countries account for less than half of one per cent of world trade. (ILO)

The Least-Developed Countries in the WTO

The 48 least-developed countries as a whole are the poorest in the world, representing 12% of the world's population but less than half of one percent of world trade. Twenty-nine LDCs are WTO Members and six are applicants for accession. For many LDCs, domestic economic activity is focussed principally on subsistence agriculture, trade accounting for 9% to 16% of GDP compared with about 25% for developing countries as a group. This relatively low level of integration of LDCs suggests difficulty in achieving growth benefits through trade, a declared objective of LDCs and supported by all WTO Members. Following the Uruguay Round "Ministerial Decision on Measures in Favour of Least-Developed Countries", WTO Members agreed at the Singapore Ministerial, in 1996, on a Plan of Action and an integrated approach between the WTO and other concerned international institutions to provide the technical assistance necessary to meet the internal and external trade policy objectives of LDCs.

There is a growing consensus among the least-developed countries that, irrespective of the underlying causes of each one's difficulties in achieving growth on the basis of outward-oriented policies, two basic dimensions must be addressed by LDCs and their trading partners. One is the removal of barriers to market access for LDC products, an essential condition for the trade growth and consequent development of LDCs. Tariff and non-tariff barriers vary considerably between destination markets; WTO Members therefore have an important role to play in this regard. However, the capacity of LDCs to effectively use the market-access opportunities available to them is also strongly affected by, and linked to, domestic supply-side and policy constraints. LDCs therefore recognize the significance of their own efforts to establish a supportive domestic environment. The role of the WTO Secretariat and other concerned institutions is to support policy-makers in LDCs, bring them into closer touch with the opportunities available for an outward-oriented growth strategy in the world economy, and enhance their participation in the multilateral trading system. Following the High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development, held in October 1997, this role was given substance in the Integrated Framework linking the WTO with UNCTAD, ITC, IMF, the World Bank, and UNDP.

The Plan of Action invited WTO Members to act, both on their own and collectively, to enhance market access for products of export interest to LDCs. Such actions could, for example, take the form of use, on an autonomous basis, of special provisions in the WTO Agreements for benefits to LDC suppliers; early implementation of trade liberalization commitments on products of export interest to LDCs; or measures of preferential access under GSP or GSTP programmes. To date, WTO Members have notified new measures of preferential access – Canada, Egypt, the European Communities, Mauritius, Switzerland, Turkey, and the United States – or liberal access conditions under existing programmes – Australia, Bulgaria, Canada, Hungary, Japan, and Norway. Preferences given by developing countries to LDCs are exempted from the most-favoured-nation obligation until 2009, under a waiver by the WTO General Council. The objective of binding zero-tariff access on products of export interest to LDCs is currently under consideration by WTO Members.

To launch its participation in the Integrated Framework, the LDC first identifies, on the basis of a questionnaire, the elements of its trade policy, including difficulties of compliance with WTO agreements, major supply-side constraints on export-led growth; and related technical assistance needs. Technical assistance is provided to build or enhance human resources and institutional capacities, provide trade information and trade-related legal support, and improve supply capacities. As of mid-1999, such needs assessments and responses had been completed for 40 LDCs, including all 29 LDC Members of the WTO, applicants requesting membership, and LDCs considering making such a request. The next step is for each country to prepare a trade-related meeting to which it invites the development partners of its choice (including but not limited to the six agencies of the Integrated Framework) to endorse a multi-year programme of trade-related assistance.

To enhance the value of the technical assistance available, a tighter connection could be established between the Integrated Framework and the Trade Policy Review exercise, which also involves an identification and economic evaluation of the trade and trade-related policies of the country under review. Out of the 29 LDCs that are currently WTO Members, trade policy reviews have so far covered ten LDCs (Bangladesh, Benin, Burkina Faso, Guinea, Lesotho, Mali, Uganda, Solomon Islands, Togo, and Zambia), and Tanzania is up for review in 2000. The Trade Policy Reviews conducted in the past year – Burkina Faso, Guinea, Mali, the Solomon Islands, and Togo – reveal the heavy reliance of LDCs on revenue collected at the border to finance government programmes. A high and variable structure of tariffs and other trade taxes collected at the border creates an anti-export bias by protecting domestic industry behind tariff walls, draining the export-oriented sector of resources, and raising the cost of production based on imported inputs. This heavy reliance on revenue collected at the border, linked to delays or difficulties in establishing a broad domestic tax base, raises difficult policy issues in many countries; it may be invoked by LDCs as an obstacle to trade liberalization, even if the benefits of removing trade distortions are appreciated. LDCs could still secure gains by establishing a more uniform tariff structure – bound in the WTO to reduce uncertainty – and eliminating specific tariffs to rely only on *ad valorem* rates. Tariff uniformity would also be desirable on the grounds of transparency and administrative simplicity.

LDCs also stand to gain from implementing their customs policy in a transparent and predictable manner, administered efficiently by trained customs personnel. Currently, most LDCs use the Brussels Definition of Value rather than the WTO Customs Valuation Agreement, whose implementation by a developing-country Member is to take effect, in principle, no later than five years after entry into force of the WTO Agreement for that Member. Although implementation may have a potentially adverse effect on revenues (due to the lower valuation that results from a tighter definition of permitted deductions under the Agreement), such effects must be balanced against the enhanced transparency, predictability, and ease of administration of customs valuation. Most LDCs have identified, in their needs assessments, implementation of the Agreement and the training of customs personnel to apply the new system. Most missions undertaken by the WTO to LDCs have addressed the issue of customs valuation, and the World Customs Organization is providing technical assistance on training personnel and examining selected problems of specific concern to developing countries.

The responses to the questionnaire on supply-side constraints identify numerous obstacles to trade expansion. Some are inherent – 16 LDCs are landlocked and transport-related costs of trade are significant. Others are subject to change, including high costs of inputs (finance, imported products, energy, transportation charges), a

The WTO headquarters in Geneva.

poor quality infrastructure, and gaps in trade information. Judging from the Trade Policy Reviews of LDCs conducted in the past year, significant obstacles to an outward-oriented growth path include, in addition to high and variable tariff and taxes assessed at the border, impediments to investment such as the lack of infrastructure, and relatively high costs for key basic services, notably energy, finance, transportation, and telecommunications. Private sector participation could improve efficiency and reduce the prices of these services, which are essential inputs for other sectors of the economy. Poor infrastructure and relatively expensive basic services tend to impair export competitiveness and deter foreign investment, thereby hampering development and growth. While some of the LDCs reviewed do offer tax and non-tax incentives in an effort to attract foreign investment, there are strong grounds for doubting the effectiveness of such measures, based on evidence from other economies.

Many LDCs also identify very limited access to information on export development opportunities as an obstacle. Such information is costly for small and medium-sized enterprises to acquire individually, and its collection and dissemination by a government agency therefore provides positive externalities. This need can be met by establishing a “trade point” to enable companies to access such information and to provide supporting services for enterprises to take advantage of opportunities. The ITC and UNCTAD have available a trade database on CD-ROM (TRAINS), the UNDP has experience in export development programmes in LDCs, and the World Bank can provide assistance to identify bottlenecks to trade financing. Building on such information, specific projects may be developed by the private sector on the basis of market evaluation studies.

In addition, unlike other WTO Members, including most developing countries, few LDCs have the human and financial resources to adequately participate in WTO activities. Access to information is therefore a vital element in reducing the distance between Geneva, where the WTO’s activities take place, and the capitals of LDCs. Advances in communications technology have permitted the WTO to provide better communication and information links to LDCs. In response to requests received through the Integrated Framework, the WTO Secretariat has begun a programme to install computers and Internet links in the trade or commerce ministries of all LDCs. By mid-June 1999, thirty-eight least-developed countries had received Reference Centres (all 29 LDC Members plus nine Observers). The Secretariat has also brought trade policy officials to Geneva to participate in training sessions on trade negotiations. These new information linkages between the WTO and LDCs, as well as training, are especially important in the context of the WTO work programme to be discussed at the Seattle Ministerial.

A “Geneva week” of briefings on WTO activities was scheduled for early November 1999 for those developing countries, especially LDCs, Members and Observers that do not currently have permanent representatives in Geneva.

WTO activities

The main focus of WTO activities in 1999 concerned preparations for the 3rd Ministerial Conference, in Seattle, the appointment of a new WTO Director-General, and dispute settlement. The WTO also organized a number of symposia and seminars, including the high-level symposia on trade and environment, trade and development, and information technology, and seminars on trade and competition policy, trade facilitation, and regional trade agreements.

One of the General Council’s main priorities was the preparation for the 1999 Ministerial Conference. In September 1998, the General Council conducted a Special Session in pursuance of the 1998 Ministerial Declaration’s requirement that a process be established under the direction of the General Council to ensure full and faithful implementation of the existing agreements, and to prepare for the 3rd Session of the Ministerial Conference. It agreed on a schedule of both formal and informal meetings of the General Council. By August 1999, more than 135 different proposals had been circulated to WTO Members. Proposals concerned the following subject areas: implementation of individual WTO agreements, mandated negotiations, future work already provided for in existing agreements, the programme of work initiated in Singapore in 1996, proposals relating to follow-up work on issues raised at the High-Level Meeting for LDCs in 1997, and proposals relating to other subjects of interest to WTO Member governments. Members began the third and final phase of their preparations for the Ministerial in early September and held additional informal and formal sessions in October and early November.

The General Council also considered several matters relating to the question of improving transparency in WTO work. Among these were a review of the procedures for the circulation and derestriction of WTO documents, and the granting of observer status to international intergovernmental organizations. Consultations on the granting of observer status are continuing. In June 1999 it agreed on procedures for the attendance of non-governmental organizations at the 1999 Ministerial Conference.

The Kyrgyz Republic and Latvia acceded to the WTO in 1999. The General Council also adopted the accession protocols for Estonia and Georgia, which are expected to become Members of the WTO upon completion of their internal ratification procedures. The desire to join the

WTO as soon as possible has received wide support from WTO Members who are committed to accelerating the accession process to the maximum extent possible on the basis of meaningful market-access commitments and the acceptance of the rules and disciplines of the WTO system. In July 1999, the General Council agreed that acceding governments be invited to attend, as observers, the preparatory meetings for the 1999 Ministerial Conference.

Between 1 August 1998 and 31 July 1999, the Dispute Settlement Body (DSB) received 39 notifications of formal requests for consultations under the Dispute Settlement Understanding (DSU). During this period, the DSB established panels to deal with 17 new matters and received requests to establish a panel in three other cases. It adopted Appellate Body and/or panel reports in eight cases. The DSB also received two notifications of mutually agreed solutions (settlements). In 1999, the DSB agreed for the first time to allow a WTO Member to take retaliatory measures against another Member because of the latter's failure to implement Panel and Appellate Body recommendations concerning import measures for trade in bananas. Later in the year, the DSB allowed two Members to take retaliatory measures against another over trade in hormone-treated meat products.

A review of the Dispute Settlement Understanding by the DSB began in early 1998. The Ministerial Conference was to complete a full review of the dispute settlement rules and procedures under the WTO within four years after the entry into force of the Agreement Establishing the WTO. The main issues under discussion were: a proposal to clarify the procedures for deciding whether there has been compliance with a panel/Appellate Body ruling and for authorizing retaliatory measures if there has not been compliance; a proposal to extend the rights of Members who are third-parties to a dispute; a proposal to increase the transparency of the dispute settlement system; and several technical amendments to the DSU.

As part of its follow-up to the 1998 Ministerial Declaration, the General Council established in September 1998 a comprehensive work programme to examine all trade-related issues relating to global electronic commerce, and discussed the issue of electronic commerce throughout 1999 at each of its regular meetings. The Work Programme on Electronic Commerce called on the Council for Trade in Services, the Council for TRIPS, the Council for Trade in Goods, and the Committee on Trade and Development to examine and report on issues related to their field of work arising in connection with electronic commerce. Each body sent a progress report to the General Council in July 1999.

On 14 December 1998, the Council for Trade in Services adopted the *Disciplines on Domestic Regulation in the Accountancy Sector*, which have been developed by the Working Party on Professional Services. The disciplines are to be applicable to all WTO Members who have scheduled specific commitments for accountancy under the GATS. This is the first step in the development of GATS disciplines on the domestic regulation of services. The Council for Trade in Services has also started sectoral discussions focusing on the manner in which different services are traded and regulated with a view to identifying negotiating issues and priorities. So far, the exercise has

The 52 governments that participated in the negotiations agreed to implement the results of the financial services agreement as of 1 March 1999...

covered postal and courier services, audiovisual services, construction and engineering services, distribution services, legal services, architecture and engineering services, computer and related services, environmental services and advertising services.

In the Committee on Trade in Financial Services, the 52 governments that participated in the negotiations agreed to implement the results of the financial services agreement as of 1 March 1999. They also agreed to extend, until 15 June 1999, the deadline for accepting the protocol in order to allow another 18 governments more time to complete their domestic ratification procedures.

The WTO organized a number of symposia and seminars in 1999. A High Level Symposium on Trade and Environment was held on 15-16 March 1999. The symposium considered: linkages between trade and environment policies; synergies between trade liberalization and environmental protection, sustained economic growth and sustainable development; and interaction between trade and environment communities. The issue of trade and environment was also covered in a WTO Secretariat's Special Study, published in early October 1999, which argued that trade liberalization reinforced the need for environmental cooperation at the national and international levels.

A High Level Symposium on Trade and Development, held on 17-18 March 1999, considered: the linkages between trade and development policies; trade and development prospects of developing countries; and further integration of developing countries, including the least-developed countries, into the multilateral trading system.

A Symposium on Information Technology was held in July 1999 to provide an interface between IT industry representatives and trade policy officials. Other aims of the symposium were to share information about the dynamism of IT and its future, to explain the role of IT in promoting economic growth and development, and to highlight the value of the application of IT. Issues related to Trade and Competition Policy were also discussed at a symposium organized in April 1999 by the WTO Secretariat in cooperation with UNCTAD and the World Bank.

In March-April 1999, the WTO and the World Bank sponsored an on-line forum on regionalism. The two institutions placed a number of papers on a joint website created for the forum, and answered questions about regional trade agreements. On 30 June 1999, under the coherence mandate, the WTO held a Seminar on Regional Trade Agreements with the participation of staff of the World Bank and the IMF. Two other seminars were organized in cooperation with the World Bank and the IMF in September and October. These seminars were part of the "coherence" agenda and comprised: "Developing Countries' Interests in a Millennium Round" and "Agriculture and the New Trade Agenda from a Development Perspective: Interests and Options in the Next WTO Negotiations." A one-day seminar on "Special and Differential Treatment in the WTO" was held on 23 October 1999. □

Moore announces selection of four deputies

Director-General Mike Moore, on 3 November, announced that he has selected four candidates to serve as his Deputy Directors-General for the next three years: Ablassé Ouedraogo, of Burkina Faso; Paul-Henri Ravier, of France; Miguel Rodríguez Mendoza, of Venezuela; and Andrew Stoler, of the United States of America as his deputies. Mr. Ouedraogo is the first African and first representative of a Least Developed Country ever chosen as a Deputy Director-General of the WTO or its predecessor, the General Agreement on Tariffs and Trade.

Following weeks of intensive consultations with dozens of WTO member governments, Mr. Moore made his selection from a pool of highly qualified candidates.

As instructed by the General Council, Mr. Moore also consulted with his designated successor, Supachai Panitchpakdi of Thailand, before making his selection.

"This decision was an extremely tough call, given all the very good people who were nominated by their governments. I have selected a broad mix of people with the wide range of skills we need to ensure smooth and efficient management of the WTO Secretariat. I want these men in place as soon as possible and certainly by the Seattle Ministerial Conference (30 November to 3 December). Precisely when they can take up their duties is up to their governments and employers," Mr. Moore said.

Mr. Moore and Dr. Supachai agreed that the four Deputies would serve for a month after Mr. Moore's term expires on 31 August 2002 so as to allow for a smooth transition when Dr. Supachai comes to office to begin his three-year term.

Messrs. Ouedraogo, the first African GATT/WTO DeputyDirector-General, and Rodriquez Mendoza have been advising governments on trade policy matters. (Photos by Tania Tang/WTO)

Messrs. Stoler and Ravier have been top trade negotiators for the United States and France, respectively.

Ablassé Ouedraogo

Ablassé Ouedraogo has been the Special Advisor to the President of Burkina Faso since February 1999, having served for the previous five years as Minister of Foreign Trade. During the last decade, he has represented Burkina Faso at senior level in various international inter-governmental forums, including as Deputy Resident Representative of the United Nations Development Programme in Kinshasa, Zaire (1991-1993), Head of the Regional Office for East Africa of the United Nations Sudano-Sahélienne Office covering, at the same time, the IGADD, the SADCC, the OAU, the ECA and the UNEP (1993-1994).

Paul-Henri Ravier

Paul-Henri Ravier has served for more than twenty years in various positions in the French Department of Trade, within the Ministry of Economy, Finance and Industry. Since 1991, he has been Deputy-Secretary of this Department, which represents France in the relevant committees in the EU, and in the multilateral trade negotiations, formerly in the GATT, and subsequently in the WTO.In his current position, Mr. Ravier has participated in, and managed, negotiating teams in a number of trade negotiations dealing with settlement of trade disputes, definition and conduct of export promotion strategies, and management of trade finance schemes.

Miguel Rodríguez Mendoza

Miguel Rodríguez Mendoza is a specialist on trade policy issues. Since mid-1998 he has been a Visiting Scholar at Georgetown University, Washington, DC, and has worked as a consultant for a number of international organizations, such as Andean Community, UNCTAD and the IDB. He has also advised several Venezuelan private companies on trade matters. He was, until March 1998, Chief Trade Advisor at the Organization of American States, where he established that organization's Trade United, which has played an important role in the preparatory process as well as the negotiations of the Free-Trade Area of the Americas (FTAA).

Andrew L. Stoler

Andrew L. Stoler has been Deputy Chief of Mission at the Geneva, Switzerland, office of the United States Trade Representative (USTR), Executive Office of the President, since September 1989. In this capacity, he serves as the Deputy Permanent Representative of the United States to the WTO where, with the Ambassador, he is charged with the local day-to-day coordination and execution of the multilateral trade policies of the United States. During the Uruguay Round, Andrew Stoler was principal U.S. negotiator for the Agreement Establishing the WTO. Mr. Stoler is Chairman of the WTO Working Party on the Accession to the WTO of Ukraine .□

WTO organizes "Geneva Week" for non-resident delegations

Mike Moore tells non-resident Ambassadors their countries' concerns will be a valuable contribution to the Seattle process. (Photo by Tania Tang)

The WTO Secretariat organized an information week for WTO members and observers without permanent representation in Geneva on 1 to 5 November at the WTO. Without representatives in Geneva, these Members and Observers are unable to attend all the meetings that are taking place in preparation for the Seattle Ministerial Conference. The WTO worked with 12 other international organizations to involve representatives from these governments in the preparations and to inform them about technical assistance available from the international organizations in Geneva.

There are 28 WTO members and nine observers that lack the resources to maintain permanent offices in Geneva: Andorra, Antigua & Barbuda, Armenia, Belize, Benin, Botswana, Burkina Faso, Cambodia, Central African Republic, Chad, Dominica, Republic of the Fiji Islands, Gambia, Grenada, Guinea Bissau, Guyana, Laos P.D.R. of, Macau, Malawi, Maldives, Mali, Namibia, Niger, Papua New Guinea, St. Kitts & Nevis, St. Lucia, St. Vincent & The Grenadines, Samoa, Seychelles, Sierra Leone, Solomon Islands, Suriname, Swaziland, Togo, Tonga, Uzbekistan and Vanuatu.

Their participation was funded by the governments of Norway, Switzerland and the United Kingdom

Mr. Moore, in opening the Geneva Week, said: "Your presence here is a positive step in the complex and on-going process of assisting the integration of the smaller and vulnerable countries - the least-developed countries and other small economies, into the multilateral trading system." He stressed that the participants' concerns, problems and needs, "will be a valuable contribution to the preparatory process for the Ministerial Conference". ☐

Seattle (Continued from page 1)

The Ministerial Conference - the highest body of the WTO - in Seattle will be the third gathering of Ministers since since the organization came into force in 1995. The first one was held in Singapore in December 1996, followed by the Geneva Ministerial in May 1998. It was at the commemoration of the 50th anniversary of the WTO's predecessor—the GATT—held during the Geneva Ministerial when President Clinton invited WTO members to hold the Third Conference in the United States.

In Seattle, the Ministers are expected to review the implementation of the WTO agreements during four days of plenary sessions and at the closing session launch the next trade negotiations. They may possibly adopt decisions such as those on helping the trade of the least-developed countries, which WTO Director-General Mike Moore has championed since assuming office in September. ☐

Message (Continued from page 1)

framework agreements on transparency in government procurement and trade facilitation. Agreements in these areas would assure a "win-win" outcome for all member governments, not to mention taxpayers and consumers. A continuation of the moratorium on duties applied to electronic commerce transactions is also a possibility. My own personal wish-list includes an agreement here on a package to assist the least-developed countries.

Of course, all these issues will be decided by member governments. My role in the process is to facilitate the negotiations and to strive for an outcome that is balanced, fair and equitable. With strong preparation, intensive work and good will I'm confident we can achieve that outcome. ☐

-Mike Moore

Web visitors break 200,000 mark

The number of WTO internet (*www.wto.org*) users broke the 200,000 barrier in October when 201,101 users accessed the site from 161 countries. The quantity of documents and data downloaded reached a new record of 88,000 megabytes or the equivalent of about 88 million pages of text.. ☐

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