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Newsletter

General Council

Oman's membership approved

The General Council, on 10 October, approved the accession of the Sultanate of Oman to the WTO. Following the General Council's approval, Maqbool Ali Sultan, Oman's Minister of Commerce and Industry, accompanied by WTO Director-General Mike Moore, signed the Protocol of Accession thereby completing the process of the Sultanate to become the 139th Member of the WTO on 9 November 2000.

"Oman's forthcoming accession is a new vote of confidence in the WTO", said Mr. Moore. "No nation, large or small, can secure its future alone, and the Multilateral Trading System provides a stable and predictable framework for economic engagements between nations and for the business community. That in turn promotes growth, employment and prosperity".

Mr. Moore added: "About 30 candidates are lining up to join the WTO. They see the benefits of a system based on the rule of law and not by the exercise of power. It's a system that has served us well now for more than fifty years and has provided for open markets and an unprecedented economic growth".

Mr Maqbool Ali Sultan reiterated that the Sultanate of Oman attaches great importance to its membership of the WTO. He stressed that Oman sincerely believes in the principles of the multilateral trading system embodied in the WTO rules, and in fact, Oman has been following these principles for a long time.

The Chairman of the Working Party on Oman, Ambassador Munir Akram (Pakistan), in introducing the Working Party report to the General Council, said members had been impressed with the country's broad-ranging and dynamic efforts aimed at achieving conformity of its trade regime with the WTO rules and disciplines. He said Oman had put into place the necessary legislation to implement the WTO Agreements by the date of its accession.

Many delegations welcomed the impending accession of Oman to the WTO.

Fourth Ministerial Conference

The Chairman, Amb. Kare Bryn (Norway), said that under the WTO rules, the next Ministerial Conference should be convened in 2001. He suggested that the General Council seek to take a decision on the date and venue of the next Conference by its year-end meeting scheduled for 7-8 December.

Oman's Minister of Commerce and Industry Maqbool Ali Sultan signs the Sultanate's Protocol of Accession as Director-General Mike Moore looks on. (C. Velasquez/WTO)

The General Council noted with appreciation the invitation of Qatar to host the Ministerial Conference and invited any other member wishing to host the Conference to so inform the General Council in time for the next meeting. It requested the Secretariat to prepare a report on the conference facilities available in each proposed venue.

Qatar said that upon its invitation, the Secretariat had visited the capital Doha to assess the available facilities. It said that the Secretariat had found that all the required facilities for hosting the Conference were available with one exception. It said that Doha could not accommodate the expected 6,000 participants to the Conference.

Many delegations expressed appreciation to Qatar for its invitation to host the Conference.

Pakistan said that any potential host country would find it difficult to cater to 6,000 participants and asked about the possibility of reducing this number.

Director-General Mike Moore said the 6,000 figure

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New WTO member

(Continued from page 1)

was already substantially less than the 7,000 persons who attended the Seattle Conference. He paid tribute to Qatar for its courtesy and for its work with the WTO officials.

The Chairman said that the number of expected participants would depend, to a certain extent, on what the Conference was expected to achieve. He said that both the Secretariat and the members would need to consider what sort of Conference was required and what the entire set-up would be. Ambassador Bryn said he would conduct consultations on this matter before the December meeting.

Reports on the mandated negotiations

The General Council heard reports on the mandated negotiations conducted in the Special Sessions of the Council for Trade in Services and the Committee on Agriculture. Ambassador Bryn presented the reports in the absence of the Chairmen of these two bodies.

Ambassador Bryn said that services negotiations had been proceeding with a very positive spirit and substantive work was being done by the Services Council and its subsidiary bodies as they approached the end of the first phase of negotiations and the stocktaking exercise of March 2001. In particular, the last Special Session (5-6 October) had seen an intensification of the debate on the development of guidelines and procedures for the negotiations, with an increased number of proposals by members. He said more contributions had been promised.

In agriculture, Ambassador Bryn said that 12 negotiating proposals had been presented and examined as part of the first phase of negotiations. The Secretariat had prepared five additional background papers at the request of the Committee. Delegations intending to table submissions or proposals were urged to do so in advance of the next Special Session, scheduled for 15-17 November 2000.

Switzerland proposed that the General Council should also invite the Chairperson of the TRIPS Council to make similar reports on the negotiations regarding protection of geographical indications, as mandated by Article 24.1 of the TRIPS Agreement. The Chairman proposed, and the Council agreed, to hold further consultations on the proposal.

Proposal to amend DSU

Japan, on behalf of co-sponsors Canada, Colombia, Costa Rica, Ecuador, Korea, New Zealand, Norway, Peru, Switzerland and Venezuela, presented a proposal to amend WTO's Dispute Settlement Understanding (DSU) with a view to its improvement. It said the proposal is based on the one that had been submitted to the Ministerial Conference in Seattle, and is the result of work in which a large number of members had participated.

Japan said that the sponsors had focused on the issue of sequencing between Articles 21.5 and 22 of the DSU, which they believed to be a priority issue and one where an early solution was possible. It added that the WTO dispute settlement system, through panels and the Appellate Body, provided a useful tool to clarify ambiguities or differences in the interpretation of a particular language.

Albania joins the WTO

Albania's trade officials celebrate conclusion of WTO negotiations.. (Photo by Tania Tang/WTO)

Albania became 138th member of the World Trade Organization on 8 September. WTO Director-General Mike Moore greeted the event by saying: "I welcome Albania into the multilateral trading system. Membership promises a more prosperous future and raised living standards for all Albanian citizens. I also believe that, by encouraging the trade links between countries, the WTO can help foster greater peace, stability and development in south-eastern Europe. Albania's membership brings this Organization ever closer to being a truly 'World Trade Organization'."

Albania has agreed to assume its WTO obligations upon accession. In addition, it will sign on to the two plurilateral agreements on government procurement and on trade in civil aircraft. Albania's accession package includes market-access commitments on goods and services. ❑

However, this could not amend the language itself.

The General Council agreed that the Chairman hold consultations on how to move forward on the proposal.

Internal and external transparency

Under "Other Business", the European Communities and the United States submitted papers on internal and external transparency, respectively. Both delegations said they looked forward to reactions from other members at the next meeting.

The EC said its discussion paper is about how to foster the transparency and effectiveness of the organization so as to ensure real participation by all members. It said the paper contained the following elements for practical reforms of the WTO: measures to improve decision-making, including on the organization and functions of informal consultations; measures to foster the flow of information and participation by all members; and measures to improve the functioning of Ministerial Conferences and the General Council.

The US said its paper addressed external transparency of the organization from many perspectives, including access to documents, making the WTO more open to the public, dispute settlement, enhanced use of the internet, and sharing national experiences with various means of maintaining dialogue with the public on the WTO. ❑

Panel to consider US trademark dispute

The Dispute Settlement Body (DSB), at the request of the Europen Communities, established on 26 September a panel to examine **US Section 211 of the Omnibus Appropriations Act of 1998**. This was the EU's second request. Japan and Nicaragua reserved their third-party rights to participate in the panel's proceedings. Cuba welcomed that fact that a panel has now been set up.

This question had previously been discussed at several meetings of the TRIPS Council. It deals with the ownership of intellectual property such as trademarks when property has been appropriated without compensation. At the centre of the TRIPS Council's discussions was a US court's ruling in a case that Havana Club Holding SA and Havana Club International SA brought against Galleon SA, Bacardi-Martini USA Inc, Gallo Wine Distributors Inc, GWD Holdings Inc, and Premier Wine and Spirits, over the ownership of the name "Havana Club".

The DSB adopted the Appellate Body Report on **"United States — Anti-Dumping Act of 1916"** and the Panel reports as upheld by the Appellate Body Report.

The EU and Japan (the complaining parties) welcomed the panel's ruling that the Anti-Dumping Act of 1916 is inconsistent with the WTO Agreement.

Without a consensus to reject the reports, the DSB adopted them.

New panel requests

Two new panel requests were presented:

- The EU asked for a panel to examine its complaint against **Argentina's definitive anti-dumping measures on carton-board imports from Germany and definitive anti-dumping measures on imports of ceramic floor tiles from Italy**. Argentina objected, preferring to continue consultations.
- Korea asked for a panel to examine **United States' definitive safeguard measures on imports of circular welded carbon quality line pipe from Korea**. The US objected.

Monitoring of implementation

The DSB heard progress reports on implementation of its previous recommendations regarding disputes:

- The EC, regarding its **banana regime**, reported that its Commission would soon consider a "first come, first served" system for administering its tariff rate quotas which would apply during the transition to a tariff-only system for banana imports. Ecuador, Guatemala, Honduras and Panama expressed concern that the proposal would only prolong the dispute instead of solving it, and that the EU's banana regime remains a violation of WTO rules. The US questioned why the EU had not examined "first come, first served" before. St. Lucia took the opposing view that "first come, first served" and tariff-only systems favour larger exporters with more resources to produce and transport bananas. It stressed that any solution should take into account the interests of all the parties concerned, in particular the most vulnerable.
- Japan, regarding its **measures on agricultural products**, said it was still consulting with the United States to sort out technical questions to resolve this case. The EU and Australia, which reserved third party rights, expressed regret that Japan has still not implemented the ruling 18 months after it was adopted.
- Canada, about its measures affecting the **importation of milk and the exportation of dairy products**, said it was continuing consultations with the two complainants, the US and New Zealand, on the staged implementation of the DSB ruling. It added that this would be completed by 31 December 2000. New Zealand and the United Status expressed concern that Canada's new export schemes would continue to be inconsistent with the WTO because Canadian provinces will continue to supply milk for export at below market prices, meaning an export subsidy that exceeds Canada's commitments. Canada challenged this interpretation, describing its new system as a "dramatic" change involving the deregulation of the market and purely private transactions between buyers and sellers.
- India, regarding its **quantitative restrictions on imports of agricultural, textile and industrial products**, reported that half its remaining quantitative restrictions were removed on 1 April 2000, and the rest would be removed within the "reasonable period of time" for implementing the ruling, which expires on 1 April 2001. The US, which originally brought this case to the DSB, said it looked forward to further reports.
- Turkey, on its- **restrictions on imports of textile and clothing products**, informed the DSB that, in an effort to find a solution, it continues to hold discussions with the EC in order to ensure that the rights of the parties to the customs union are preserved. Turkey said it will also consult India (the complaining party) about implementing the ruling. India questioned why the rights of members of the customs union were related to Turkey's WTO obligations. The "reasonable period of time" for complying with the ruling expires on 7 January 2001.
- Korea, on its **definitive safeguard measure on imports of certain dairy products**, informed the DSB that on 20 May 2000, it had lifted its safeguard measure on dairy products imports and so had completed implementing the DSB's recommendations in this case. The EU welcomed Korea's action.
- Mexico informed the DSB that on 20 September 2000 it had published the final determination on **anti-dumping investigation of high-fructose corn syrup from the United States** and thereby complied with DSB's recommendations in this case. The US said it would examine Mexico's final determination.❑

WTO holds 2nd "Geneva Week" for non-resident delegations

An information week for WTO Members and Observers without permanent representation in Geneva was held from 21 to 27 October at the WTO. The "Geneva Week" is designed to bring up to date on WTO activities those WTO Members and Observers who are unable to attend WTO meetings in Geneva. The WTO, in cooperation with 13 other international organizations, organized this Geneva Week to give representatives from these governments reports on different areas covered by the WTO and to inform them about technical assistance in these fields.

"All countries participating in the WTO system, including rich and poor, large and small, must be fully aware of the on-going work and discussions in the organization, and also the possibilities for trade-related assistance that are available through the WTO and its sister agencies. Through annual sessions of the Geneva Week and also through constant communication we are helping our smaller Members and Observers to participate better in the WTO process. It is a way of increasing participation and transparency," said Mike Moore, WTO Director-General.

The Geneva week started with a Seminar on Small Economies. It ended with the 31st session of the Committee on Trade and Development. During the week, there wasl also a discussion on electronic commerce.

WTO members without permanent representation in Geneva were able to catch up on WTO developments at the second Geneva Week. (Photo by Tania Tang/WTO)

Thirty-seven WTO Members and Observers attended the Geneva Week. Invitations were sent both to their Trade Ministries and their permanent delegations in Europe. Their presence is funded by the Swedish government, the World Intellectual Property Organization (WIPO) and the International Trade Center (ITC).

A first "Geneva Week" was successfully held in November 1999. This year, the Geneva Week will focus on the on-going work programme, including implementation of WTO agreements; mandated negotiations in agriulture, services and intellectual property; electronic commerce; and technical cooperation.

The 28 WTO Members and 9 Observers participating in Geneva Week lack the resources to maintain permanent offices in Geneva. They have difficulty accessing all the available information on WTO's work and monitoring actions or issues they may need to consider. This information week therefore intends to help non-resident WTO Members and Observers inform themselves about the work going on in the WTO, and also expose them to the work of other relevant agencies in Geneva.

The 37 countries invited are: Andorra; Antigua & Barbuda; Armenia; Benin; Botswana; Burkina Faso; Cambodia; Central African Republic; Chad; Democratic Republic of Congo; Dominica; Republic of the Fiji Islands; Gambia; Grenada; Guinea Bissau; Guyana; Lao People's Democratic Republic; Macau, China; Malawi; Maldives; Mali; Namibia; Niger; Papua New Guinea; Samoa; St. Kitts & Nevis; St. Lucia; St. Vincent & the Grenadines; Seychelles; Sierra Leone; Solomon Islands; Suriname; Swaziland; Togo; Tonga; Uzbekistan and Vanuatu.

Agencies invited to make presentations at the Geneva Week are: the African Caribbean Pacific General Secretariat (ACP), the Agency for International Trade Information and Cooperation (AITIC), the Commonwealth Secretariat, the Food and Agricultural Organization (FAO), the Forum Secretariat, the International Labour Organization (ILO), the International Telecommunications Union (ITU), the ITC, UN Conference on Trade and Development (UNCTAD), the United Nations Environmental Programme (UNEP), WIPO, the World Bank and the World Tourism Organization. ❑

France boosts WTO technical assistance

The French Government, on 2 October, made a contribution of 1 million euros to the Global Trust Fund for WTO Technical Cooperation. The French Minister of State for Foreign Trade, Mr. François Huwart, signed in Geneva a memorandum of understanding with the WTO Director-General, Mr. Mike Moore. This voluntary contribution by France in the form of a special fund from the Ministry of Foreign Affairs of 1million euros over the period 2000-2003 (i.e. approximately 1.6 million francs per year) will benefit first and foremost the least-developed countries and the African countries.

According to Mr. Huwart, "the French Government wanted to make an added effort to contribute to the financing of technical assistance activities organized by the WTO on behalf of the developing countries to help them play their full role in the multilateral trading system. By doing so, France hopes to ensure enhanced integration of the developing countries, in particular the poorest among them, in the work of the WTO with a view, *inter alia*, to the launching of a global round of negotiations. In the same spirit, France will be contributing to the financing of the Conference of African Trade Ministers to be held in Libreville from 13 to 15 November 2000."

"I am most grateful to France for its contribution to the Technical Assistance Fund", said Mike Moore. "It is only thanks to such generous contributions that WTO can meet the increasing requests for technical assistance," he added. ❑

Moore calls for cooperation on trade-environment issues

The WTO Committee on Trade and Environment's meeting on 2425 October featured an Information Session on multilateral environment agreements. Shown above are Chairperson Ambassador Yolande Biké (Gabon), Director-General Mike Moore and UNEP Executive Director Klaus Töpfer. (Photo by Carlos Velasquez/WTO)

Director-General Mike Moore, on 24 October, called for greater cooperation and understanding between the WTO and environment agreements to help "maximize synergies and reduce potential tensions". He also urged sensitivity to the needs of developing countries and vigilance against hidden protectionism.

UNEP Executive-Director Klaus Töpfer said a coherent relationship between the WTO and these agreements will be "a vital element in creating a sustainable global economy".

Excerpts from Mr. Moore's speech:

When ministers agreed in Marrakesh in 1994 that a Committee on Trade and Environment should be established, they recalled, among other things, the Rio Declaration, Agenda 21 and the Preamble to the Agreement establishing the WTO itself. Thus, the WTO, UNEP and MEAs share common objectives.

The CTE has a broad and complex analytical work programme. The Singapore Ministerial Conference noted that the breadth and complexity of the issues showed that further work was needed on all items of its agenda. I think that these MEA information sessions, which have become a regular feature of the CTE, have served to enhance Members' understanding of the relationship between the trade and environment agendas, particularly with respect to MEAs, as well as MEAs' grasp of the multilateral trading system. Building on these sessions will help us to maximise synergies and reduce potential tensions.

In the GATT, the word "environment" was seldom heard in trade circles (except when they talked about "the trading environment"). The phrase "sustainable development" was in nobody's vocabulary until it was coined by the Brundtland Commission in 1987, yet it served as the basis for the progress made at the UN Conference on Environment and Development in Rio in 1992.

I think the placing of trade and environment issues on the WTO's agenda and the introduction of sustainable development as one of the WTO's aims has helped to raise awareness internationally and nationally of the need to maximise synergies between trade and environment policies. That awareness raising owes much to the work of the CTE over the last five years.

There has also been a change of mentality at the WTO. Discussions have served to dispel important misconceptions and prejudices that used to prevail. It is now conventional wisdom that multilateral cooperative solutions based on international cooperation and consensus is the best and most effective way for governments to tackle environmental concerns. In this sense, the WTO and MEAs are representatives of efforts of the international community to pursue shared goals, and due respect must be given to both. Our special study on trade and the environment, published a year ago, was emblematic of the WTO's new approach.

Through a mutual exchange of information on trade and environment issues, and increasing awareness of the processes in MEAs and vice versa, the information sessions have served as a confidence-building mechanism. They have also played a role in fostering increased co-ordination between trade and environment officials at the national as well as international levels.

> We must remain sensitive to the situation and needs of developing countries.....

In discussing the relationship between the WTO and MEAs, in general, it is important to bear in mind that there are inherent difficulties in adapting a "one-size-fits-all" approach. For this reason, understanding and identifying areas of complementarity between specific MEAs and the WTO represents a way to maximize synergies and to minimize areas of potential tension. In this respect, I welcome the initiative taken by UNEP and the MEA secretariats to broaden the debate to explore the numerous available synergies. This practical approach focusing on concrete examples can provide the basis for a more pro-active engagement with the trade community.

Throughout the discussions, I think we must remain vigilant to the threat of protectionism; this is in the interest of the environmental community itself, because if environmental measures are seen, or believed, to be hidden "green protectionism", it would set back your cause and ours.

We must also remain sensitive to the situation and needs of developing countries. Forging a common approach to trade and environment between all WTO Members is essential. Progress on ensuring that trade and environment policies are put in place in a manner that is mutually supportive cannot be made without the consent and support of developing countries.

WTO work will be helped by progress elsewhere on the multilateral environmental policy agenda. The UNEP meeting yesterday and the MEA information sessions, such as the one today, are important steps forward in this respect. Enhanced co-ordination will greatly facilitate the smooth evolution of the trade and environmental regimes. ❑

TPRB: Korea

Sustaining momentum of economic reforms

The Trade Policy Review Body concluded its third review of Korea on 26 and 28 September 2000. Excerpts from the Chairperson's concluding remarks:

We have had an open and informative discussion of Korea's trade policies. Members were impressed by Korea's strong and swift recovery from the 1997 crisis and recognized that this recovery was largely the result of prudent macroeconomic policies and far-reaching structural reforms. In addressing the crisis, Korea had, by and large, eschewed protectionist measures and had instead taken steps to further improve the competitive environment both through domestic reform, particularly in the corporate, financial and labour spheres, and through trade and investment liberalization. Members also recognized that the multilateral trading system had contributed to Korea's recovery, by ensuring that export markets remained open. Members pointed to the role played by Korea's social protection policies in mitigating the effects of the crisis and in facilitating reforms. Members took note of the extent of the involvement of the State and the *chaebols* in the economy as well as their impact on domestic competition. Members urged Korea to reduce state involvement and facilitate foreign participation in several sectors.

Members expressed their appreciation for Korea's active participation in the work of the WTO. Many Members underlined that their bilateral trade and investment ties with Korea had been strengthened over the recent period. They noted Korea's increased willingness to explore bilateral trade agreements and its involvement in regional groups such as APEC and ASEAN+3. In the light of Korea's interest in such arrangements, Members sought and were given reassurance about Korea's commitment to multilateralism. Certain Members applauded Korea's initiative in providing for duty free treatment of certain items originating in Least-Developed Countries.

Members commended Korea's efforts to enhance the transparency of its trade regulations, including their publication in English. However, concern was expressed on persistent administrative delays in customs clearance and certification procedures. Members noted both Korea's complex tariff structure and its use of adjustment duties, both of which reduced the predictability of the applied rates. Members acknowledged the decline in average tariff levels in line with improving Korea's binding commitments. Members noted that indirect taxes were borne disproportionately by imports of luxury items. In the light of the size of the Korean government procurement and the implementation of the WTO Agreement on Government Procurement, certain Members considered that the share of foreign suppliers could have been expected to be higher.

On sectoral policies, Members noted the wide range of measures used to protect and assist agriculture as well as the increasing level of spending on domestic support. Some sympathized with Korea's high and increasing level

Semiconductor plant: Korea is a signatory to WTO's Information Technology Agreement. (Photo courtesy of the Korean Overseas Information Service)

of agricultural support on the grounds of multifunctionality and food security. However, other Members expressed concern over the adverse impact of these policies on domestic efficiency and consumers as well as on developing countries; they encouraged Korea to reduce market distortions in agriculture. Members recognized that weaknesses in the financial system had contributed to the 1997 crisis and unanimously welcomed the remarkable opening of this and other service sectors. Nevertheless, they believed that further action to open up the markets in non-life insurance, telecommunications and transportation was needed.

Members also sought additional details in a number of areas, including:

- plans to restructure and privatize state-owned firms (e.g., steel, energy);
- competition policy issues (notably mergers and acquisitions, illegal intra-group transactions);
- plans to change investment incentives and liberalise foreign direct investment across sectors;
- FTA negotiations and prospects for the coverage of substantially all trade in goods, and trade in services;
- matters concerning the different types of rates and plans for simplifying the customs tariff;
- commitments under the Agreement on Government Procurement;
- alignment of national standards with international standards;
- the phase-out of export and production assistance programmes;
- the protection and enforcement of intellectual property rights;
- impediments to market access, and domestic support for items, such as beef, rice, fruit;
- standards, taxes and consumer-related impediments to imported automobiles;
- support provided to the shipbuilding industry and to shipping companies; and
- plans for, and costs and difficulties in undertaking further financial and corporate reforms.

Members expressed their appreciation of the written and oral responses provided by the Korean delegation and its undertaking to provide additional written responses as soon as possible.

In conclusion, it is my view that this Review has provided Members with a much better understanding of Korea's trade and related policies, particularly the far-reaching reforms undertaken to address long-standing structural weaknesses exposed by the crisis. Members have been impressed by the speed and strength of Korea's economic recovery from the crisis. Notwithstanding this recovery, in our Review we have not seen complacency on the part of Korea regarding structural reform. Members urged Korea to maintain the momentum of these reforms so as to ensure that the recovery is sustained. It is my sense that Members were reassured by Korea's reiteration of its strong attachment to the multilateral trading system, but they did urge Korea to make sure that plans concerning bilateral and regional arrangements were WTO-consistent. This would not only be in Korea's long term economic interests but also to the benefit of the multilateral trading system. ❑

Market-based reforms help Korea recover from Asian crisis

The response of the Government of Korea to the recent severe crisis and recession was not to resort to protectionist measures but rather to opt for far-reaching market-based reforms, says a new WTO report on the trade policies of Korea. The report adds however that such reforms, which are essential for the achievement of a stable basis for sustainable and equitable growth of the Korean economy, are still incomplete.

The report notes that market-based reforms, including steps to liberalize further the foreign investment regime, have not only fostered a remarkable recovery of the Korean economy, but reduced its vulnerability to external shocks and established a solid basis for sustainable growth in the future. Real GDP, which shrank by 6.7% in 1998, rebounded to grow by 10.7% in 1999.

Recovery was also supported by the multilateral trading system that maintained foreign markets largely open to Korea's exports. The report states that the United States, the EU and Japan have maintained their positions as Korea's main trading partners, although the crisis seems to have diverted certain exports to European markets. Similarly, the importance of trade with countries from the crisis-affected Asia-Pacific regional only slightly declined, still representing roughly one third of total trade.

However, the report notes that in the face of the crisis and the definitive loss of preferential access in important markets (notably the EU, Japan and Switzerland), the Korean authorities now appear to *inter alia* view regional and bilateral trade agreements as an appropriate response to the world-wide expansion of regional arrangements as well as instruments enabling a selective and prompt opening of markets. In this context, it has initiated negotiations on a bilateral free-trade agreement with Chile and is exploring similar initiatives with other countries in the region. Furthermore, Korea now grants duty-free access to imports of 80 commodities from 48 least developed countries.

Korea has carried out reforms in trade and related policies through the implementation of commitments undertaken in the context of the WTO as well as bilaterally agreed arrangements with multilateral institutions or other trading partners. Efforts to improve transparency in trade and investment policies were made by meeting regular GATT/WTO notification requirements as well as by simplifying, translating in English and making part of the regulatory framework available through a web-based computer network.

The report notes that Korea's main trade policy instrument is the customs tariff, which is also an important source of tax revenue. Korea's average applied MFN tariff is currently 13.8% (down slightly from 14.4% in 1996) with 7.5% for industrial products and in the order of 50% for agricultural products, some of which are subject to considerable tariff "peaks".

The report states that Korea considerably improved its tariff bindings on automobiles and items covered by the Information Technology Agreement (ITA).

The report notes, however, that because Korea's customs tariff involves 125 different types and levels of duty, it is a highly complex instrument. The report also notes that the gap between bound and applied rates imports a degree of uncertainty to the effectively applied tariff.

Only beef and rice are subject to quantitative restrictions while import prohibitions on items from Japan were definitively eliminated ahead of schedule, the report notes. Overall, Korea has reduced its recourse to anti-dumping actions and provisional measures. Nevertheless, it has taken safeguard actions against imports of certain agricultural and livestock items.

In the agricultural sector, the report states that given the relatively low level of agricultural productivity and numerous distortions to competition, there appears to be a great deal of scope for efficiency gains. While quantitative restrictions have been largely eliminated, several producers' cooperative and state-trading entities continue to implement trade-distorting measures.

The report notes that progress in the manufacturing sector has been largely based in consumer electronics and communications equipment, automotive products, chemicals, machinery and equipment, and basic metals. However, despite ongoing corporate reforms the sector remains dominated by the large conglomerates (chaebols).

The report notes that in recent years, Korea has undertaken a remarkable opening of the services sector to foreign investment - notably financial, telecommunications, broadcasting, maritime and air transportation. Nonetheless, both the State and the large conglomerates continue to be involved in several activities. ❑

TPRB: Bahrain

Export diversification is a major goal

The Trade Policy Review Body concluded its first review of Bahrain trade policies on 11 and 13 October 2000. Excerpts from the Chairperson's concluding remarks:

We have had a frank and most informative discussion of Bahrain's trade policies and practices. Members noted that Bahrain's liberal policies have played a role in helping it to maintain stable economic growth despite the recent fluctuations in petroleum prices. Bahrain's dependence on petroleum exports, nevertheless, remains significant. In this regard, Members were appreciative of Bahrain's efforts in trying to reduce this dependence through reforms aimed at diversifying the economic base. Recent measures include efforts to reduce the public sector's role in the economy through fiscal reform and privatization, as well as sectoral reform aimed at opening up sectors to private investment. Notwithstanding these efforts, Members also noted that the State continued to play a major role in the economy, urging Bahrain to maintain its efforts to reduce the size of the public sector and to increase private domestic and foreign investment in the economy. Some Members also suggested that competition policy legislation would be useful in enhancing competition in the economy.

Regarding trade policy measures, Members observed that Bahrain's applied MFN tariff was relatively low, averaging 7.7%. However, the bound tariff remained considerably higher at 35.6%, presenting some uncertainty for investors and traders as it gave the authorities scope to raise the applied tariff within bindings. They asked whether Bahrain would consider reducing or eliminating this difference and sought and received assurance from the Bahraini delegation that Bahrain was committed to reducing its applied tariffs.

Questions were also raised on non-tariff measures, including: Bahrain's import prohibitions and restrictions and the rationale for maintaining these; standards and technical regulations and their conformity with international norms; and sanitary and phytosanitary measures. In addition to its participation in the WTO, they noted that Bahrain was a member of the Gulf Cooperation Council (GCC) and was attempting to integrate itself more closely with regional economies of the GCC and others through the Greater Arab Free-Trade Area (GAFTA). Details were requested on the implementation status of the customs union between GCC members and the GAFTA and the question was also raised whether regional agreements might make Bahrain over-dependent on a few markets.

Members noted that Bahrain was making an effort to amend its laws to bring them into conformity with its WTO commitments, even though Bahrain's international treaty obligations superseded national law. In this regard, they asked whether Bahrain could provide more details regarding the status of its current legislation, in particular with respect to intellectual property rights. Several Members also expressed concern about the apparent discrepancy between Bahrain's legislation on trade-related measures and the implementation of these measures.

Oman's Arab Ship Repair Yard (Asry): expanding the industrial base is a major priority. (Photo courtesy of the Bahrain Promotions and Marketing Board)

On sectoral issues, the discussion focussed on Bahrain's plans to further diversify the industrial base which is still largely based on energy intensive industries. In services, several Members asked for details on plans to encourage private sector participation in economic development, including through privatization of services such as transport and telecommunications. In addition, Members remarked that Bahrain had not made any commitments under the GATS in services sectors with the exception of financial services. They believed that making additional commitments under the GATS was important to enhance transparency and predictability in the trade and investment regime and to move the liberalization process forward.

Additional details were also sought on a number of issues, including:

- fiscal reform, in particular with regard to taxation;
- the "Bahrainization" programme (employment targets for Bahrainis in the private sector);
- Bahrain's priorities with regard to future trade negotiations in the WTO;
- customs procedures, valuation and rules of origin;
- infant industry protection and plans to phase these out by 2005;
- tariff exemptions on certain products based on local content and plans to bring these into conformity with the TRIMs Agreement;
- the rationale for import prohibitions and restrictions maintained on a number of products;
- import licensing procedures;
- anti-dumping and countervailing legislation and measures;
- state trading companies and plans to notify these to the WTO;
- government procurement procedures (preference for local and GCC suppliers, plans to accede to the WTO Agreement, procedures for appeals against decisions taken by the authorities);
- the current status of price controls and subsidies;
- sectoral issues including Bahrain's preparations for trade in textiles and clothing before the end of the implementation period for the Agreement on Textiles and Clothing, details about the construction sector, restric-

tions on foreign ownership of local banks and of companies listed on the Bahrain Stock Exchange, plans to join the Information Technology Agreement (ITA) and to establish a Telecommunications Act.

Members also expressed their appreciation of the written and oral responses provided by the delegation of Bahrain during the meeting.

In conclusion, I feel that this Review has helped us to better understand the trade policies and practices of Bahrain. Members were appreciative of Bahrain's efforts to implement wide ranging economic reforms to diversify the economy and increase real economic growth; they, however, recognized that there was a need for accelerated reform to tackle the problem of growing unemployment among Bahrainis. It is my view that Members were also reassured by Bahrain's statement that it was committed to the reform programme. However, they urged Bahrain to improve the transparency and predictability of its trade and investment regime. Views were expressed in favour of Bahrain's increased commitments under the GATS and through regular notifications to the WTO. The Bahraini delegation also reiterated Bahrain's strong commitment to a rules based multilateral system and its determination to bring all its legislation into conformity with its WTO obligations. On the whole it is my view that the review succeeded in achieving what it sought to do. I conclude by expressing my sincere thanks to H.E. Shaikh Daij and his delegation, all other participating colleagues and delegations, the discussant Dr. Barba in particular, Messrs. Boonekamp and Daly, Ms. Rohini Acharya and their team, the interpreters, and all those whose endeavours went into this effort. ❑

Accelerated reform crucial to raising real economic growth

Liberal trade and investment policies have helped Bahrain to maintain stable economic growth for much of the period since the 1980s and allowed some diversification into non-energy related economic activities. Continued dependence on petroleum resources, however, has resulted in a slowdown in economic growth, particularly during the period 1994-1999 as a result of lower energy prices. Lower economic growth and declining public revenue, which is mainly derived from taxes on petroleum and natural gas, prompted Bahrain to implement economic reforms aimed at further diversifying the economy and raising economic growth to accommodate a growing population. The liberalization programme has gone some way in addressing rising unemployment among Bahrainis and raising private investment. However, foreign investment, particularly in key sectors of the economy has been sluggish, suggesting that accelerated reform would better meet Bahrain's targets of economic diversification and growth. says a new WTO report on the trade policies and practices of Bahrain.

Bahrain's MFN tariff on imports is relatively low, averaging 7.7% in 2000, with tariffs on alcohol and tobacco products considerably higher than for other products. Escalation in the tariff, however, provides greater protection for finished products although in some sectors there is de-escalation in the tariff, providing greater protection to primary products and intermediate goods. The report also notes that Bahrain's bound tariff average at 35.6% is significantly higher than the simple average tariff, introducing an element of uncertainty for traders and investors by providing Bahrain with scope to raise applied tariffs within their bindings. There also appears to be some discrepancy between trade-related legislation and practice, potentially reducing transparency and predictability in Bahrain's trade regime.

The report also notes that Bahrain has few non-tariff barriers and recent tariff reductions have taken place in the context of the Gulf Cooperation Council's Unified Economic Agreement which is to be completed by 2005. Bahrain's trade and investment relations are particularly strong with other members of the Gulf Cooperation Council to which it grants preferential treatment on tariffs, investment and government procurement.

Sectoral reform appears to have been mainly concentrated in services. Bahrain has a well developed financial services sector and liberalization has been pursued to try and strengthen the sector further. Banking, especially offshore banking has grown rapidly and policies regulating offshore banking, are liberal. Foreign investment restrictions in onshore banking are up to 49% for non-GCC nationals and up to 100% for GCC nationals. Bahrain is also trying to develop its Stock Exchange which began operating in 1989. Financial services was also the only sector in which Bahrain made commitments under the General Agreement on Trade in Services (GATS). Liberalization has also been proceeding in other services, notably telecommunications, and transport, although more slowly than in financial services.

The petroleum and manufacturing sectors tend to be dominated by the public sector. As part of its diversification strategy, Bahrain has targeted investment in downstream activities related to Bahrain's existing energy intensive industries and is providing supporting infrastructure to attract investment in these activities.

The report concludes that despite these efforts, important sectors such as petroleum and telecommunications appear to be essentially closed to private investment, whereas reform in services, other than financial services, has been piecemeal. An acceleration and deepening of economic reform will therefore not only be important for economic growth, but would also send a positive signal to potential investors. Predictability and transparency of the trade and investment regime would be enhanced were Bahrain to more actively notify its legislation to the WTO, and bind a greater number of services in the GATS. ❑

TPRB: Brazil

Active in multilateral and regional initiatives

The TPRB concluded its third review of Brazil's trade policies on 30 October and 1 November 2000. Excerpts from the Chairperson's concluding remarks:

We have had an open, detailed and informative discussion of Brazil's trade policies and practices. Members were impressed by the resilience of the Brazilian economy and its rapid recovery from the financial crises in 1997 and 1998. They attributed this largely to sound macroeconomic policies and the liberalization pursued over the last decade, both unilaterally and in the context of international agreements: greater exposure to competition from foreign goods and services has helped contain inflation, enhanced productivity and competitiveness and attracted investment. Members recognized that, as a result, Brazil has now moved unequivocally away from the import substitution model of earlier years.

Significant role

Although the relative importance of trade in the Brazilian economy probably remains below its potential level, Members underlined Brazil's already significant role as a trader and investment destination. Members commended Brazil for its active participation in the multilateral trading system, with several welcoming its support for the launching of a new round of negotiations. Some Members, however, encouraged Brazil to help strengthen, and to take fuller advantage of, existing multilateral rules and disciplines by joining the GPA and ITA. Some Members also asked about Brazil's still pending ratifications of the Fourth and Fifth Protocol of the GATS.

Brazil's active involvement in preferential initiatives also attracted considerable interest. Mainly, Members sought information on current and future directions for MERCOSUR, particularly concerning the automotive and sugar regimes. They offered different views on MERCOSUR's meaning to third parties, some stressing the opportunities offered by a single large, regional market, and others raising questions about trade diversion.

Regarding Brazil's domestic trade regime, an important issue was the myriad laws and regulations governing trade, with the widespread use of provisional measures identified as a particular source of difficulty. There thus appear to be room for simplification in this area to render the trade regime more transparent, suggestions including the adoption of a single trade law as Brazil had considered in the past.

Concerns

Members observed with concern that since Brazil's last Review in 1996 the average MFN tariff had risen to 13.7% as a result of the temporary three percentage points tariff increase; they took note of Brazil's reassurances that the increase would be eliminated at the end of this year. Members also observed that closing the often large gap between bound and applied rates would increase predictability for Brazil's trading partners. On certain applied rates apparently exceeding bound levels, the Brazilian delegation stated that all WTO tariff bindings were being fully respected.

Ambassador Jose Alfredo Graça Lima, head of the Brazilian delegation, and Ambassador Celso Amorim, the country's ambassador to the WTO. (Photo by T. Tang/WTO)

Questions were also raised on non-tariff measures, many focusing on Brazil's customs valuation and the role of minimum prices, as well as on the non-automatic import licensing regime. The use of labelling and sanitary and phytosanitary measures also were queried. Brazil's frequent resort to anti-dumping measures was a concern, with some Members observing, however, Brazil's support for stricter multilateral disciplines in the application of such measures.

Members sought clarification on sector-specific support programmes, particularly for agriculture and manufacturing. It was observed that agricultural support, including to exports and credit provided under favourable terms, appeared modest, particularly relative to assistance levels in other producing areas. Nonetheless, even that support could affect world markets where Brazil is a major supplier, for example sugar and alcohol. Brazil is also a leading producer of automotive products; its special automotive regime having given rise to concerns earlier, the Brazilian delegation emphasized that all benefits provided to that industry had ceased at end 1999.

Additional details were also sought on a number of issues, including:

- non-tariff import charges, including the Merchant Marine Renewal Tax;
- the Law of Similars;
- incentive programmes linked to local content requirements;
- export promotion and financial assistance, particularly PROEX;
- export taxes;
- competition policy;
- enforcement of intellectual property rights;
- market access in the services sector.

Members expressed their appreciation of the written and oral responses provided by the delegation of Brazil to those and other questions during the meeting.

I feel that this Review has met the vision for the TPRM expressed by Ambassador Graça Lima in his opening statement, our discussion having enhanced transparency and understanding of Brazil's trade policies and practices through a collaborative quest. Members were appreciative of Brazil's efforts to implement wide ranging economic reforms and encouraged it to continue down this path. This will have to be buttressed no doubt by further improvements to the trade and investment regimes, especially to improve transparency and predictability. The Brazilian delegation reiterated its strong commitment to a rules based multilateral system, and I hope that Members will be able to support this commitment by extending open access for Brazilian exports.❑

Brazil's economic reform has lead to a more market-driven, decentralized and flexible economic environment

Brazil's economic reform, which was initiated over a decade ago has led to a more open trade and investment regimes and, during the last four years, has produced a more market-driven, decentralized environment through the deregulation of state monopolies and prices, investment liberalization and privatization, says a new WTO report on the trade policies of Brazil. The report adds that the resulting improved resource allocation and greater flexibility have helped the economy to deal successfully with external and other shocks, facilitating in particular a rapid recovery from the financial crisis that lead to the floating of the real in 1999.The report notes that a market-set exchange rate would now seem to provide the opportunity for Brazil to reduce, and perhaps remove, some measures taken to restrict imports or support exports, and to make a definitive break from traces of past inward-looking policies. These and other reforms aimed at fostering an undistorted balance between exports and Brazil's large domestic market offer a positive strategy to achieve and sustain higher economic growth.

Developments in economic activity were better than expected after the financial crisis of late 1998 and the prospects are for real growth of 4% in 2000, says the report. Inflation has been kept in line with the Government's target of 8%. Foreign direct investment (FDI) has increased substantially since 1996, exceeding US$30 billion in 1999. Although FDI has been stimulated by privatization, an important share has been autonomous reflecting the attractiveness of a large internal market, better access to other MERCOSUR markets, and the improved market-orientation of the policy environment. Brazil's trade as a percentage of GDP remained stable at some 20% during the period under review. Brazil remains the world's largest exporter of several agricultural products including coffee, orange juice and sugar. The United States and MERCOSUR, especially Argentina, are Brazil's most important markets, followed by the European Union (EU). The main suppliers to Brazil are, in decreasing importance, the EU, the United States, and Argentina.

The report states that foreign trade in Brazil is governed by a large number of laws, provisional measures (MPs), decrees, and resolutions, which have created an intricate web of statutes; its simplification, for example through the single trade law mentioned during Brazil's previous Review, could enhance transparency. Trade-related laws are amended frequently, including through the use of MPs issued autonomously by the President. Some amendments have helped speed up certain reforms but they may also have lessened the predictability of the regulatory structure for traders.

Brazil's main trade instrument is the tariff, whose structure and level are largely determined by a programme of convergence towards MERCOSUR's Common External Tariff (CET). In 1997, Brazil temporarily raised the tariff by three percentage points. In addition, tariffs for capital goods not produced domestically were increased from zero to 5%. As a result, since 1996 the average MFN tariff has increased to 13.7% (from 12.5%); the temporary three percentage points increase is due to be removed by end 2000.

Automatic import licences are in place for statistical purposes and to monitor trade flow, the report says. Brazil's import licensing regime has been the subject of consultations between Brazil and some WTO Members, and is currently under review. The country is an active user of contingency measures, mainly anti-dumping.

Since 1996, protection of intellectual property rights has been enhanced through the passage of new legislation and greater enforcement efforts.

The report also notes that State involvement in production activities in Brazil has diminished substantially and distortions to inter-sectoral incentives have been reduced through the progressive adoption of more neutral sectoral policies. However, some current policies echo earlier import substitution strategies, with incentives favoring some activities while implicitly taxing others.

Since 1996, there has been significant liberalization in the services sector, mainly in telecommunications and financial services.

The report says that Brazil gives great importance to deepening integration in South America; it is the region's largest economy and trader, and is playing a key role in that process. Accordingly, one of Brazil's major trade objectives is the completion of MERCOSUR, by including the sectors currently excluded from free trade (i.e. automobiles and sugar), the progressive elimination of the exceptions to the CET, the coordination of economic policies, and the deepening of integration in new areas. Another key element of Brazil's agenda is the pursuit of negotiations with the EU; efforts involving the United States, Brazil's main single trading partner, take place mostly through the Free Trade Area of the Americas initiative. ❑

Participants to the WTO's 15th Trade Policy Course, include trade officilas from Armenia, Irgan, the Russian Federation and Vanuatu who are participating for the first time ever in these regular courses. (Photo by Tania Tang/WTO)

WTO starts 15th trade policy course

During a brief ceremony held on 2 September, Mr. Paul-Henri Ravier, Deputy Director-General of the World Trade Organization, officially launched the 15th Trade Policy Course held under the aegis of the WTO.

Mr. Ravier welcomed the 28 trade officials on behalf of Mike Moore, Director-General of the WTO. "In order to deal with global issues, you have to be global yourself", Mr. Ravier said. He also referred to the possible expansion of the WTO training capacity which is presently being discussed by WTO Members in the context of the budget preparation for 2001. Mr. Ravier also highlighted the high interest that Mike Moore has placed on activities aimed at increasing the capacity of least-developed countries to participate in the multilateral trading system.

Officials from Armenia, Iran, the Russian Federation and Vanuatu are participating for the first time ever in these regular courses.

The 28 participants from developing countries and customs territories will attend the 12-week course, which will run until 8 December 2000. Since their inception in 1955, 93 residential trade policy courses have been organized under the GATT and the WTO and close to 2000 officials have participated in the training. In addition, a number of short trade policy courses are also organized by the WTO in the context of its technicalcooperation programme. ❑

UNCTAD's investment report

Foreign direct investment inflows by transnational corporations may well surpass the on-trillion-dollar level this year, following last year's already impressive $865 billion, according to the *World Investment Reprot 2000: Cross-border Mergers and Acquisitions and Development*, published in October by the UN Conference on Trade and Development (UNCTAD).

FDI flows into developed countries last year rose to $636 billion, while FDI to developing countries climed to $208 billion.

The report ($49) is available at UN Publications.❑

MEETINGS

November 2000	
28	Dispute Settlement Body
29	Committee on Customs Valuation Committee on Trade in Financial Services Working Party on Domestic Regulation
30	Working Party on the Accession of Vietnam
December 2000	
1	Committee on Rules of Origin; Council for TRIPSl
1, 4-5	Council for Trade in Services
4, 6	Trade Policy Review: Liechtenstein and Switzerland
6	Council for Trade in Services - Special Session Sub-Commitee on Least-Developed Countries
7-8	GENERAL COUNCIL
8	Working Party on the Accession of China
11-13	Textiles Monitoring Body
12	Dispute Settlement Body
13, 15	Trade Policy Review: Canada
14-15	GENERAL COUNCIL - Special Session on Implementation
15	Committee on Balance-of-Payments: Bangladesh
18-19	Working Party on the Accession of the Russian Fed.

Black Sea Seminar: T*he WTO Secretariatorganized a regional seminar in Tbilisi, Georgia on 6-10 November for the members of the Black Sea Economic Cooperation (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russian Federation, Turkey and the Ukraine). The seminar featured "hands-on" simulations of trade negotiations. Georgia's Deputy Foreign Minister T. Beruchashvili opened the seminar. The WTO was represented by Mr. Martin Smeets of the Accession Division.*

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