



WORLD TRADE
ORGANIZATION

Annual Report 2002



WTO Members
(As of 15 April 2002)

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Abbreviations and symbols

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
CEFTA	Central European Free Trade Agreement
CIS	Commonwealth of Independent States
ECU	European currency unit
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign direct investment
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
LAIA	Latin American Integration Association
MERCOSUR	Southern Common Market
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Cooperation and Development
TOT	terms of trade
UNCTAD	United Nations Conference on Trade and Development
c.i.f.	cost, insurance and freight
f.o.b.	free on board
n.a.	not available

The following symbols are used in this publication:

...	not applicable
0	figure is zero or became zero due to rounding
\$	United States dollars

Billion means one thousand million.

Minor discrepancies between constituent figures and totals are due to rounding.

Unless otherwise indicated, (i) all value figures are expressed in US dollars; (ii) trade figures include the intra-trade of free trade areas, customs unions, regional and other country groupings; (iii) merchandise trade figures are on a customs basis, and (iv) merchandise exports are f.o.b. and merchandise imports are c.i.f. Data for the latest year are provisional.

Chapter One

OVERVIEW

Introduction

From the WTO perspective, the year 2001 was above all the year of the Doha Ministerial Conference, a turning point in the history of the WTO and in relations between developed and developing countries. In light of the tragic events of 11 September and its aftermath, the mere fact that the Ministerial Conference could be held at Doha, Qatar, in November 2001, must be seen as a success. That Ministers, in addition, could agree the launch of a new round of trade negotiations, is a recognition of the importance to the global economy of stimulating trade and development. It also brought to an end the uncertainty created by the frustrating failure at Seattle two years earlier. Last year was also one in which we concluded the accession of China, Chinese Taipei, Lithuania and Moldova to the WTO, welcoming more than one quarter of the world's population into our membership.

The Doha Development Agenda

The rewards of bringing the world's disaffected and deprived into the global community are manifest. We have seen the ugly alternatives, in the continuing lethal conflicts that rage around the world; and in the haunted faces of the hungry and the homeless, which are still far too common a feature of our TV screens.

Last year, the Director-General noted that many Member governments and WTO critics agreed that certain adjustments to the rules were needed if the trading system is to better reflect the social, economic and political conditions of a rapidly changing world. Agreement still remains elusive on precisely how existing rules should be changed and what form necessary new rules should take. But at Doha the WTO achieved something that many skeptics had suggested was beyond the organization's grasp: the launch of a new trade round. Even the sternest critics of globalization today accept that the alternative to multilateral rules is reliance on the law of the jungle. With the Doha Development Agenda, we are now on course to negotiate the necessary changes and new rules.

The Doha Development Agenda offers the prospect of a stable trade framework, against the background of a sharp slowdown in global economic growth and trade. Last year, global GDP and trade recorded their weakest performance in more than a decade. Major causes for this were the fall in IT investment and the run-down of inventories; in addition, consumption weakened. While IT investments are not expected to recover to previous levels anytime soon, inventories are being re-built and the outlook for the US economy – which continues to play the role of locomotive in the global economy – is increasingly positive, although overall investment prospects remain fragile.

The IT sector has a larger share in international trade (15%) than in global output (5%). Consequently, global trade has suffered more as a result of the bursting of the IT boom than has output. International transaction costs have also risen, largely as a result of the fallout from the events of 11 September. The combination of higher transaction costs and the downturn in technology investment is likely to reduce the pace of globalization.

This calls for a global trade policy that offsets these adverse trends by confidence-building and further market liberalization. Let us not forget what is at stake in the new round: the World Bank estimates that abolishing all trade barriers could increase global income by US\$2.8 trillion and lift 320 million people out of poverty by 2015. Estimates also indicate that removing all subsidies to agriculture in OECD countries alone could return to developing and least-developed countries – the poorest of the poor – three times more than all the overseas development assistance (ODA) they currently receive. And complete liberalization in all sectors – agriculture, services and manufactures – would, by some estimates, benefit these countries by almost eight times ODA. Achieving such liberalization is within our grasp, and becomes a moral imperative in light of the IMF/World Bank estimate that reaching all seven of the Millennium Development Goals set by the United Nations would require only an additional US\$50 billion annually, far less than merely the *increment* to income in the rich countries which trade liberalization would generate.

Poor countries need to grow their way out of poverty and trade can serve as a key engine of that growth. But currently products of developing countries face many obstacles in entering the markets of rich countries. Rich countries need to do more to reduce trade distorting subsidies and dismantle their existing barriers on competitive exports from developing countries. So a basic priority of the international trade community must be – as

the Doha Development Agenda recognized – the creation of conditions in which developing countries can maximize the gains they are able to reap from trade. This requires action in four key areas:

- Agriculture: this is the backbone of almost all developing economies. The poorest part of the population – living in the rural areas – depends for its incomes on the development of a sustainable and productive agricultural sector. For nearly 50 developing economies, agriculture accounts for over one third of export earnings, and for nearly 40 of them it represents over half. Yet massive agricultural support in the OECD countries undercuts the developing countries and forces even the most efficient producers out of markets where they would otherwise be earning foreign exchange. A key element of a development agenda will therefore be to reduce substantially such support (and to eliminate the specific export subsidies – but these are only a very small fraction of total agricultural support payments which reach one billion dollars a day). In addition, the average OECD bound tariff rate for agricultural products is four times that of industrial products; action is needed on this front also.

- Textiles and clothing: this is the greatest export earner for many developing countries, and the negotiations must ensure that the sector is cleanly “integrated” as planned for 1 January 2005. Given the back-loading of this agreement, with the bulk of changes substantively improving export prospects of developing countries being left until the final year, there is every reason to be extremely vigilant.

- Tariff peaks: study after study has shown how, despite low average non-agricultural tariffs, the products in which developing countries are globally competitive nevertheless continue to attract relatively high tariffs (in both developed and developing countries); these must imperatively be beaten down in the negotiations if trade is to provide the needed boost to resources for development.

- Tariff escalation: even more insidious an issue than tariff peaks is that of tariff escalation, which tilts the tables against the development of indigenous processing/transformation (and thus movement up the value-added chain). If developing countries are ever to diversify their economies away from the dependence on a few primary products for most of their foreign exchange earnings which cuts them off from the most dynamic part of world merchandise trade, such escalation must be rooted out.

Happily, the Doha Declaration invigorates and extends the negotiations for liberalizing access to markets, which is the WTO’s core business. The negotiations on agriculture and services, which began in 2000, are now moving into a higher gear. Negotiations have begun on market access for industrial products, including textiles and clothing, covering both tariffs and non-tariff barriers, and tariff peaks and escalation. The agenda also covers a range of “new issues,” which include competition policy and foreign direct investment, transparency in government procurement, trade facilitation and the environment, although it is still “early days” for some of these issues, on which important decisions will have to be taken at the WTO’s next Ministerial meeting, to be held in Mexico in the second half of 2003.

Our Members have set themselves a tough target: to conclude the new round within three years. The three-year deadline is ambitious, but certainly achievable. As in the Uruguay Round, the conclusion of negotiations will be on the basis of a “single undertaking” so that all Members will sign onto all agreements reached. The challenge for our Members will be to find common ground. The WTO is a Member-driven organization, which functions on the principle of consensus. This is essential for the acceptance and enforcement of its rules. And it gives the negotiating agendas a solid basis in democratic legitimacy and accountability.

The prospects for further trade liberalization are good. The Seattle syndrome has been replaced with the hope and expectation of the Doha Development Agenda. The WTO is back in the business of bringing down barriers to trade and development, back into expanding and improving the rule of trade law, and back into giving opportunity and hope to our poorer members. We have the machinery in place to conclude this trade round. What we need is the will – on the part of both the developing and the developed world – to forge a consensus that will better all of our lives.

Assisting developing and least-developed countries

Development has been placed – rightly – at the core of the new trade round. At Doha, developing countries managed, to a greater extent than ever before, to influence the outcome of a WTO Ministerial Conference. One sign of their influence is that a condition for success of the Doha Development Agenda – negotiations which are to be completed within a three-year time-frame – will be the improved capacity of developing countries to participate, negotiate, conclude and implement that Agenda.

The Doha Development Agenda recognizes that technical assistance and capacity-building are essential to assist developing countries to implement WTO rules and obligations, prepare for effective participation in the work of the WTO, and thus to benefit from the open, rules-based multilateral trading system. Enhanced developing-country capacity to understand the multilateral trading system and particularly the implications of specific agreements is a key starting-point. We need also to help developing countries in their struggle to develop their capabilities to comply with existing agreements. But that is by no means enough. Crucial to their effective participation in the multilateral trading system is a reinforcement of their capacities to formulate trade policy and to build and refine negotiating skills. Technical assistance is needed to train negotiators, build efficient their customs regimes and plug porous tax systems.

We in the WTO are working hard on this, and are very pleased and grateful that the new trade agenda has been strongly supported by donors, who have increased our core budget and pledged CHF 30 million to the Doha Development Agenda Trust Fund, almost double our target. But the requirements of developing countries for trade-related technical assistance extend well beyond what the WTO can and should provide. We need to be absolutely clear about the limits of what the WTO can do and cannot do with regard to the Doha Development Agenda. It is not for the WTO to tell countries to make T-shirts or shoes, to build airports or seaports. 10% of WTO's budget goes to the excellent International Trade Centre whose core business is to help businesses navigate through agreements and rules to get products to markets. The core business of other organizations is to help with physical infrastructure. The WTO cooperates closely with these other agencies. But the WTO must stick to its core business, which is trade liberalization: bringing down barriers to trade so that people everywhere can benefit.

At present, we are on target to meet the mandate handed down by ministers at Doha. We are making every effort to ensure that, by the time of the 2005 Ministerial, all our Member governments will be able to effectively put their views forward. Capacity is being built for negotiations and for trade policy formulation. And developing-country Members can themselves help to speed the process: there is no need to await the conclusion of the Doha Development Round. For example, south-south trade grew faster in the 1990s than world trade, and now accounts for more than one third of developing-country exports. And the World Bank reports that tariffs of other developing countries on developing countries' manufactured exports are considerably higher than those of developed countries. The quicker those walls come down, the quicker the returns will flow to the developing countries.

Other important development and good governance issues, such as transparency in government procurement, investment, competition policy and trade facilitation, need direction from the highest political levels. Trade facilitation, for example, is expected to generate huge returns, according to studies by APEC and UNCTAD. An Inter-American Development Bank study showed how, in South America, a truck delivering products to markets across two borders took 200 hours, of which 100 were bound up in bureaucratic delays at the border. The need for improvement to this public sector infrastructure is desperately urgent. Domestic red-tape and poor governance, wherever it occurs – whether in developed or developing countries – is costly and corrosive.

Fuller participation by civil society

WTO's efforts, mentioned above, to create a more involved and informed membership are part of a broader move towards increased external transparency. We note that there are an increased number of stakeholders in the international trade arena in this era of enhanced globalization. Although there is no consensus among WTO Members in favour of involving NGOs directly in the organization's work, the existing guidelines on external relations were designed by Members to give the Secretariat an appropriate degree of flexibility to allow responsible NGOs a voice in the dialogue. Within these guidelines, an increasing number of symposia have been held, involving a wide range of civil society actors, including parliamentarians, chambers of commerce, trade unions and many groups with particular focus on such issues as development and the environment. We have also greatly improved the dissemination of information to the general public through our website, which in the first quarter of 2002 recorded more than half a million visitors per month. Visitors downloaded monthly the equivalent of over 100 million pages of text.

Overview of Chapters

Chapter Two reviews the broad developments in trade flows and considers in some detail the market for primary commodities, upon the export of which many developing countries

are highly dependent. The widely expected slowdown in the expansion of world output and trade turned out to be much stronger than most observers had projected at the beginning of the year 2001. Global output increased only marginally and world trade decreased somewhat, both developments in sharp contrast to the preceding year when both trade and output expanded at record rates. A salient feature of the recent weakening in global economic activity was the almost simultaneous slowdown in the three major economies from the third quarter of 2000 onwards. Three factors played a role in the steeper-than-expected slowdown: the bursting of the global IT bubble; the sluggishness of Western Europe's activity; and, to a much lesser extent, the events of 11 September. The result was that the contrast in the developments of world output and trade between the years 2001 and 2000 could hardly have been more striking. As regards commodities, the report notes that although the elements shaping commodity price trends have not changed much over the last decades, the importance of commodity prices to the export earnings of developing countries as a group has declined dramatically, the dynamism of world trade in manufactures – in particular that of office and telecom equipment – playing an important role in this outcome. Developing Asia and Latin American regions made extraordinary progress in reducing their dependence on primary product exports from the early 1970s to the late 1990s. Africa, on the other hand, still depends on commodities for 80% of its export earnings. It should also be noted that the regional trade data provided above are affected by the predominance of the major exporters of the region in the regional trade values; in the late 1990s, the exporters of manufactured goods among the developing countries were still outnumbered by the primary product exporters in all developing regions with the notable exception of Asia. Indeed, comparison of the export structure of individual developing economies in 1968-70 and 1998-2000, reveals that out of 103 developing exporters only 27 managed to make the successful transition from predominantly commodity to predominantly manufactures exports.

Chapter Three reviews trade policy trends in WTO Members and notes that, possibly contrary to common belief, trade in industrial products continues to be subject to significant tariff protection in both developed and developing countries, with ample scope for further liberalization. One important feature of the tariff landscape is that low-average tariff levels mask much higher rates applied to imports in "sensitive" sectors, such as textiles and clothing, footwear, travel goods, transport equipment or electric machinery. Another is that tariff escalation – to protect upstream industries in relation to primary production of metals, minerals, fibres, fish and agricultural produce – continues to be an enduring feature of most tariff regimes, affecting the market access interests of developing countries. The slow pace of elimination of restrictions on textiles and clothing, the rising trend in the use of trade defence instruments and the continued use of subsidies, particularly in agriculture, also characterized the trading system in 2001. Product regulations and standards have also become a growing issue for market access in goods, whereas a number of Members pursued the privatization and deregulation of services activities, accelerating the pace of autonomous liberalization in the services sector, and leading to policies in place that are generally more liberal – in some instances, much more so – than those specified in Schedules. Also noteworthy is that with virtually all WTO Members being partners in at least one regional trade agreement (RTA) and with several being part of two or more, RTAs have become by far the most important exception to the MFN principle which lies at the core of the WTO.

The many ongoing activities involved in the regular operation of the WTO – including the various councils, committees and trade policy reviews – are detailed in Chapter Four. The report concludes with Chapter Five containing administrative information on the Organization, its Secretariat and budget.

Chapter Two

WORLD TRADE DEVELOPMENTS

1. Main features

The widely expected slowdown in the expansion of world output and trade turned out to be much stronger than most observers had projected at the beginning of the year 2001. Global output increased only marginally and world trade decreased somewhat, both developments in sharp contrast to the preceding year when both trade and output expanded at record rates.

Quarterly year-to-year changes illustrate the severity of the downturn in the course of the year far better than the average annual changes in global trade and output. Output of the OECD countries stagnated at its preceding year's level in the fourth quarter and for trade in goods and services a contraction of 7% could be observed in the final quarter.

A salient feature of the recent weakening in global economic activity was the almost simultaneous slowdown in the three major economies from the third quarter of 2000 onwards. Contrary to the trade developments between the first quarters of 1998 and 2000 when United States and European Union imports continued to expand rapidly despite a marked slowdown in their exports, fostering thereby the Asian recovery, their export and import growth have decelerated almost in parallel since the autumn of 2000. Imports of Japan started to slow somewhat later than in the other two markets but decreased as steeply as in the United States in the second half of 2001.

Three factors played a role in the steeper than expected slowdown: the bursting of the global IT bubble; the sluggishness of Western Europe's activity; and, to a much lesser extent, the events of 11 September.

The bursting of the IT bubble led to a contraction of IT-related investment and contributed to the stagnation of total investment expenditure in the developed world last year, contrasting starkly with the high investment growth rates in the preceding years. The fall in IT investment together with the less dynamic private consumption of IT products led to a contraction of international trade in office and telecom equipment which had a dramatic impact on those economies in Asia which had specialized in the production and trade of these product categories. These countries which often had the fastest-growing economies and the most dynamic trade performance in the 1990s, were severely affected. Some of them recorded their weakest output performance for the last 30 years.

The sluggishness of growth in Western Europe – the only region which accounts for more than one third of world trade – was due largely to domestic factors and should not be attributed to the weaker United States or global demand. The euro area's domestic demand growth was even weaker than that of the United States in 2001 and US exports to Western Europe decreased more strongly than its imports from Western Europe. Indeed the EU overall surplus in goods and services increased last year and the two economies in the EU with the closest economic links with the United States, Ireland and the United Kingdom, recorded a GDP growth in 2001 well above the EU average.

The tragic events of 11 September led to further erosion of an already weak consumer and business confidence, a temporary reduction in stock market prices, a short term disruption of US merchandise imports and a fall in air transportation in the fourth quarter. The major trade repercussion of the 11 September events in 2001 has been the negative impact on air transportation and tourism depending on air transportation. The Caribbean countries which often depend for more than one third of their total foreign exchange earnings on tourism are likely to be among the economies most severely affected by the terrorist attacks.

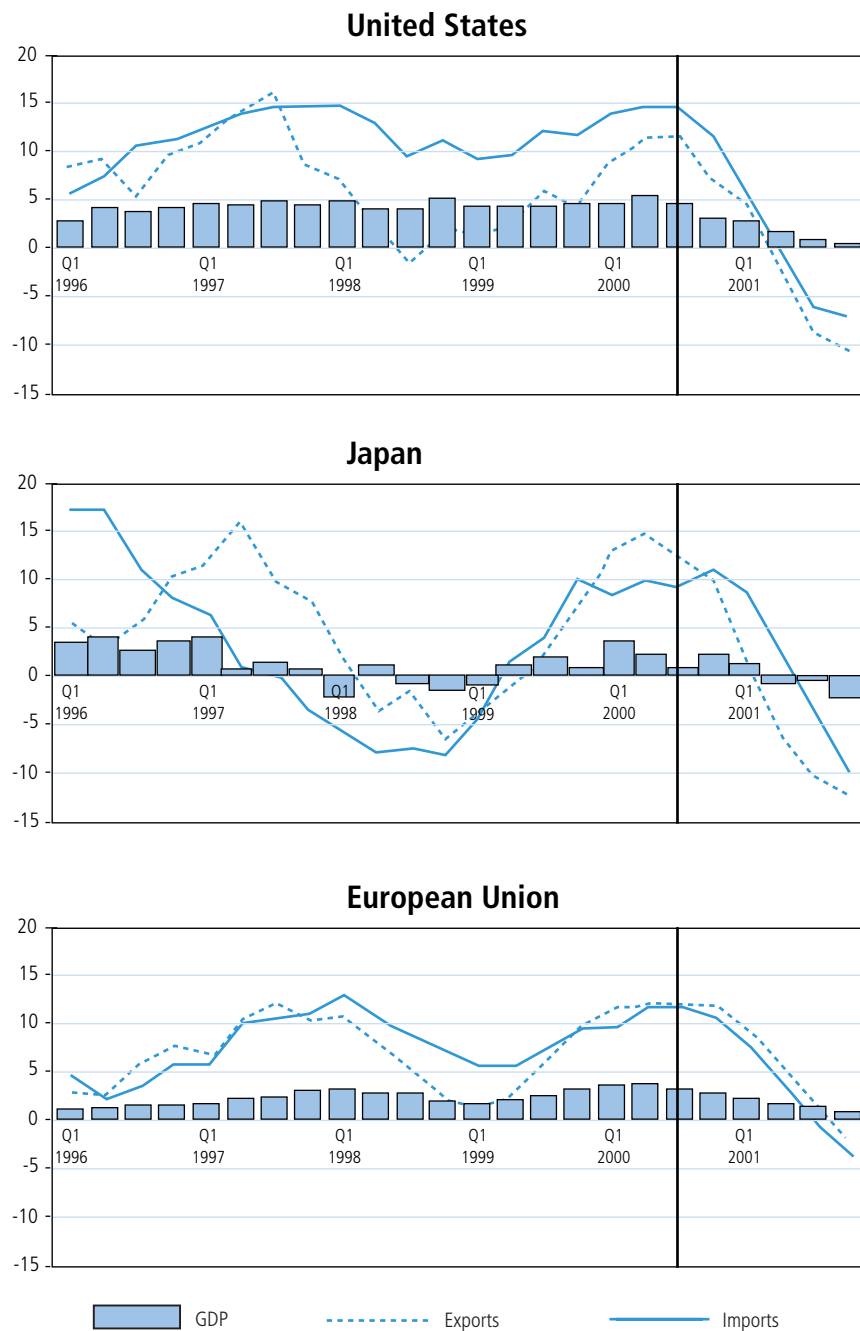
Despite the weakening of the global economy in 2001, some regions and countries reported a strong trade and output expansion. Economic growth close to 5% in the transition economies contributed to a double-digit increase in regional imports. Increases in FDI inflows and substantially higher earnings from fuel exports in recent years are major elements making the transition economies the most dynamic traders in 2001. The substantial increase in export earnings of fuel-exporting countries in 2000 and 2001 also sustained output and imports in Africa and the Middle East. In both the latter regions, output expanded by at least 3%. As the three regions' exports and output had been less affected by the bursting of the IT bubble, their imports moderated somewhat the slowdown of world trade last year.

Although China's trade expansion was curtailed by the weakness of its principal export markets, it still recorded an outstandingly high growth for both imports and exports. The above-average expansion of China in both boom and bust years of international trade has

Chart II.1

Trade and output decline synchronously in major markets, 1996-2001

(Percentage change on a year-to-year basis)



led to a steady rise in China's share in world trade. In 2001, the dollar value of China's merchandise imports (and exports) exceeded those of the Middle East, Africa or Latin America, if Mexico is excluded.

International capital flows, and in particular FDI flows which had been supporting the strong trade expansion in the second half of the 1990s, decreased in 2001. A large part of this decrease can be attributed to falling stock prices and thus to the end of the boom in mergers and acquisitions which inflated the transaction value of FDI flows in recent years, in particular among industrial countries.

Long-term net capital flows to the developing countries have decreased for the fourth consecutive year in 2001 according to World Bank estimates. The decline in 2001 occurred despite a moderate increase of public lending and FDI flows and was due to the repayment of bank credits and a reduction in new obligations and portfolio investment.

The net capital flows to the developing countries as a group, mask the highly divergent situation among the developing regions. The East Asian developing countries (mainly the newly industrialized economies and China) have recorded since 1998 a large current account

surplus which exceeds the current account deficits of Latin America, Africa and that of South Asia. Indeed, the net savings of Japan and those of developing East Asia are the principal source of financing for the two major deficit regions which are the United States and Latin America.

The attraction of the United States for investors was again strong enough to finance the US current account deficit which remained in excess of US \$ 400 billion and to push up the US dollar which appreciated further on an inflation adjusted, trade-weighted basis in 2001. Since 1995, the real effective exchange rate of the US currency has appreciated by more than one third.

It is this general appreciation of the US dollar which, together with moderate domestic inflation rates, has led to falling dollar prices in international trade. Since 1996, the prices of manufactured goods exchanged internationally decreased each year and remained in 2001 more than a quarter below their level in 1995. For non-fuel commodity prices the cumulative decline is similar to that of manufactured goods and almost as steady over the last six years. Prices for oil, however, recorded large year-to-year variations over the last six years and despite their decline in 2001 averaged more than 40% above their 1995 level. The strength of oil prices in the last three years is a major element in the strong GDP growth and import expansion of oil-exporting regions and countries in 2001. Another feature was that global import demand for oil and other fuels did not decrease significantly. In particular, US imports of oil continued to increase in real terms in 2001.

The successful launching of the Doha agenda after the events of 11 September and the acceptance of the Ministerial Conference of four new members, sent out a clear signal that the multilateral trading system is fully operational, that the removal of trade barriers will continue, that member countries want to make their economies more open and international trade be governed by multilaterally agreed rules. While Doha helped to re-establish battered consumer and business confidence, it could have little immediate impact on current trade flows as economic agents need time to adjust to new opportunities. On the other hand, the more limited undertakings by the industrial countries to provide duty-free, quota-free access to all or most LDCs through the "Everything but Arms" initiative of the EU or the United States-African Growth and Opportunity Act (AGOA) would have supported exports of individual countries already in 2001, although at present it is still too early to make an objective analysis of the full impact of these trade policy initiatives. However, it is encouraging to observe that some of the African countries, beneficiaries of the AGOA, recorded substantially higher exports to the United States than in the preceding year, despite faltering United States demand and a contraction of overall United States imports.

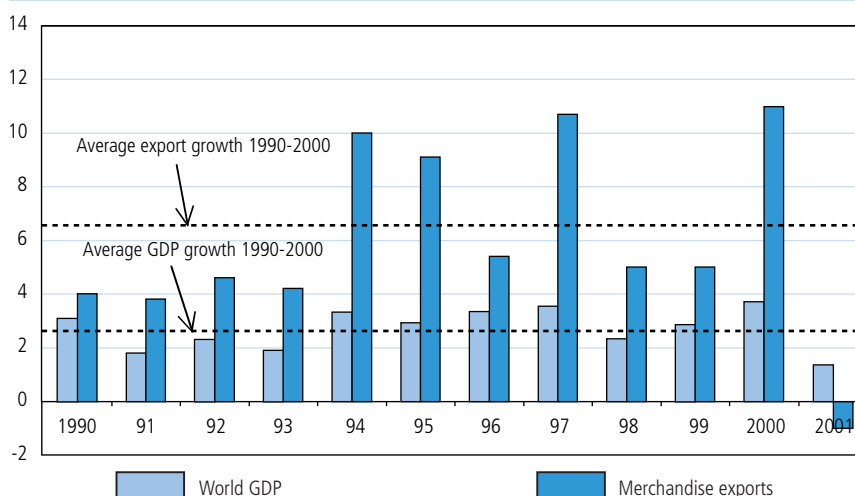
2. Merchandise trade and output developments

The contrast in the developments of world output and trade between the years 2001 and 2000 could hardly be more striking. In 2001, the lowest growth in output in more than two decades and a decrease in trade flows represented a major reversal from the year 2000, which recorded the highest trade and output growth of the last ten years. In 2000, output

Chart II.2

Growth in the volume of world merchandise exports and GDP, 1990-2001

(Annual percentage change)



growth was strong not only globally but also in all major geographic regions, while in 2001 large regional differences in trade and output growth prevailed.

Global merchandise export volume is estimated to have contracted by one per cent in 2001 following an 11% increase in 2000. Global GDP expanded by slightly more than 1% in 2001 following a near 4% rise in the preceding year. Quarterly estimates reveal that there was an uninterrupted decline of trade (on a seasonally-adjusted basis) from the third quarter of 2000 until the last quarter of 2001 when trade levels of the fourth quarter of 1999 were again reached. Fourth quarter data in 2001 for OECD countries did not show any arrest of the trade contraction. This is hardly a surprise given the continued weakness in overall GDP growth and in particular the steep fall in inventory level in OECD countries which further depressed import levels.

The stagnation of investment expenditure in the OECD countries had been one of the salient features of the slowdown in world economic activity in 2001. In contrast to the second half of the 1990s, when the strength of the investment expansion exceeded consumption growth, the fall in capital expenditure in the IT sector in 2001 made investment the principal factor in the global economic slowdown. Though private consumption and public expenditure growth weakened too, these components of demand nevertheless rose by 2 to 2.5% in the developed world. Although investment represents a much smaller part than consumption of GDP, it accounted for more than one half in the reduction of the GDP growth in the developed countries. It is the decline in fixed investment and the steep fall in inventories¹ which had dramatic repercussions on global trade flows in 2001.

The bursting of the information technology (IT) bubble was a major factor in the fall of investment. Owing to the lack of detailed investment expenditure data at present, one has to recur to industry statistics to illustrate the depth of the cut in IT-related production and investment. Global sales of semiconductors, which are the most widespread component in IT products, in 2001 recorded a decrease of 29% to US \$146 billion and capital spending of the world semiconductor industry decreased at a similar rate. World wide shipments of personal computers totaled 128 million units, a 4.6% decline from the previous year, the first year since 1985 in which PC sales decreased. Mobile phone sales dropped by 3% in 2001 to nearly 400 million units after more than doubling in the two preceding years.²

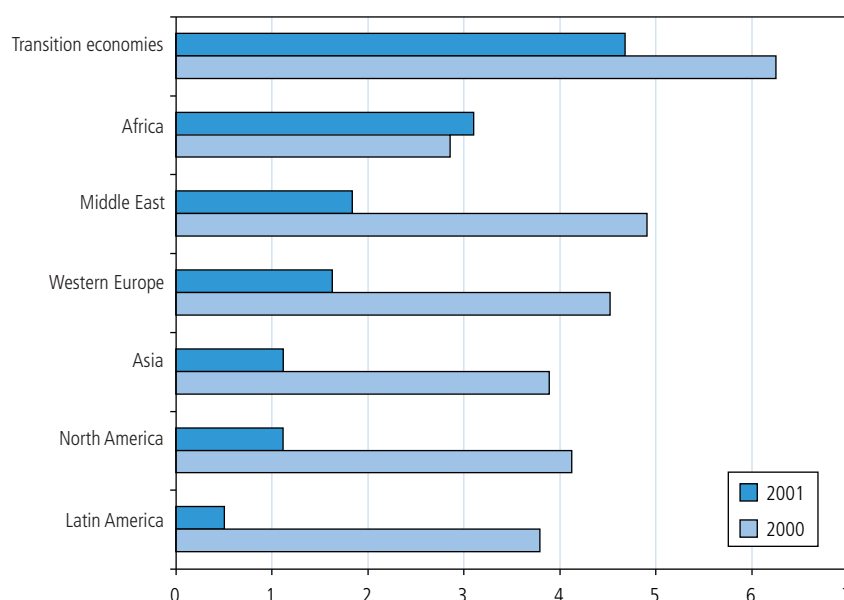
As the importance of IT investment and trade differs significantly among major regions, the impact of the downturn in the information and telecom sector was felt more strongly in the output and trade growth of North America, Asia and Western Europe than in other regions. These developments are a factor which contributed prominently to the sluggish overall trade and output growth of North America and Asia, the regions which benefited most in the recent past from the boom in IT industries.

North America's merchandise export volume recorded the strongest regional decline in 2001 at 5%. Somewhat surprisingly, the export decrease was larger than that of imports. Several factors have contributed to this outcome: first, economic growth among North America's major trading partners in Latin America, Asia and Western Europe was also weak

Chart II.3

Real GDP growth by region, 2000-2001

(Annual percentage change)



¹ The decline of inventories knocked 1.2% off GDP growth in the United States and Canada according to IMF estimates.

² World Semiconductor Trade Statistics, Direct Communication; Gartner, Press Releases dated 7 and 29 January and 7 March 2002.

and the strength of the US dollar has cost US goods market shares at home and abroad. Automotive products recorded a decline in import volumes of 3% but exports in this category decreased by 7.5%. Imports of consumer goods still rose by 1.5% and that of petroleum by 4% while the corresponding exports decreased.

Latin America's moderate overall economic growth kept the volume of merchandise imports nearly unchanged while the export volume was up by nearly 3%. There was a large contrast in the trade performance of the two largest economies within the region. Brazil's exports rose by about 9% while those of Mexico stagnated, largely owing to the contraction of US imports. The very large concentration of Mexican exports on the US markets and the real effective appreciation of the Peso led for the first time in more than ten years to a Mexican export performance that was inferior to that of all other Latin American countries combined.

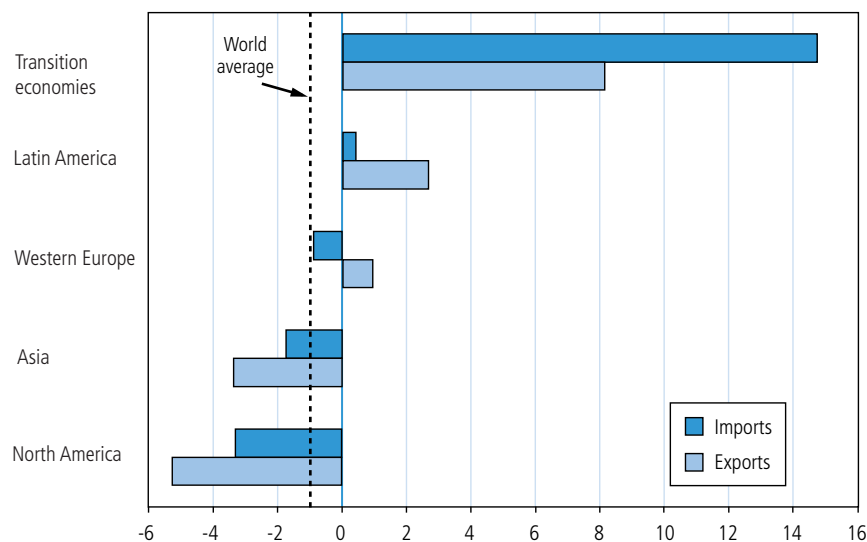
The sluggishness of economic growth within Asia and in its major export markets, North America and Western Europe, together with the shrinkage of global demand for Asia's major export category – office and telecom equipment – caused the first decline of Asia's exports in more than 25 years. The decline in merchandise exports was very steep in Japan and the Asian developing countries exporting principally IT products. In contrast, China and India reported a strong export growth although at a much lower rate than in the preceding year. The decrease in Asia's import volume, nearly 2%, was less pronounced than during the Asian financial crisis year 1998 and also less than its export decrease. The smaller decline in imports than exports for Asia reduced the region's net exports, and was largely due to developments in the region's two largest traders, Japan and China.

Western Europe's export and import volume slowed markedly in 2001. Preliminary estimates indicate that the region's export volume stagnated while imports decreased. For the European Union, one can observe that intra-trade growth was weaker than exports to non-EU member countries. The economic crisis in Turkey caused a contraction of its imports by about one quarter while exports rose by more than 10%. Trade of the economies of the former Yugoslavia recovered, with the rise in imports exceeding that of exports.

Chart II.4

Growth in the volume of merchandise trade by region in 2001

(Annual percentage change)



Volume data for the trade of Africa and the Middle East are rather fragile as only a few countries in these regions provide the necessary information, and reported prices for their major export commodities or international export markets might not always reflect adequately the actual export price developments. According to rough estimates prepared by the Secretariat, it appears that their trade expansion in 2001 was less dynamic than in 2000 but decelerated far less than world trade and remained positive, with import growth exceeding that of exports.

The transition economies' rapid trade expansion was strikingly different from the sluggishness of world trade in 2001. Merchandise export volume growth is estimated to have expanded by about 8% and import growth of about 15% was almost unchanged from the preceding year. Import growth was close to 20% for the fuel exporting Russian Federation, Kazakhstan and Azerbaijan. Imports into Poland, which reported the largest merchandise import value among the transition economies in 2000, registered only a

moderate increase. Foreign direct investment inflows have most likely also contributed to the strength of imports of the transition economies.

3. Trade developments in value terms

The value of world merchandise exports shrank by 4% to US \$ 6.0 trillion in 2001. This was the largest annual decrease recorded since 1982. All three major merchandise product groups – agricultural products, mining products and manufactures – experienced a fall in their export value. Commercial services trade slipped slightly by 1% to US \$ 1.4 trillion last year. This was the first year-to-year decline for world trade in commercial services since 1983. The decrease in the value of transportation and travel services was not fully compensated by the rise in the value of other commercial services, comprising, *inter alia*, communication, insurance and financial services as well as royalties and licence fees. The stronger resilience of commercial services trade in last year's sluggish world economy may also be due to a smaller price decrease for services than for goods, and to the fact that services trade is not subject to the large cyclical inventory variations which contributed to the depressed merchandise trade in 2001.³

Table II.1

World exports of merchandise and commercial services, 1990-2001

(Billion dollars and percentage)

	Value	Annual percentage change			
	2001	1990-2000	1999	2000	2001
Merchandise	5990	6.5	5.0	12.5	- 4.0
Commercial services	1440	6.5	2.5	6.0	- 1.5

World trade developments
Trade developments in value terms

³ Deflators calculated for US services trade indicate a small price increase for services exports and a moderate price decline for services imports.

The overview of world merchandise trade by region provided in Table II.2 below shows that all seven geographic regions recorded a weaker export and import performance in 2001 than in the preceding year. With the exception of the transition economies all regions reported even a fall in their merchandise export earnings. The steepest decrease in both export and import values can be observed for Asia – a region which in the 1990s expanded its trade substantially faster than the world as a whole. The double-digit fall in the

Table II.2

Growth in the value of merchandise trade by region, 1990-2001

(Billion dollars and percentage)

	Exports				Imports			
	Value	Annual percentage change			Value	Annual percentage change		
	2001	1990-2000	2000	2001	2001	1990-2000	2000	2001
World	6162	6	13	-4	6439	7	13	- 4
North America	994	7	13	-6	1410	9	18	- 6
Latin America	349	9	20	-3	381	12	16	- 2
Mexico	159	15	22	-5	176	15	23	- 4
Other Latin America	190	6	18	-1	205	9	10	0
Western Europe	2484	4	4	-1	2527	4	6	- 3
European Union (15)	2290	4	3	-1	2335	4	6	- 2
Excl. intra-EU trade	873	5	7	0	914	5	15	- 4
Transition economies	285	7	26	5	268	5	14	11
Central/Eastern Europe	129	8	14	11	159	10	12	9
Russian Federation	103	-	39	-2	54	-	13	19
Africa	141	4	28	-5	134	3	5	1
Middle East	239	7	42	-9	174	5	10	4
Asia	1671	8	18	-9	1544	8	23	-7
Japan	405	5	14	-16	350	5	22	-8
China	266	15	28	7	244	16	36	8
IT traders (6) ^a	582	10	19	-13	530	9	25	- 13

^a The Rep. of Korea, Malaysia, Philippines, Chinese Taipei, Thailand and Singapore.

Table II.3

Merchandise trade of Africa, 1990-2001

(Billion dollars and percentage)

	Exports				Imports			
	Value	Annual percentage change			Value	Annual percentage change		
	2001	1990-2000	2000	2001	2001	1990-2000	2000	2001
Africa	141	4	28	- 5	134	3	5	1
South Africa	29	2	12	- 2	29	5	11	- 3
Major fuels exporters ^a	66	4	62	- 9	36	3	14	10
Other Africa	46	3	2	1	70	3	- 2	- 1

^a Angola, Algeria, Republic of Congo, Equatorial Guinea, Gabon, Libyan Arab Yamahiriya, Nigeria and Sudan.

merchandise exports of Japan and the six East Asian IT exporters was provoked mainly by the fall in the global demand for IT products and accentuated by the valuation effect of the depreciation of their currencies vis-à-vis the US dollar.⁴ Japan's merchandise imports decreased by nearly 8%, half the decline in its exports, leading to a reduction of its trade surplus. The East Asian IT traders, however, maintained their trade surplus which equals that of Japan, as their imports decreased somewhat faster than their exports. China's strong trade performance in 2001 was again outstanding in the region although it also weakened sharply in the course of 2001.

North America recorded a contraction of its merchandise exports and imports by slightly more than 6%. United States merchandise exports decreased, at 7%, slightly faster than its imports. United States exports to and imports from Asia both decreased by 10%, much faster than its trade with Western Europe (4% and 1% respectively). Exports to NAFTA partners decreased by 9%, faster than imports from NAFTA (5%). Despite its sluggish domestic growth, only in its trade with oil-exporting countries did the United States record a growth of exports and a decline of imports.

Africa and the Middle East are the only two regions which recorded a fall in their merchandise export earnings and at the same time an increase of their merchandise imports. These developments are largely explained by the recovery in oil prices in 1999 and 2000 which boosted these regions' export earnings and foreign exchange reserves and allowed them to further increase imports despite falling exports in 2001. Both regions nevertheless continued to report a merchandise trade surplus.

The regional trade data for Africa comprises divergent trends for fuels exporters and other African countries. Preliminary estimates for 2001 indicate a sharp drop in the export shipments of African fuels exporters and a strong rise in their imports. For the other African countries combined (excluding South Africa) both exports and imports stagnated, according to the information at present available. There is also a large discrepancy in the merchandise trade balances as the fuels exporters recorded a substantial merchandise trade surplus while the other African countries are saddled with a large trade deficit. Among the non-fuel exporting countries, one notices also very large variations in trade performance in 2001 with exporters of manufactured goods (such as Tunisia, Mauritius and Madagascar) having a stronger trade expansion than non-fuel commodity exporters.

Latin America's merchandise exports and imports decreased by 3% and 2% respectively or somewhat less than world trade in 2001. Within the region the trade variations differed significantly among the major traders. Exports and imports of Mexico, the largest trader in Latin America, decreased somewhat faster than those of the region as a whole, while over the past ten years Mexico's trade expansion was far more dynamic than that of the other countries in the region. Brazil's exports rose by nearly 6% while its imports stagnated. Argentina's economic crisis led to a steep contraction of its imports (- 20%) while exports could be maintained at the preceding year level. Oil exporting Venezuela and Ecuador, however, reported a sharp rise in imports and contraction of exports in the order of 10%.

Western Europe's trade did not provide a counterweight to the weaker US trade in 2001 as some observers had been expecting early in the year. Western Europe's merchandise imports decreased almost as much as world trade and shrank even more so than the region's exports. In the case of the EU, exports to third countries stagnated while imports from non-EU members decreased by 4%, or as much as world imports in general. The three major European traders outside the EU (Switzerland, Norway and Turkey) report strikingly different trade performances. While Swiss exports and imports stagnated and those of Norway decreased, imports of Turkey – affected by its economic

⁴ Malaysia is the only country among these seven economies which kept its exchange rate vis-à-vis the dollar unchanged in 2001.

Table II.4

Merchandise trade of developing countries, 1990-2001

(Billion dollars and percentage)

	Exports				Imports (c.i.f.)			
	Value	Annual percentage change			Value	Annual percentage change		
	2001	1990-2000	2000	2001	2001	1990-2000	2000	2001
Developing countries	1991	9	23	- 6	1850	9	20	- 5
Oil exporters	350	7	46	- 9	198	4	15	7
Non-oil exporters	1590	10	19	- 5	1653	10	21	- 6
IT traders (6) ^a	568	9	19	- 13	530	9	25	- 14
Other dev. economies	1022	11	19	0	1123	10	18	- 2
China	266	15	28	7	244	16	36	8
Hong Kong, China	191	9	16	- 6	202	10	18	- 6
Mexico	159	15	22	- 5	176	15	23	- 4
Brazil	58	6	15	6	58	10	13	0
India	44	9	19	4	51	8	10	- 2

^a The Rep. of Korea, Malaysia, Philippines, Chinese Taipei, Thailand and Singapore.

crisis – decreased in 2001 by one quarter after a surge of one third in the preceding years. Its exports, however, increased at double-digit rates helping to reduce Turkey's large current account deficit.

The transition economies form the only region which showed a positive export and import growth in dollar terms last year. Falling oil prices and the weakness of Western Europe's imports on which exports of Central/Eastern Europe depend increasingly had been adverse factors for the regions' export growth. However, these factors were more than offset by the strength of intra-regional trade which was supported not only by the higher level of imports from the oil exporters in the region but also by a sustained high level of FDI inflows. Exports were particularly buoyant in Central and Eastern Europe with exports up at double-digit rates. Import growth in the fuel exporting countries, Russian Federation, Kazakhstan, Azerbaijan and Turkmenistan, was in a range of 15-25%.

Merchandise trade developments of developing countries are summarized below in Table II.4. Merchandise exports of developing countries decreased by 6%, somewhat faster than the world average in 2001, largely due to the marked contraction of shipments from the East Asian traders of IT products and that of oil exporting developing countries. Among the other developing countries China, Brazil and India recorded an increase in their exports while those of Hong Kong, China and Mexico decreased. The share of the developing countries in world merchandise exports decreased slightly from their peak level of nearly 30% in 2001.

Merchandise imports of the developing countries as a group declined by about the same rate as world trade. A further rise of the imports of the oil-exporting developing countries and of China contrasted with the steep decline in imports of the East Asian traders of information technology products. Among the other major developing economies, import decreases are reported for Hong Kong, China; Mexico and India while those of Brazil stagnated.

For the least-developed countries tentative estimates based on incomplete information point to a stagnation of their exports and imports in 2001. Given the importance of fuels in exports of the LDCs, this outcome, if confirmed by the actual numbers, implies an increase in real terms and for the third year in a row a faster export growth than for the world.

Although developing-countries' exports decreased faster than imports, they still recorded an overall merchandise trade surplus in 2001. The aggregate surplus of developing countries is the combination of the surpluses of the IT traders, the oil-exporters and China and a deficit for the remaining developing countries.

Commercial services trade

World trade in commercial services is estimated to have decreased by 1% to US \$ 1.44 trillion in 2001. This first decline of world commercial services exports since 1983 affected all services categories and all the major regions. According to the preliminary data available, it is estimated that the receipts from travel and transportation services decreased by three and 2% respectively. Exports of other commercial services, the largest services category (including communication, insurance, financial services and royalties and licence fees) stagnated in 2001.

The impact of the slowdown in commercial services trade differed largely among the major regions. Most of them reported a decline in exports and imports. The sharpest deceleration in growth rates between 2000 and 2001 could be observed in commercial services exports of Latin America, the Middle East and Asia and for North America's imports.

US imports of commercial services decreased by 7% in 2001 following a surge of 16% in the preceding year. All categories of US services imports recorded a steep fall which was accentuated by the impact of the 11 September events. The United States' import contraction had major repercussions on the services exports of its NAFTA partners, Canada and Mexico, which recorded a fall in their commercial services exports of 5% and 7% respectively. US travel expenditure dropped dramatically after 11 September and averaged 9% lower than in the preceding year. The widespread fear of air transportation severely impacted many economies which are highly dependent on tourists for their foreign exchange earnings. The most dependent economies are usually small island economies, many of them in the Caribbean.

US commercial services exports decreased by 3%, less than did its services imports although travel and transport receipts contracted as steeply as US expenditure in these categories. The difference in the development of US services exports and imports can be attributed to the third major services category: Other commercial services recorded an increase in exports but a decrease in imports.⁵

Latin America's commercial services exports are estimated to have been 4% lower in 2001 than in the preceding year, mainly due to the contraction of exports from Mexico and Argentina. Mexico's exports dwindled, owing to the downturn of the US economy while in the case of Argentina its economic crisis and the highly priced peso contributed to the steep fall of its travel and transportation receipts. Latin America's commercial services imports were still up by 2%, despite a sharp slowdown in the second half of the year.

Asia's exports and imports of commercial services decreased again only three years after the severe contraction during the Asian financial crisis. Indeed, Asia's commercial services trade averaged below its 1997 level in 2001. Sluggish overall economic and merchandise trade growth in Asia and in particular in Japan, together with exchange rate changes, contributed to the region's commercial services trade decline. The downturn was particularly pronounced for Japan and Australia. China, Hong Kong, China and India, however, recorded higher commercial services exports receipts than in the preceding year. In the case of India, a very sharp growth for services (exports and imports) is reported in the category of other commercial services.

The scant information available for services trade of Africa and the Middle East point to a contraction of both exports and imports in 2001. Egypt and South Africa, which combined accounted for more than 45% of African commercial services exports in 2000, both report a decrease in their exports and imports in 2001. Israel, by far the largest exporter in the

⁵ The import contraction of other commercial services is largely due to the insurance payments made in the aftermath of the tragic events of 11 September which are registered as a reduction in premium paid to foreign insurers.

Table II.5

Growth in the value of commercial services trade by region, 1990-2001

(Billion dollars and percentage)

	Exports				Imports			
	Value	Annual percentage change			Value	Annual percentage change		
	2001	1990-2000	2000	2001	2001	1990-2000	2000	2001
World	1440	6	6	- 1	1430	6	6	- 1
North America	298	7	9	- 4	227	7	14	- 6
United States	263	7	9	- 3	188	7	16	- 7
Latin America	58	7	11	- 4	72	7	12	2
Mexico	13	7	17	- 7	17	5	19	1
Other Latin America	45	7	9	- 3	55	8	10	2
Western Europe	670	5	1	0	631	5	1	0
EU (15)	604	5	1	1	589	5	1	0
Transition economies	55	...	10	10	57	...	18	11
Africa	30	5	0	...	38	4	7	...
Middle East	31	8	15	...	56	4	10	...
Asia	298	9	12	- 2	351	7	8	- 3
Japan	63	5	13	- 7	107	3	1	- 8
China	31	18	15	3	36	24	16	2
Hong Kong, China	43	9	13	2	23	8	2	0
India	20	14	26	14	24	13	15	21

Middle East, recorded a steep fall in its services exports – due to sharply lower earnings from tourism.

Western Europe's services trade stagnated in 2001 following a small increase in the preceding year. Measured in euro terms the deceleration in 2001 is considerably more pronounced as the dollar appreciation vis-à-vis the euro was far less in 2001 than in 2000. Within Western Europe marked differences in trade performance could be observed between the three largest traders (United Kingdom, Germany and France) which reported a fall in their exports and imports, and Italy and Spain which experienced a marked increase in both exports and imports. Ireland continued to report by far the most dynamic services trade in Western Europe, concentrated on its other commercial services trade.

The transition economies' commercial services trade continued to expand strongly benefiting from the region's high economic growth. Both exports and imports expanded by almost 10% in 2001. The expansion of services trade was strong across all sectors. On a country level, above average export growth has been observed for Poland, Hungary and the Slovak Republic while imports were buoyant in the Russian Federation, Ukraine and Hungary.⁶

4. Trade outlook

Information available at the time of writing (end March 2002) indicates that the deceleration of US demand was arrested and might have started to pick up in recent months. In Western Europe data on business confidence and order income point to an improvement in the business climate which should lead to a gradual recovery of investment and a more vigorous consumption growth in the course of the year. In Asia, the growth prospects for Japan are still considered to be bleak for 2002 while a number of other Asian countries, including the Republic of Korea, report a strengthening of consumer and investment expenditure. Global economic activity is expected to pick up in the first half also due to the rebuilding of depleted inventories and is expected to gain more momentum in the second half of the year. Despite an acceleration of output growth in the course of the year, the projected annual GDP growth is unlikely to be larger than in 2001. According to the IMF, *World Economic Outlook Projections* (March 2002) world GDP growth is expected to be 2.5% in 2002, unchanged from 2001.⁷

World merchandise trade is expected to expand only marginally on a year-to-year basis despite a projected increase of 6% between the fourth quarter of 2001 and that of 2002. Given the low trade level in the fourth quarter of 2001 it would take a steady increase of 5% at annual rates from the first quarter onwards for trade to recover to the average level of 2001.⁸ A strong rebound in trade is not the most likely outcome given the moderate output gains in major markets and today's more sober prospects for the IT industries.⁹ It is the projected lower growth of the IT industries which might lead in the coming years to a smaller excess of trade over output growth than was observed in the second half of the 1990s.

5. Commodity Prices and Export Earnings of Developing Countries

Commodity price fluctuations have been again quite considerable in 2001, with the number of primary products recording a price decrease exceeding by far those which recorded a price increase. However, a number of primary products recorded double-digit increases for highly diverging reasons with the result that the yearly average of non-fuel commodity prices decrease of 5% masks wide variations. The sluggishness of global manufacturing output¹⁰ contributed to the weakness of prices for industrial inputs, in particular non-ferrous metals. Prices for copper, the most important non-ferrous metal exported by developing countries, recorded a double-digit decrease in 2001 to a seven year low. Prices for some tropical beverages suffered from a market situation in which a strong extension of the area planted and good harvests increased the supply well above global demand growth. Coffee prices slumped by nearly 30% reaching their lowest level in 30 years. Cotton prices dropped by nearly 20% affecting strongly the overall export earnings of Benin, Chad, Mali and Burkina Faso. By contrast, banana prices recorded an increase of nearly 40% (largely due to unfavourable weather conditions and plant diseases in Ecuador and Central America which led to a fall in output) and those of cocoa beans of 20%. The widespread animal diseases in Western Europe which led to a fall in West European output and consumption, was a major factor in the year to year increase in prices of lamb and beef on international markets, reflecting a (health) security premium. Spot crude oil prices

⁶ Commercial services trade data by country are reported in Appendix Table II.3.

⁷ Estimate based by using PPP weights. Using GDP measured at 1995 market exchange rates would result in a world GDP growth of 1.4% respectively in both years.

⁸ The volume of world trade in the fourth quarter of 2001 is estimated to have been 6% lower than in the preceding year.

⁹ Projections made by industry sources for the year 2002 include a stagnation of global sales of mobile phones and a moderate increase of PC sales.

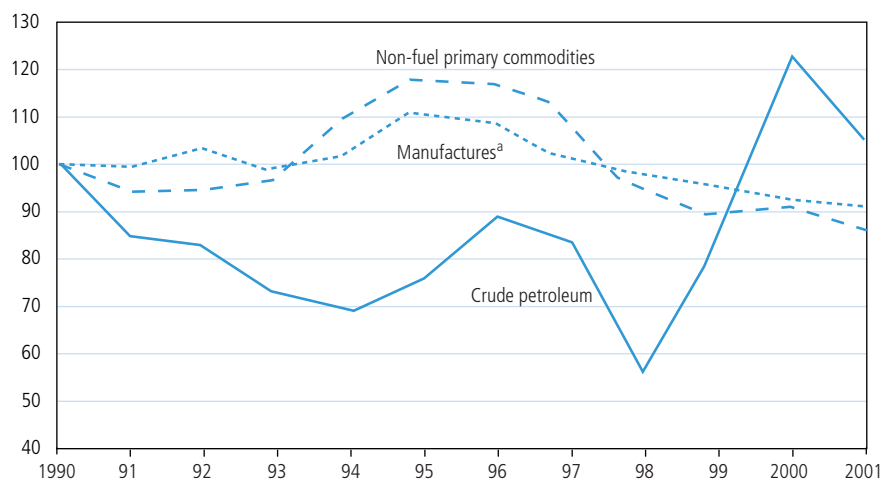
¹⁰ The industrial production in OECD countries decreased by 2.5% in 2001.

dropped by 14%. Prices for manufactured goods are estimated to have decreased by 2%. Overall, in 2001, non-fuel commodity prices were on average 14% below their level in 1990, about the same decrease observed for manufactured goods over the same period. Crude oil prices remained on average 6% above their level in 1990.¹¹

Chart II.5

Price developments in international trade, 1990-2001

(Indices, 1990 = 100)



^a Unit value index.

Sources : IMF, International Financial Statistics and WTO Secretariat estimates.

Commodity price developments have in the past determined the bulk of foreign exchange earnings of developing countries. Consequently, the high price volatility of commodities, their dependence on the industrial countries business cycles (for both volume and prices), the vagaries of the weather and the long-term trend of falling relative prices over many decades of many primary products have provoked questions about the benefits for developing countries' participation in international trade. Although the four elements shaping the commodity price trends have not changed much over the last decades, the importance of commodity prices to the export earnings of developing countries as a group has changed dramatically.¹² This profound change in the role of commodities in developing countries' exports is not always fully perceived in the public debate, which is often limited to the observation of short-term developments. If one takes a longer term perspective of several decades, the progress made by the developing countries as a group in diversifying their export structure by expanding the list of their export items and by adding manufactured goods is remarkable.

Chart II.6 shows the dramatic long-term decline of the share of primary products in the merchandise exports of the group of developing countries over the last 45 years. In 1955, primary products accounted for more than 90% of export earnings in developing countries, a share which fell below 30% at the end of the 1990s. There was a rather steady trend decline between 1955 and the early 1980s but since the mid-1980s the decline accelerated sharply. A part of this change can be attributed to the changing fortunes of the fuels markets. The share of fuels in developing countries' total merchandise exports rose quite steadily in the 50s and 60s and accounted between 1974 and 1982 for more than one half of developing countries' exports. With sharply lower oil prices since 1986, the weight of fuels in developing countries' exports eroded sharply. However, the dynamism of world trade in manufactures – in particular that of office and telecom equipment – is an even more important factor in this outcome. Evidence for this can be found in the steadily shrinking share of non-fuel primary products (agricultural products and non-ferrous metals) in developing countries' exports which was reduced by nearly one half to 12% between the mid-1980s and the late 1990s and in the fact that real oil prices in the second half of the 1990s had been on average above those in the second half of the 1980s.

And while the share of fuels in primary-product exports of developing countries exceeded between 1974 and 1994 that of non-fuel primary products, the contribution of fuels to developing countries' total export earnings dropped in the second half of the 1990s to the lowest ever since 1955.

This general picture, however, masks substantial regional differences. Chart II.7 illustrates the evolution of the share of primary products in the merchandise exports of four developing

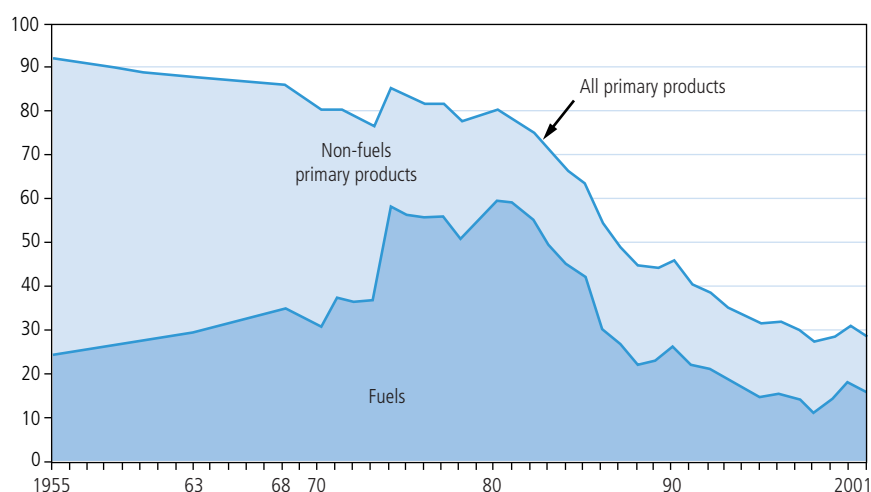
¹¹ Prices for primary commodities are taken from IMF, *International Financial Statistics*, February 2002.

¹² It is questionable whether the relative strength of non-fuel commodity prices compared to those of manufactures in the 1990s, and the somewhat lesser price variation in the 1990s compared to the previous two decades, can be maintained.

Chart II.6

Primary products' long-term decline in developing countries merchandise exports, 1955-2001

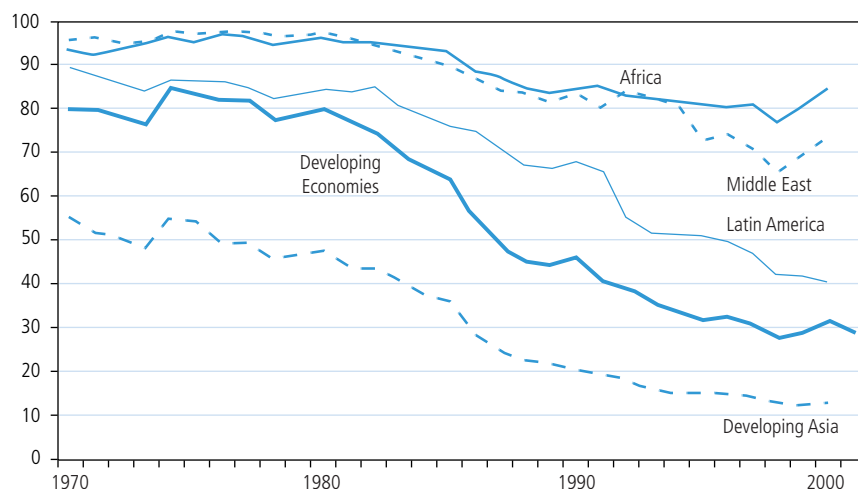
(Percentage share)



regions since 1970. These regions differ not only in respect to their reliance on primary products for their overall export earnings but also by their progress made in diversification over the last 30 years. While the developing Asia region made extraordinary progress, reducing its dependence on primary product exports from more than one half in the early 1970s to less than 15% in the late 1990s, the corresponding decrease for Africa is far more limited, from around 90% in the 1970s to about 80% in the late 1990s. The Middle East region reduced its reliance on primary products more than Africa but still depends on primary products for more than two thirds of its export earnings. Latin America, which was in a rather similar situation to Africa and the Middle East in the early 1970s, substantially reduced its dependence on primary products over the last 30 years from nearly 90% in 1970 to about 40% in the late 1990s. The reduction of the share of primary products was particularly pronounced in the second half of that period. The increased outward orientation of trade policies in the region since the mid 1980s – in particular that of Mexico – contributed significantly to these developments. In sum, developing Asia now has a very low dependence on primary products – even less than the developed regions – while Africa and the Middle East still depend for more than two thirds of their exports on primary products – in particular on fuels. Latin America as a region has sharply reduced its reliance on primary commodities which remains, however, still substantial at 40% in 2000.

It should be noted, however, that the regional trade data provided above are affected by the predominance of the major exporters of the region in the regional trade values. In Latin

Chart II.7

Share of primary products in merchandise exports of developing regions, 1970-2001

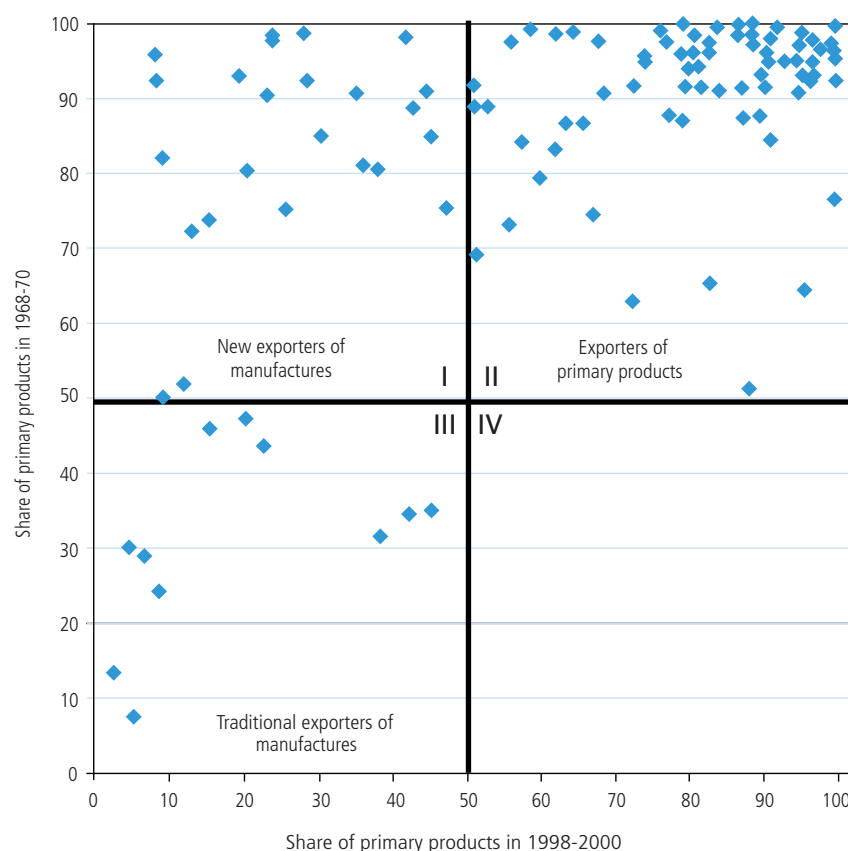
America, the Middle East and in Developing Asia, the top three leading exporters of each region accounted for more than one half and the top five for between 78% and 88% of the regional merchandise exports in 2000. In Africa (including South Africa), the country concentration of regional exports is less pronounced than in the other three developing regions although 3 countries accounted for nearly one half (nearly two thirds) of the region's overall exports in 2000. Due to this important country concentration of regional merchandise exports, it is thus useful also to review the shift from primary product to manufacturing exports at the country level.

In the late 1960s, the large majority of the developing countries was predominantly exporters of primary products (103 out of 111) i.e. with exports of primary products exceeding one half of their merchandise exports. In the late 1990s, the exporters of manufactured goods among the developing countries are still out-numbered by the primary product exporters. This observation holds true in all developing regions with the noticeable exception of Asia.

Chart II.8 presents information on the share of primary products in merchandise exports for 111 developing countries for which information is available on their export structure for both the late 1960s and the late 1990s. (Appendix Table II.4 reports the trade structure of 120 developing economies. Changes in boundaries as well as lack of data limited the number to 111 economies with observations available in both periods.) The share of primary products in the late 1960s is provided on the vertical axis while the corresponding share of the late 1990s is given on the horizontal axis. Consequently, in quadrant I, all countries are grouped which had on average a share of primary products in excess of 50% in 1968-70 and below 50% in 1998-2000, i.e. those economies which recorded a shift from being an exporter of primary commodities to that of an exporter of manufactures. Data in quadrant II comprises all those countries which had been primary product exporters at the beginning and the end of the observation period. Quadrant III comprises the countries which had been exporters of manufactures in the late 1960s and in the late 1990s and which can be described as "traditional" exporters of manufactures. Quadrant IV contains no data as there is no observation for a country which was an exporter of manufactures in the late 1960s and became an exporter of primary products in the late 1990s.

Chart II.8

Share of primary products in developing countries merchandise exports in the late 1960s and the late 1990s
(Percentage)



Source : Appendix Table II.4

The result of the comparison of the export structure of individual developing economies in 1968-70 and 1998-2000 reveals that out of 111 developing exporters only 27 made the successful transition to an exporter of manufactured goods. A total of 76 developing economies remained primary product exporters and eight were "traditional" exporters of manufactured goods. No country shifted from the position of an exporter of manufactures to that of a primary product exporter.

As could be expected from the regional results reported above, the number of manufacturing exporters was and remained the largest in Asia. Among the 27 countries which made the shift from primary commodity exporter to exporter of manufactured goods, there are ten Asian economies, nine countries from Latin America, but only seven from Africa and one from the Middle East. Only in Asia do the exporters of manufactures outnumber those of primary products.

Reviewing the countries which have made the transition to an exporter of manufactures, it is interesting to find not only countries which industrialized and reached higher income levels over the last decades but also some LDCs. For some of the new manufacturing exporters, processing zones have played and still play a crucial role in this development (e.g. Bangladesh, China, Costa Rica, Dominican Republic, Madagascar, Mauritius and Morocco). The experience shows that being landlocked, small or least developed does not necessarily imply that it is impossible to become an exporter of manufactures (e.g. Nepal, Mauritius and Bangladesh).

Admittedly the 50% primary-product share used as a yardstick is a rather crude measure for the change in developing countries' export structure. However, the data assembled also indicate that out of the 76 developing economies which were still primary product exporters in the late 1990s, 58 managed to reduce their dependence on primary products and 24 did so sharply (i.e. with a share of primary products lowered by at least 20 percentage points over the 30-year period).

The data assembled above leads to the following conclusion: while the developing countries as a group have sharply reduced their dependence on primary products, this shift is uneven between the developing regions and even more so among individual economies. Considerable progress has been made not only on the aggregate value of developing-country exports but also on a population weighted basis.¹³ For about two thirds of the developing economies, however, commodity prices remain a major determinant of their annual merchandise export earnings as they still export more primary products than manufactures. The poor prospects for recovery in real commodity prices¹⁴ and the projected moderate demand growth for primary products relative to that of manufactures continue to call for a long-term development strategy in most developing countries to reduce their high dependence on primary commodity export earnings.¹⁵ This long-term strategy is not in conflict with current efforts undertaken to improve the market access for agricultural products. Indeed, the need for the liberalization of market access for agricultural products is highlighted by the fact that at present the majority of the developing country exporter of primary products depend for more than one half of their merchandise export earnings on agricultural products.

¹³ The 35 developing-economy exporters of manufactured goods (eight traditional and 27 new) account for more than three quarters of the total population of all developing countries in the late 1990s. Excluding the two most populous countries, China and India, the remaining 33 developing exporters of manufactured goods represent still more than one half of the population living in the developing world.

¹⁴ World Bank, *Global Economic Prospects and the Developing Countries*, 2002, p. 229-231.

¹⁵ S. Page and A. Hewitt, *World Commodity Prices: Still a problem for developing countries?*, Overseas Development Institute, 2001.

Appendix Table II.1

Leading exporters and importers of merchandise trade in 2001

(Billion dollars and percentage)

Exporters	Value	Share	Annual percentage change			Importers	Value	Share	Annual percentage change		
			1990-2000	2000	2001				1990-2000	2000	2001
United States	730.9	11.9	7	11	- 7	United States	1180.5	18.3	9	19	- 6
Germany	569.6	9.2	3	2	3	Germany	493.0	7.7	3	5	- 1
Japan	404.7	6.6	5	14	- 16	Japan	350.1	5.4	5	22	- 8
France	319.5	5.2	4	0	- 2	United Kingdom	332.5	5.2	4	6	- 3
United Kingdom	273.5	4.4	4	5	- 4	France	322.9	5.0	4	6	- 3
China	266.2	4.3	15	28	7	China	243.6	3.8	16	36	8
Canada	262.2	4.3	8	16	- 5	Italy	233.7	3.6	3	7	- 1
Italy	241.3	3.9	3	1	2	Canada	228.3	3.5	7	11	- 7
Netherlands	229.8	3.7	6	7	- 1	Netherlands	207.9	3.2	6	6	- 5
Hong Kong, China	190.7	3.1	9	16	- 6	Hong Kong, China	202.3	3.1	10	18	- 6
domestic exports	20.0	0.3	- 2	5	- 15	retained imports ^a	31.5	0.5	1	22	- 10
re-exports	170.7	2.8	13	18	- 5						
Belgium	179.9	2.9	-	3	- 3	Mexico	176.2	2.7	15	23	- 4
Mexico	158.5	2.6	15	22	- 5	Belgium	169.0	2.6	-	5	- 2
Korea, Rep. of	150.7	2.4	10	20	- 13	Spain	144.5	2.2	6	15	- 7
Taipei, Chinese	122.9	2.0	8	22	- 17	Korea, Rep. of	141.1	2.2	9	34	- 12
Singapore	121.7	2.0	10	20	- 12	Singapore	116.0	1.8	8	21	- 14
domestic exports	66.1	1.1	9	15	- 16	retained imports ^a	60.4	0.9	6	16	- 20
re-exports	55.6	0.9	13	28	- 6	Taipei, Chinese	107.2	1.7	10	26	- 23
Spain	110.8	1.8	8	10	- 4	Switzerland	84.1	1.3	2	5	1
Russian Fed.	103.2	1.7	-	39	- 2	Malaysia	74.4	1.2	11	27	- 10
Malaysia	88.5	1.4	13	16	- 10	Austria	73.9	1.1	4	2	2
Ireland	83.4	1.4	13	8	8	Australia	63.9	1.0	6	3	- 11
Switzerland	82.1	1.3	3	2	1						
Sweden	75.2	1.2	4	3	- 14	Sweden	62.5	1.0	3	6	- 14
Austria	70.3	1.1	5	3	4	Thailand	60.2	0.9	6	23	- 3
Saudi Arabia	68.2	1.1	6	53	- 12	Brazil	58.3	0.9	10	13	0
Thailand	64.2	1.0	12	18	- 7	Russian Fed.	53.5	0.8	-	13	19
Australia	63.4	1.0	5	14	- 1	Ireland	50.9	0.8	9	9	0
Brazil	58.2	0.9	6	15	6	India	50.5	0.8	8	10	- 2
Norway	57.9	0.9	6	32	- 3	Poland	50.0	0.8	16	7	2
Indonesia	56.7	0.9	9	28	- 9	Denmark	45.6	0.7	3	0	0
Denmark	51.8	0.8	3	2	1	Turkey	40.5	0.6	9	34	- 26
India	43.9	0.7	9	19	4	Portugal	37.7	0.6	5	0	- 6
Total of above ^b	5299.8	86.0	-	-	-	Total of above ^b	5454.5	84.7	-	-	-
World ^b	6162.4	100.0	6	13	- 4	World ^b	6438.8	100.0	7	13	- 4

^a Retained imports are defined as imports less re-exports.^b Includes significant re-exports or imports for re-export.

Appendix Table II.2

Leading exporters and importers of merchandise trade (excluding EU intra-trade) in 2001

(Billion dollars and percentage)

Exporters	Value	Share	Annual percentage change			Importers	Value	Share	Annual percentage change		
			1990-2000	2000	2001				1990-2000	2000	2001
European Union (15)	872.5	18.4	5	7	0	United States	1180.5	23.5	9	19	- 6
United States	730.9	15.4	7	11	- 7	European Union (15)	914.0	18.2	5	15	- 4
Japan	404.7	8.5	5	14	- 16	Japan	350.1	7.0	5	22	- 8
China	266.2	5.6	15	28	7	China	243.6	4.9	16	36	8
Canada	262.2	5.5	8	16	- 5	Canada	228.3	4.5	7	11	- 7
Hong Kong, China	190.7	4.0	9	16	- 6	Hong Kong, China	202.3	4.0	10	18	- 6
domestic exports	20.0	0.4	- 2	5	- 15	retained imports ^a	31.5	0.6	1	22	- 10
re-exports	170.7	3.6	13	18	- 5	Mexico	176.2	3.5	15	23	- 4
Mexico	158.5	3.3	15	22	- 5	Korea, Rep. of	141.1	2.8	9	34	- 12
Korea, Rep. of	150.7	3.2	10	20	- 13	Singapore	116.0	2.3	8	21	- 14
Taipei, Chinese	122.9	2.6	8	22	- 17	retained imports ^a	60.4	1.2	6	16	- 20
Singapore	121.7	2.6	10	20	- 12	Taipei, Chinese	107.2	2.1	10	26	- 23
domestic exports	66.1	1.4	9	15	- 16						
re-exports	55.6	1.2	13	28	- 6						
Russian Fed.	103.2	2.2	-	39	- 2	Switzerland	84.1	1.7	2	5	1
Malaysia	88.5	1.9	13	16	- 10	Malaysia	74.4	1.5	11	27	- 10
Switzerland	82.1	1.7	3	2	1	Australia	63.9	1.3	6	3	- 11
Saudi Arabia	68.2	1.4	6	53	- 12	Thailand	60.2	1.2	6	23	- 3
Thailand	64.2	1.4	12	18	- 7	Brazil	58.3	1.2	10	13	0
Australia	63.4	1.3	5	14	- 1	Russian Fed.	53.5	1.1	-	13	19
Brazil	58.2	1.2	6	15	6	India	50.5	1.0	8	10	- 2
Norway	57.9	1.2	6	32	- 3	Poland	50.0	1.0	16	7	2
Indonesia	56.7	1.2	9	28	- 9	Turkey	40.5	0.8	9	34	- 26
India	43.9	0.9	9	19	4	United Arab Emirates	36.6	0.7	11	3	12
United Arab Emirates	42.9	0.9	8	28	- 2	Czech Rep.	36.5	0.7	-	14	14
Poland	35.5	0.7	8	15	12	Israel	35.1	0.7	9	14	- 7
Philippines	33.6	0.7	17	9	- 16	Hungary	33.9	0.7	12	15	6
Czech Rep.	33.4	0.7	-	10	15	Norway	32.4	0.6	2	1	- 6
Turkey	31.2	0.7	8	4	12	Saudi Arabia	32.1	0.6	2	8	6
Hungary	30.8	0.6	9	12	10	Philippines	31.4	0.6	10	4	- 7
South Africa	29.3	0.6	3	12	- 2	Indonesia	31.2	0.6	4	40	- 7
Israel	29.0	0.6	10	22	- 8	South Africa	28.7	0.6	5	11	- 3
Venezuela	28.6	0.6	6	58	- 10	Argentina	20.3	0.4	20	- 1	- 19
Argentina	26.7	0.6	8	13	1	Venezuela	18.8	0.4	8	15	16
Total of above ^b	4288.2	90.4	-	-	-	Total of above ^b	4531.4	90.3	-	-	-
World (excl. intra-EU trade) ^b	4745.0	100.0	7	17	- 5	World (excl. intra-EU trade) ^b	5017.3	100.0	7	17	- 5

^a Retained imports are defined as imports less re-exports.^b Includes significant re-exports or imports for re-export.

Appendix Table II.3

Leading exporters and importers of commercial services in 2001

(Billion dollars and percentage)

Exporters	Value	Share	Annual percentage change			Importers	Value	Share	Annual percentage change		
			1990-2000	2000	2001				1990-2000	2000	2001
United States	262.9	18.3	7	9	- 3	United States	187.6	13.1	7	16	- 7
United Kingdom	108.3	7.5	8	3	- 6	Germany	128.5	9.0	5	- 3	- 3
Germany	79.8	5.5	5	- 3	- 1	Japan	106.7	7.5	3	1	- 8
France	79.0	5.5	2	- 1	- 3	United Kingdom	88.5	6.2	8	2	- 5
Japan	63.3	4.4	5	13	- 7	France	60.0	4.2	2	- 3	- 2
Italy	59.5	4.1	1	- 4	7	Italy	58.5	4.1	2	- 2	6
Spain	56.7	3.9	7	0	7	Netherlands	52.3	3.7	6	3	1
Netherlands	50.9	3.5	6	- 2	- 1	Canada	39.6	2.8	4	7	- 4
Hong Kong, China	43.0	3.0	9	13	2	Belgium- Luxembourg	38.9	2.7	5	5	2
Belgium- Luxembourg	42.6	3.0	6	5	0	China	36.4	2.5	24	16	2
Canada	34.7	2.4	7	7	- 5	Ireland	33.6	2.4	19	8	17
China	31.0	2.2	18	15	3	Korea, Rep. of	32.6	2.3	13	23	- 1
Austria	30.0	2.1	3	- 3	0	Spain	32.2	2.3	7	2	5
Korea, Rep. of	28.4	2.0	12	12	- 2	Austria	29.0	2.0	8	- 1	0
Singapore	26.4	1.8	8	13	- 2	India	23.7	1.7	13	15	21
Switzerland	25.9	1.8	4	0	- 1	Taipei, Chinese	23.6	1.7	6	10	- 8
Denmark	22.8	1.6	5	21	12	Hong Kong, China	22.9	1.6	8	2	0
Sweden	20.8	1.4	4	2	4	Sweden	22.7	1.6	3	4	- 3
Taipei, Chinese	20.8	1.4	11	18	3	Russian Fed.	20.5	1.4	4	30	18
India	20.1	1.4	14	26	14	Singapore	20.0	1.4	10	13	- 6
Greece	19.7	1.4	11	17	3	Denmark	19.0	1.3	6	18	6
Ireland	19.2	1.3	18	8	15	United Arab Emirates	18.3	1.3	10	à	à
Australia	15.9	1.1	6	5	- 11	Mexico	17.0	1.2	5	19	1
Norway	15.6	1.1	2	8	4	Australia	16.4	1.1	3	- 2	- 7
Turkey	14.8	1.0	9	19	- 23	Malaysia	16.3	1.1	12	13	- 2
Malaysia	13.6	0.9	14	15	0	Thailand	15.9	1.1	10	14	4
Thailand	12.8	0.9	8	- 5	- 7	Brazil	15.8	1.1	9	19	0
Mexico	12.6	0.9	7	17	- 7	Switzerland	15.5	1.1	3	- 1	1
Poland	12.0	0.8	12	25	16	Norway	15.1	1.1	2	- 1	4
Israel	11.3	0.8	12	32	- 21	Indonesia	14.4	1.0	10	30	à
Total of above	1254.0	87.2	-	-	-	Total of above	1221.6	85.3	-	-	-
World	1440.0	100.0	6	6	- 1	World	1430.0	100.0	6	6	- 1

Note: Figures for a number of countries and territories have been estimated by the Secretariat. Annual percentage changes and rankings are affected by continuity breaks in the series for a large number of economies.

Appendix Table II.4

Long-term changes in the product structure of developing countries merchandise exports, 1968-70 and 1998-2000

(Percentage share)

	Primary Products		Manufactures	
	1968-70	1998-00	1968-70	1998-00
Latin America				
Antigua and Barbuda	75	26	23	74
Argentina	87	66	13	33
Barbados	76	47	23	52
Belize	92	82	7	17
Bolivia	99	62	1	31
Brazil	89	43	10	55
Chile	96	81	4	16
Colombia	91	69	9	31
Costa Rica	81	38	19	62
Cuba	99	76	1	3
Dominica	91	44	7	56
Dominican Rep.	96	8	3	83
Ecuador	98	91	2	9
El Salvador	69	51	31	48
Grenada	99	64	1	34
Guatemala	74	67	25	33
Guyana	95	...	5	...
Haiti	71	12	28	87
Honduras	92	72	8	27
Jamaica	92	80	8	20
Martinique	96	...	4	...
Mexico	74	15	26	85
Montserrat	98	77	2	22
Netherlands Antilles	95	93	5	6
Nicaragua	88	87	12	7
Panama	97	83	3	17
Paraguay	91	84	9	16
Peru	99	64	1	18
St.Kitts and Nevis	85	30	15	70
St.Lucia	95	74	4	26
St.Vincent & Grenadines	94	80	1	20
Suriname	85	91	15	3
Trinidad & Tobago	87	63	13	37
Uruguay	80	60	20	39
Venezuela	99	87	1	13
Africa				
Algeria	93	98	7	2
Angola	77	100	23	0
Benin	91	95	9	4
Burkina Faso	96	79	4	17
Burundi	96	83	3	0
Cameroon	92	90	8	6
Cape Verde	...	14	...	82
Central African Rep.	51	88	49	0
Chad	97	95	2	5
Comoros	65	83	35	7
Congo	65	96	35	0
Congo, Dem. Rep.	93	96	7	0
Côte d'Ivoire	94	81	6	18
Egypt	73	56	27	41
Gabon	92	96	8	0
Gambia	98	81	1	19
Ghana	98	68	1	14
Guinea	...	57	...	25
Guinea Bissau	97	98	3	0
Kenya	88	77	12	22

Appendix Table II.4 (continued)

Long-term changes in the product structure of developing countries merchandise exports, 1968-70 and 1998-2000

(Percentage share)

	Primary Products		Manufactures	
	1968-70	1998-00	1968-70	1998-00
Liberia	97	100	2	0
Libya	100	87	0	0
Madagascar	92	28	8	72
Malawi	92	87	7	0
Mali	95	94	4	0
Mauritania	98	100	2	0
Mauritius	98	24	1	76
Morocco	91	35	9	65
Mozambique	93	90	7	10
Niger	96	74	3	26
Nigeria	97	99	2	1
Rwanda	99	59	0	41
Senegal	85	45	15	55
Seychelles	96	100	4	0
Sierra Leone	55	16	45	84
Somalia	96	...	4	...
South African Customs Union	64	37	32	54
Sudan	100	84	0	9
Tanzania	87	79	13	18
Togo	92	50	8	50
Tunisia	80	20	19	80
Uganda	99	92	1	4
Zambia	100	100	0	0
Zimbabwe	63	72	30	27
Middle East				
Bahrain	83	62	17	38
Cyprus	84	57	14	42
Iran	96	91	4	9
Iraq	99	96	1	0
Israel	29	7	70	93
Jordan	81	36	19	64
Kuwait	95	91	5	9
Lebanon	44	23	56	75
Oman	100	79	0	20
Qatar	100	89	0	11
Saudi Arabia	100	88	0	12
Syria	88	89	12	5
United Arab Emirates	98	77	2	20
Asia				
Afghanistan	91	...	9	...
Bangladesh	50	9	46	91
Brunei	97	89	3	11
Cambodia	99	28	1	71
China	52	12	42	88
Fiji	89	53	8	47
Hong Kong, China	8	5	92	94
India	47	20	52	78
Indonesia	98	42	1	52
Korea, Rep. of	24	9	76	89
Lao People's Dem. Rep.	89	51	11	47
Macao, China	14	3	86	97
Malaysia	93	19	6	80
Maldives	...	57	...	43
Mongolia	...	58	...	42
Myanmar	97	56	3	44
Nepal	82	9	18	69

Appendix Table II.4 (continued)

Long-term changes in the product structure of developing countries merchandise exports, 1968-70 and 1998-2000

(Percentage share)

	Primary Products		Manufactures	
	1968-70	1998-00	1968-70	1998-00
Pakistan	46	15	54	84
Papua New Guinea	95	97	5	3
Philippines	92	8	7	74
Samoa	93	97	2	3
Singapore	72	13	25	85
Solomon Islands	98	...	0	...
Sri Lanka	98	24	1	75
Taipei, Chinese	35	5	64	95
Tonga	98	96	1	4
Viet Nam	...	48	...	52

Sources: UN Comtrade data base, IMF World Development Indicators 2001, IMF country reports, EIU country reports, and national statistics.

Chapter Three

OVERVIEW OF DEVELOPMENTS IN THE INTERNATIONAL TRADING ENVIRONMENT

Overview of developments in the international trading environment

Trade policy trends in WTO Members

1. Overview

Although the path of world trade growth has been uneven in the past few years (contraction in 1998, rebound in 1999 and 2000, followed by a slowdown in 2001), the fact that trade continued to expand faster than output is indicative of the increasing openness of national economies. Part of this development is due to the gradual but continued trend towards more liberal trade policies around the world. Fears that the failure of the Third Ministerial Meeting in Seattle to agree on an agenda for a new trade round would lead to a resurgence of protectionism have not, by and large, materialized. This is a tribute to the good sense of governments in conducting their trade policies. But credit also goes to the strength of the multilateral rules under the WTO, as well as commitments made under regional trade arrangements, which have made it more difficult to take protectionist measures. Members also agreed at their Ministerial Meeting in Doha, in November 2001, to build on these achievements and to put in place a comprehensive work programme to strengthen further the multilateral trading system. The recent accessions of the People's Republic of China and Chinese Taipei as the 143rd and 144th Members, respectively, of the WTO, will further strengthen the role of the multilateral trading system and the import of the upcoming negotiations.

National trade policies have continued, by and large, to be outward-oriented, through the implementation of multilateral and regional commitments, and new liberalizing initiatives, both multilateral, regional and autonomous. Since the establishment of the WTO in 1995, Members have been implementing staged reductions in bound tariffs, in domestic levels of support and export subsidy levels for agricultural products, and lifting non-tariff barriers. Specific measures, targeted on improving market access for least-developed countries in particular, have also been implemented. At the same time, with a view to improving the transparency, stability and openness of their trading environments, a number of WTO Members have been changing the procedural aspects of their trade policy regimes, particularly with respect to licensing and customs valuation. These efforts have resulted, without doubt, in more open markets, on the whole.

Nevertheless, significant barriers to trade remain. The unfinished business of market access is the subject of the recently-published WTO Secretariat's study *Market Access: Unfinished Business*.¹ Possibly contrary to common belief, the results of the study demonstrates that trade in industrial products continues to be subject to significant tariff protection in developed and developing countries, with ample scope for further liberalization.² For tariffs on industrial products, the study indicates that bindings cover 100% of tariff lines for most developed countries. As a result of Uruguay Round-related tariff reductions, on top of seven rounds of tariff negotiations held under GATT 1947, developed countries' average bound and applied tariff rates on industrial products have fallen to low levels (7% and 5%, respectively), on a most-favoured-nation (MFN) basis. However, these low average levels mask the much higher rates applied to imports in "sensitive" sectors, such as textiles and clothing, footwear, travel goods, transport equipment or electric machinery. Tariff escalation – to protect upstream industries in relation to primary production of metals, minerals, fibres, fish and agricultural produce – is also an enduring feature of most tariff regimes, and may affect primarily the market access interests of developing countries.

Developing countries have also raised their share of bound tariffs (to three quarters of the total), but a significant proportion of their industrial product tariff lines remain unbound or are bound well above the level of applied tariffs through ceiling bindings. The average bound rate for developing countries as a whole remains well above that of developed countries, although this gap is much lower for applied tariffs. Peaks and tariff escalation are also features of developing countries' tariff regimes, generally in the same category of products as developed countries.

In agriculture, an important achievement of the Uruguay Round was the tariffication of all non-tariff measures and the binding of 100% of all tariffs on agricultural products by all WTO Members, improving predictability and security of access. However, resulting tariffs, even after implementation of staged reduction commitments, are high and continue to offer significant protection to the products concerned. The quantification and binding of disparate measures of domestic support was also a significant achievement, although overall levels of

¹ WTO (2001), *Market Access: Unfinished Business*, Special Study 6, WTO Secretariat, Geneva.

² The tariffs reported in the study are drawn from a sample of 42 WTO Members including all developed countries and a group of developing-country Members that account for 90% of all developing countries' trade.

total support to farming also remain high. Export subsidies, although also bound and reduced in a staged manner, remain in place.

The notification of products to be integrated under the third stage of the WTO's Agreement on Textiles and Clothing (ATC) suggests that a significant number of quantitative restrictions maintained under the ATC may not be removed until the end of 2004. Use of anti-dumping and countervailing procedures by established developed-country users is increasing, joined by a larger number of developing countries each year. While regional trade agreements are increasingly attractive to WTO Members, they also raise questions regarding trade diversion, the effect of tariff preferences, and complex rules of origin.

The services agenda is also full. This sector, critical for businesses and consumers, was first brought into the multilateral rules in the Uruguay Round. Part of its unfinished business was addressed by the agreements on basic telecommunications and financial services reached in 1997. As in the industrial products area, levels of commitments may not reflect actual practice in the services area. Certain WTO Members may be interested in extending the scope of their commitments in order to provide a strong signal of interest in domestic services liberalization. The "unfinished business" in both agriculture and services explains the emphasis currently being placed on the mandated negotiations in these areas.

This chapter looks in greater detail at recent trends in trade policies to take stock of progress, and unfinished business, in the multilateral trading system.

2. Market access for goods

Unfinished business on tariffs

The increase in the level of bindings was a major result of the Uruguay Round. In addition to higher levels of bindings on industrial products, all Members bound 100% of their tariff lines on agricultural items as a result of the WTO Agreement on Agriculture. Bindings reduce uncertainty and improve transparency in trading regimes. Bindings may also have laid the ground for improvements in access to developed countries' markets, as these Members chose to liberalize tariffs through reductions in bound rates.

Most developed countries have bound close to 100% of their industrial tariff lines (Table III.1). A very substantial increase in the share of bound industrial product tariff lines – from 21% to 73% – was effected by developing countries as a whole, although there are considerable differences between such Members. In Latin America, Members bound 100% of lines at ceiling levels, and in Central and Eastern Europe, bindings are close to 100%. The variation in the level of bindings among Members in Asia is significant. Apart from a few, notably Gabon and South Africa, the scope of bindings of WTO Members from Africa is generally low.

Uruguay Round commitments will result in relatively low simple average MFN bound rates for industrial products, although wide differences exist across Members and products. The average for the Quad – Canada, the European Union, Japan and the United States – is under 5%, for developed countries as a group it is about 7%, and for developing countries and transition economies the average is around 26%.³ Japan has the highest share duty-free bound lines – just under one half – closely followed by Norway (Table AIII.1). Few developing countries have bound any lines at zero.

Levels of bound rates for categories of industrial products vary significantly (Table AIII.2). For both developed and developing countries, bound rates are highest in the category of textiles and clothing: Quad countries show a post-Uruguay Round average of 9% and developed countries as a whole are at 12%; developing and transition economies average 29%. Similar levels of rates are to be found for leather, rubber, footwear and leather products (9% for the Quad, 10% for developed countries, 27% for developing countries).⁴ Above-average bound rates are generally also found in the categories of fish and fish products, and transport equipment.

Among the Quad, tariffs well above the average continue to protect a number of industries from imports. In the European Union and Japan, peaks are concentrated in agriculture and food products, although peaks are also prevalent in footwear. In the United States and Canada, most tariff peaks are in manufactures, particularly textiles and clothing, footwear, glass and related products, and electrical parts.⁵ Many of these products are of significant export interest to developing countries.

In addition to peaks, tariff escalation is a feature of industrial-product bound tariffs in many WTO Members. Tariffs structured according to the degree of processing (as well as peaks) affect resource allocation, as well as transparency, and provides scope for rent-seeking. In developed countries, such escalation is present in the same sectors that are affected by peaks, including in textiles and clothing, leather and footwear products. Despite significant efforts made by developing countries to achieve more uniform tariff regimes, peaks and escalation are in evidence, in many cases on the same categories of products as on those in developed countries (Table AIII.1).⁶

³ Taking into account the effects of recent WTO commitments on information technology and pharmaceutical products, the average bound rate of the Quad and other developed countries is further reduced by about one percentage point, and by a few decimals in developing countries.

⁴ This category of products is defined, in WTO (2001), *op. cit.*, Table 4, page 6, as the aggregation of HS Chapters 40 and 41 (except 4101-03), 4201, 4203-05, Chapter 43 (except 4301), Chapter 64 (except 6405-06), 9605.

⁵ B. Hoekman, F. Ng, M. Olarreaga (2000), *Tariff Peaks in the Quad and Developing Countries' Exports*, World Bank.

⁶ B. Hoekman, F. Ng, M. Olarreaga (2000), *ibid.*

Table III.1

Scope of bindings, average and bound tariff rates on industrial products for selected WTO Members ^a

Import Markets	Share of bound lines (%)	Average bound rate ^{b,c} (%)	Average applied rate	
			Level (%)	Year
North America				
Canada	99.6	5.2	4.4	2000
United States	100.0	3.9	4.1	2000
Latin America				
Argentina	100.0	31.0	13.4	2000
Chile	100.0	25.0	9.0	2000
Colombia	100.0	35.5	11.2	2000
Costa Rica	100.0	44.6	4.7	2000
Mexico	100.0	34.8	15.6	2000
Peru	100.0	30.0	13.0	1998
Western Europe				
European Union	100.0	4.1	4.5	2000
Iceland	93.2	9.7	2.5	1998
Norway	100.0	3.4	3.3	1998
Switzerland	98.9	1.8 ^d	2.3	2000
Turkey	36.3	42.6	8.0	1999
Central and Eastern Europe				
Czech Republic	100.0	4.3	4.8	1998
Hungary	95.4	7.4	7.4	2001
Slovak Republic	100.0	4.3	4.4	2000
Asia				
Australia	95.9	14.2	4.7	2001
Hong Kong, China	23.5	0.0	0.0	2001
Japan	99.2	3.5	3.9	2000
Korea, Republic of	90.4	11.7	7.5	2000
Macao, China	9.9	0.0	0.0	1997
Philippines	58.6	26.1	6.7	2001
Singapore	65.5	4.6	0.0	2000
Africa				
Cameroon	0.1	17.6	17.6	1999
Chad	0.4	17.6	17.6	1999
Gabon	100.0	15.5	17.6	1999

^a The data need to be interpreted with caution: neither the year nor nomenclature is the same for all Members listed. For bound duties, most of the Members were using Harmonized System 1988 or 1992, or still CCCN nomenclature. For applied duties, HS 1996 is used for the majority of the Members.

^b Post Uruguay Round bound rate: the Member may have scheduled a longer implementation period for a certain number of tariff lines. One example is textiles and clothing products where several Members have until 2004 to implement the tariff reduction.

^c Taking into account commitments on information technology and pharmaceutical products, post Uruguay Round bound rates for some countries will actually be slightly lower. For example, 3.3% for the United States, 2.9% for Japan, 9.5% for the Republic of Korea, and 22.8% for the Philippines.

^d All Swiss tariffs are specific: *ad valorem* equivalents not available for all lines

Source: WTO (2001), *Market Access: Unfinished Business*, Special Study 6. Figures on applied rates have been updated for the latest available year on the Consolidated Tariff Schedules (CTS) database.

Levels of bound rates for agricultural products are more difficult to analyse due to the presence of specific duties on certain products, which must be converted to *ad valorem* equivalents for comparative purposes; the prevalence of tariff quotas is also a complicating factor. The level of protection implied by specific duties depends on world commodity prices, domestic prices, and thus varies continuously; for tariff quotas, important issues concern administrative arrangements and their implementation. Keeping these difficulties in mind, the evidence suggests that for most WTO Members, the average bound rate for agricultural products is invariably higher than for industrial products; for developed countries, estimates indicate that the simple average of bound rates for agricultural products is around four times that on industrial products, and for developing countries, the average is two to three times higher than that for industrial products.⁷ Peaks in more sensitive agricultural product categories are frequent, as is escalation by degree of processing.

Applied tariffs are generally at, or close to, bound rates for developed countries, whereas developing countries often apply tariffs at rates significantly below bound levels. This latter gap is the result of a combination of two factors: use of ceiling bindings in Schedules and/or autonomous liberalization initiatives to reduce applied tariffs since the WTO came into

⁷ IMF and World Bank (2001), "Market access for developing countries", p. 18.

existence. Such initiatives, often remarked in Trade Policy Reviews (TPRs), frequently indicate significant progress in liberalization (e.g. Cameroon and Uganda in Africa, and India and Pakistan in Asia). Liberalization in Central Europe has also continued at a sustained pace, resulting in generally low applied MFN tariffs. There would seem to have been a pause in the process of tariff reduction in South East Asia and Latin America in connection with the 1997-98 financial crisis. In absolute terms, however, applied tariffs in these regions are already among the lowest among developing-country Members (9% on average in the ASEAN-6, 13% in South America), and no major policy reversals were observed during the financial crisis.

The gaps between applied and bound rates on industrial products differ among regions, noting however the different scope of bindings.⁸ Average bound rates are three times higher than applied rates in Latin America, and two-and-a-half times higher in South East Asia.⁹ In these cases, bindings contribute less to the stability of applied tariffs, since countries could, if they wish, raise their applied tariffs up to the level of their bindings. Trade Policy Reviews indicate that such increases generally have not occurred, although certain countries in Asia fine-tuned tariffs in the course of the 1997-98 financial crisis.

It has to be underlined that the scope of application of MFN tariffs by WTO Members is reduced by preferences granted to partners in regional trade agreements, non-reciprocal preferences, or other preferences granted to countries in transition and developing countries under the Generalized System of Preferences (GSP), or supplementary preferences for the least-developed countries. One recent development in this respect is the extension of preferences granted to the least-developed countries since the Action Plan was launched in 1996. The increase in the number of regional trade agreements in recent years looks set to further erode the scope of application of MFN tariffs.

Slow pace of elimination of restrictions on textiles and clothing

Under the WTO Agreement on Textiles and Clothing (ATC), Canada, the European Union and the United States continue to maintain quantitative restrictions on certain of their imports of textiles and clothing from developing and transition economies. These restrictions were carried over from the Multifibre Arrangement, and are to be eliminated by end-2004. The first two phases of the ATC product integration programme, to bring the sector fully into GATT rules, required the integration of no less than 16% of the total volume of 1990 imports in 1995 and no less than 17% in 1998, respectively. Market access was also required to be improved in the first and second stages of integration, by increases in the quota growth-rates of at least 16% and 25%, respectively, and applied annually. The product integration percentages and the increases in the growth rates have been met, but the elimination of the restrictions has been modest, with a significant exception (Norway). Canada removed restrictions on one product in the first phase and on two categories in the second phase, the EU on 12 categories in the second phase (none in the first phase), and the United States on all or part of 24 product categories in the second stage (none in the first stage). Norway has removed all its quotas under a phased plan.¹⁰

The third stage of integration under the ATC took place on 1 January 2002, and involved no less than 18% of the total volume 1990 imports. At least 12 months in advance of each implementation stage, Members were required to notify the Textiles Monitoring Body (TMB) of their respective integration programmes. The EU's integration programme will result in the elimination of restrictions on 11 EU categories of products, affecting nine WTO Members and leading to the elimination of 37 specific restrictions. In public statements, the EU has raised the possibility of removing additional quotas of particular interest to an exporter in exchange for better access to its domestic textiles and clothing market. For its part, the United States, is going to integrate products from 38 U.S. categories for which the United States maintains restrictions, affecting 20 WTO Members and resulting in the elimination of 43 specific limits or sub-limits. Canada will integrate three categories and two sub-categories for which it maintains restrictions; as a result 27 specific restraints will be lifted. In addition, restrictions affecting 17 other Canadian categories or sub-categories will be partially eliminated.¹¹ In addition, in the third stage of integration all growth rates on the remaining restrictions will be increased by 27%, to be applied annually.

As a result of the implementation of the third stage of integration of textiles and clothing under the ATC, some additional liberalization is to take place beyond that in the previous two stages. However, this still leaves the bulk of trade affected by quotas, to be liberalized only on 31 December 2004, at the end of transitional period to full implementation. It is worth noting, in this respect, that Canada, the EU and the United States have already largely liberalized textiles and clothing trade with neighbouring countries under regional trade agreements.¹²

Restrictions on textiles and clothing products maintained by some other WTO Members outside the ATC but with reference to GATT provisions are also gradually being eliminated. Those maintained by India were removed on 1 April 2001, as scheduled.¹³ Pakistan is in the

⁸ It is difficult to include agricultural tariffs in this analysis because of the above-noted specific-duty and tariff-quota aspects of those tariffs.

⁹ WTO (2001), *op. cit.* Table II.4, p. 17.

¹⁰ Details are contained in notifications to the Textiles Monitoring Body. They are as follows: Canada's integration programme contained one product subject to restrictions (work gloves) in the first phase of integration and two categories of products under the second stage (tailored collar shirts and textiles handbags). Canada removed quotas on certain clothing products in six additional product categories, although not integrating these products. In the second stage, the EU's integration programme contained products in 12 restricted categories, affecting five Members to varying extents. Norway gradually removed all its restrictions: 14 quotas in 1996, 32 in 1997, 5 in 1998 and 3 in 2001. The United States' second stage of integration programme contained all or part of 24 product categories, with specific limits affecting three of these categories or combined categories and six Members, and the other product categories in group or aggregate limits.

¹¹ G/TMB/N/370/Corr. 3.

¹² For example, quantitative restrictions maintained by the EU on textiles and clothing imports from EU membership candidates were eliminated on 1 January 1998, while tariffs had been eliminated one year before. Rules of origin have been harmonized between the EU and the associated countries (WTO (1997), *Trade Policy Review – European Union*, and WTO (2000), *Trade Policy Review – European Union*).

¹³ India – *Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products*, complaint by the United States (WT/DS90/1).

process of phasing-out restrictions on textiles and clothing products maintained under the balance-of-payments provisions of GATT¹⁴; it notified the Committee on Balance-of-Payments Restrictions that it had liberalized certain fabrics and apparel products in early 2001.¹⁵ Turkey, for the implementation of the results of a dispute-settlement proceeding with India, agreed to a phase-out plan of restrictions affecting textiles and clothing imports from that country; subsequently the two Members notified a mutually satisfactory agreement to the DSB, which includes compensation.¹⁶

Rising trend in the use of trade defence instruments slows in 2000

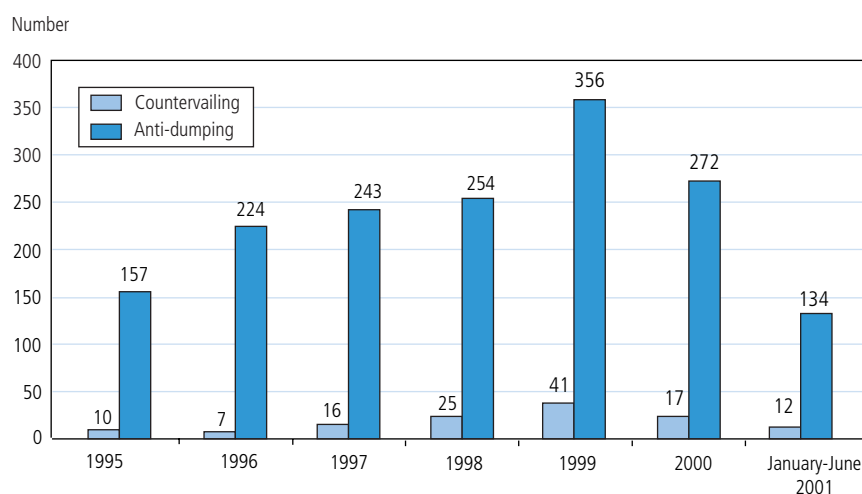
Under the WTO Agreements, Members have the right to apply contingency trade measures (anti-dumping, countervailing or safeguard), subject to specified rules. However, to preserve the market access gains from reducing traditional measures of protection, care should be taken not to abuse such contingency measures to impose new barriers to trade. Moreover, even when in compliance with WTO disciplines on the use of such measures, it is possible that the initiation of procedures (sometimes in a combined manner, both anti-dumping and countervailing procedures) may have a chilling effect on trade; in particular, responding to procedures imposes costs on traders and exporters that may discourage trade, in particular in sensitive products. Finally, the use of the procedures themselves can be the source of disputes, as a significant percentage of all complaints filed in the WTO since 1995 concern the use of trade defence instruments.

During the period 1995 to mid-2001, records maintained by the WTO indicate nearly 1,642 initiations of anti-dumping investigations world-wide. More than half of these investigations were initiated by developing or transition countries, demonstrating their growing use of anti-dumping procedures; developing and transition countries accounted for one third of total initiations of investigations in the previous five-year period. At the same time, exporters in developing and transition countries are the main targets of anti-dumping investigations – of both developing countries and developed countries – accounting for nearly three quarters of initiations.

A slowdown in the number of initiations occurred in 2000 after the surge of 1999 – 272 anti-dumping investigations initiated compared with 356 in 1999 (Chart III.1 and Table AIII.3); figures for the first six months of 2001 (134 initiations) suggest that the final number for 2001 may be slightly higher than for 2000 (Table AIII.3B). The leading four users in 2000 were: the United States (47 initiations), Argentina (45), India (41), and the European Union (31). In 2000, the WTO Members whose exporters were most often the subject of initiated anti-dumping investigations were: the European Union and its Member States together (41); the Republic of Korea (19); Indonesia (13); and the United States (12). Chinese exporters were also often targeted (42 initiations). In the first half of 2001, the leading four users were: the United States (39), Canada (23), India (16) and the European Union (13); most investigations continue to be targeted against the European Union and its members (23), followed by China (22), Chinese Taipei (9) and India (8). Since 1995, the European Union and its Member States have been the most affected by initiations (287), followed by China (229), the Republic of Korea (127), the United States (93), Chinese Taipei (84), Japan (71), Indonesia (64) and India (64).

Chart III.1

Initiations of anti-dumping and countervailing investigations, 1995-2001



Source: WTO Secretariat.

¹⁴ WT/BOP/R/51.

¹⁵ WT/BOP/N/53/Add. 2 of 10 January 2001 and WT/BOP/N/57 of 15 February 2001.

¹⁶ *Turkey – Restrictions on Imports of Textiles and Clothing Products*, complaint by India (WT/DS34/14).

On average, about one-half of initiated anti-dumping investigations are terminated without measures being imposed, and the rest end with a definitive anti-dumping measure in the form of a duty or, much less frequently, a price undertaking by the exporter. The number of anti-dumping measures in force rose from 880 at the end of 1997 to 1,120 at the end of 1999. In 2000 the number declined to 1,088; by mid-2001 Members had notified 85 measures in force to the WTO. In 2000, the United States had the most measures in place, followed by the European Union, South Africa, India, and Canada. Counted together, the EU and its Member States were the WTO Members most affected by anti-dumping measures in place, although exporters from China are affected by a similar number of measures. In the first half of 2001, most measures were notified by India (18), followed by the United States and Brazil (12 each) and Australia (10); countries most affected by anti-dumping measures during this period were the EU and its Member States (17), the Republic of Korea (10) and China (9).

Sectors where anti-dumping measures are more frequent include chemical products and base metals, notably steel. Requests for anti-dumping investigations by the steel industry have been relatively frequent in recent years, notably in the United States (almost two thirds of the 125 anti-dumping investigations initiated between 1998 and 2000 involved steel products), in relation to chronic excess-supply in world markets.¹⁷ As steel prices are falling again, new calls for anti-dumping investigations are re-emerging from both sides of the Atlantic.

The use of countervailing procedures – both in terms of the number of user WTO Members, initiations, and measures in force – remains much lower than for anti-dumping. While the number of initiations also reached a peak of 41 in 1999, a slowdown occurred in 2000, with 17 initiations (Table AIII.4); in the first half of 2001, 12 investigations were initiated (Table AIII.4B). As of mid-2001, the United States had the largest number of measures in force (21), followed by the European Union (15), while the European Union and its Member States were the most affected by measures (20).

Subsidies are still an issue, in particular in agriculture

Although there is no global accounting available on the use of subsidies, a number of factors, ranging from fiscal consolidation in major economies to private sector-oriented structural reforms in developing countries, have contributed to limiting the use of subsidies in the manufacturing and services sectors.¹⁸ The disciplines on trade-distorting subsidies contained in the WTO Agreement on Agriculture have also capped support to this sector, which nevertheless remains among the leading recipients of support in a number of WTO Members.

Total support to agriculture by OECD countries is estimated by the OECD to have decreased in 2000, from US\$356 billion to US\$327 billion. The decline was due to higher world prices (and hence a reduction in the gap between domestic and world prices) and exchange rate movements, “rather than major agricultural policy changes”.¹⁹ Producer support granted in the OECD area also declined from US\$274 billion in 1999 to US\$246 billion in 2000, i.e. from 37% to 34% of total farm receipts: the largest share of this producer support is accounted for by the European Union (36%), followed by Japan (24%) and the United States (20%). Chart III.2 presents producer subsidy equivalents for these four countries. It should be noted that OECD figures do not segregate less from more trade-distorting measures of producer support, notably the measures in the 18 “green box” categories of Annex 2 of the Agreement on Agriculture.²⁰

In relation to the peak 1986-88 period, when the Uruguay Round was underway, the OECD notes that the overall level of support to producers in 2000 was some 7 percentage points below the peak (Chart III.2). This is an improvement over 1999, when the OECD found support to have risen to the 1986-88 level for the first time. On the whole, the OECD finds that:

The overall reduction in market protection in the OECD area may partly reflect the process of achieving WTO commitments. However, the current levels of protection are still an important factor in encouraging production, distorting trade and depressing world prices of agricultural commodities. Moreover, such protection continues to be regressive as it mainly benefits large firms and impacts most strongly on low-income consumers for whom food constitutes a larger share of their total household expenditure.²¹

Under the WTO Agreement on Agriculture, Members are committed to limit and reduce the volume and value of export subsidies; the use of new export subsidies is prohibited.²² These commitments primarily constrain developed countries, and notably the European Union, which accounts for about 90% of export subsidies granted by OECD countries. According to the OECD, the total value of export subsidies on agricultural products decreased in 2000, mainly due to a fall in the value of subsidies granted by the European Union (this in turn being the outcome of the lower gap between domestic and international

¹⁷ During the 1997-98 financial crisis in some emerging markets, calls for anti-dumping actions were heard in the main importing (and producing) countries, in particular the United States, raising fears of a new wave of anti-dumping actions; however, world demand and prices rebounded quickly, preventing a new “steel war”.

¹⁸ All WTO Members are required to notify their subsidy programmes to trading partners. For notifications on subsidies under Article XVI:1 of GATT 1994 and Article 25 of the Subsidies Agreement, see document series WT/G/SCM/N/; and for notifications on agricultural support measures under the Agreement on Agriculture, see document series WT/G/AG/N. Comparisons are however difficult to make regarding the actual amounts of subsidy involved.

¹⁹ OECD (2001), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p. 5.

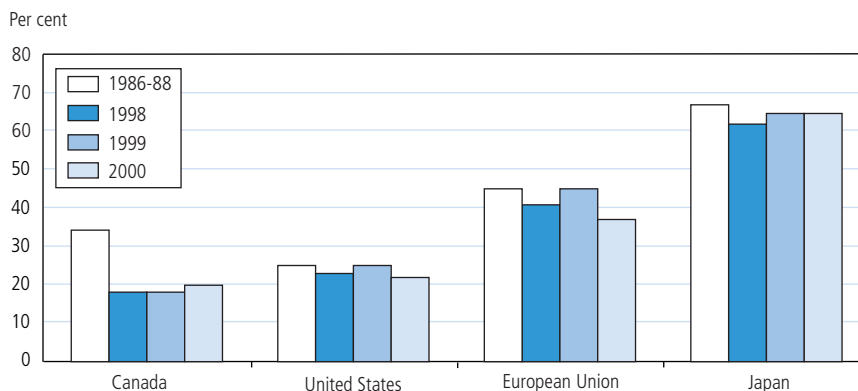
²⁰ G/AG/NG/2.

²¹ OECD (2001), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p. 16.

²² Commitments include the reduction of subsidized exports by 21% over 6 years (14% over 10 years for developing countries) and the reduction of the value of export subsidies by 36% (24% over 10 years for developing countries).

Chart III.2

Producer Support Estimates (PSE) for Canada, the United States, the European Union and Japan, 1986-2000



Source: OECD (2001), *Agricultural Policies in OECD Countries - Monitoring and Evaluation*, Paris: OECD Secretariat.

prices). Still, the post Uruguay Round levels of export subsidies that will continue to be allowed at the end of the implementation period amount to close to US\$13 billion, permitting significant use of these subsidies, if Members so wish.²³ This underlines the importance of meaningful progress in the currently engaged negotiations, under Article 20 of the Agreement on Agriculture, to continue the reform process.

Subsidies are used in sectors other than agriculture. Although their use is by no means confined to the two largest WTO Member economies – the United States and the European Union – their impact on conditions of competition in world markets tends to be significant. Statistics produced by the European Commission, which monitors state aid in the European Union, show a clear downward trend since 1996.²⁴ No similar overall assessment is available for the United States concerning trends in aid provided at the federal, state and local government levels, but there is no reason to believe a trend to rising levels.²⁵ Subsidies tend to be narrowly targeted on specific sectors, certain types of business (e.g. small and medium-sized enterprises), disadvantaged regions or certain objectives (e.g. technological development, environmental protection). Subsidy practices on both sides of the Atlantic have proved to be a persistent source of disputes in the WTO.

Product regulations and standards are a growing issue for market access

Products placed on the markets of WTO Members, whether domestic or imported, must comply with the relevant regulations, where they exist, to meet, *inter alia*, health, safety and environmental objectives. Such regulations may include sanitary and phytosanitary (SPS) measures, which are taken to protect human, animal or plant health, or other product regulations and standards, such as labelling and packaging requirements, to meet public policy objectives. Generally, the entry of imported products is permitted subject to conformity assessment procedures conducted on the territory of the destination market. However, sometimes the measures involve outright bans, notably in the context of the implementation of multilateral environmental agreements such as the Montreal Protocol, the Basel Convention or CITES.

The WTO Agreements on Technical Barriers to Trade (TBT), and on Sanitary and Phytosanitary Measures (SPS) recognize and encourage the activities at the international level designed to reduce barriers to trade resulting from products and products-related regulation, in particular, the development of international standards, guidelines, and recommendations. Such activities at the international level reduce the potential barriers to exports. As part of implementation-related issues and concerns with respect to WTO Agreements, developing countries have pointed to their inadequate levels of participation in standard-setting bodies, an issue on which initiative was taken by the Director-General.

A new development, encouraged by the TBT Agreement, is the conclusion of mutual recognition agreements (MRAs), on the results of conformity assessment procedures, between trading partners having established confidence in each other's testing entities and procedures. The trend to conclude such MRAs is confined, to date, to developed countries.²⁶ The SPS Agreement encourages the acceptance, by an importing country, of health protection measures that may differ from those of the importing country but that provide an equivalent level of safety. The SPS Committee has identified actions that could assist developing countries that are seeking to have their measures recognized as equivalent.

²³ 70% to the European Union. See WTO (2001), *Market Access: Unfinished Business*, Geneva, Table III.10, p. 61.

²⁴ European Commission (2001), *Eighth Survey on State Aid*, Brussels, p. 9. State aid to the manufacturing sector in the Community has been reduced by a third between 1995 and 1998, the latest year for which statistics are available.

²⁵ According to WTO(2001), *Trade Policy Review – United States*, for 1999, estimated U.S. outlays in support of commerce and business amounted to US\$28 billion and credit programmes slightly exceeded US\$2 billion. By comparison, tax expenditures were US\$6.8 billion in the international business sector, US\$2.4 billion for space and technology companies, US\$3.2 billion in the energy sector, and US\$1.7 billion for natural resources and the environment; the largest single business tax expenditure (accelerated depreciation of assets) was estimated at US\$32 billion in lost revenue that year.

²⁶ For example, the European Union has concluded MRAs for the results of conformity assessment with Australia, Canada, Japan, New Zealand, Switzerland, and the United States.

Table III.2

TBT notifications of technical regulations and standards, 1995-2000

	1995	1996	1997	1998	1999	2000
Argentina	0	1	0	1	16	37
Australia	20	18	26	12	35	10
Brazil	1	9	35	43	17	12
Canada	29	20	30	115	24	26
Czech Republic	12	14	1	6	28	52
European Union ^a	123	123	437	276	185	156
Japan	50	41	35	28	30	56
Korea, Rep. of	13	9	14	8	22	27
Malaysia	1	19	12	28	98	3
Mexico	29	27	29	35	34	28
Switzerland	4	12	21	7	22	9
Thailand	7	13	22	34	22	9
United States	33	40	33	35	49	32
Total	365	460	795	648	672	611

^a The European Union and its Member States. For details of Member States' notifications, see WT/TPR/S/72, p. 62, Table III.6.

Source: WTO Secretariat.

There is increasing transparency regarding the use of SPS measures. Most notifications are from developed countries, although developing countries are also notifying them with greater frequency. By end-2001, the United States had notified the highest number of SPS measures (526) to the WTO followed by the European Union and its Member States (235), Mexico (175), New Zealand (161) and Australia (135). The significance of TBT measures also appears to have grown, rising from 365 notified measures in 1995 to 611 measures in 2000 (after a peak of 672 measures in 1999), in part due to the expanded use of such measures by developing countries (Table III.2).

SPS and TBT measures are an integral part of the instruments at the disposal of WTO Members to meet public policy goals: an objective of the relevant WTO Agreements is to ensure that such measures do not create unnecessary obstacles to international trade. Complaints of such barriers to trade being created are on the rise: as of 2001, there were 22 complaints invoking provisions of the SPS or TBT Agreements.²⁷

3. Market access conditions for services

The services sector plays a dominant role in the economies of most WTO Members, both in providing consumer benefits directly, such as through health and education, and as a support to business activities through, for example, finance, communications, and transportation. Services is the main sector of activity in high-income countries (both in terms of GDP and employment) and its importance is growing in lower-income countries. The importance of the services sector in the world economy greatly exceeds its share in world trade, the latter being estimated at one fifth in 2000, in part because these statistics only count cross-border transactions and not services provided through affiliates.²⁸

Efficiency in the production and trade of services has an important bearing on economic performance and development. Services like transportation and distribution, banking and finance are of critical importance in developing countries (and no less in developed countries), both for the emergence of a competitive manufacturing sector, and, more broadly, for social development and poverty reduction. In many of the poorest countries, economic and social development is hampered by the lack of adequate basic infrastructure such as roads, power supply, telecommunications, and public transport. Open services trade regimes may therefore entail major benefits by helping poor countries to obtain infrastructural services at internationally competitive prices. For those reasons, similar basic policy prescriptions as in the goods sector apply, such as ensuring that policies encourage rather than impede competition, and that economic operators have some certainty regarding the stability of the policy framework. In addition to domestic benefits from a greater variety and competitive pricing of services, trading partners gain the opportunity for trade-related development, based on services trade.

A key development in the multilateral trading system was the WTO GATS Agreement, which established a framework of commitments by Members to bind, reduce or eliminate impediments to the supply of services by foreign providers; this was followed up by the

²⁷ Allegations of inconsistency with provisions of the TBT Agreement and/or the SPS Agreement were made in the following complaints: shelf-life (DS5); salmon (DS18); hormones (DS26, DS48); shrimp (DS58, DS61); butter (DS72); agricultural products (DS76); textiles and apparel products (DS85); quantitative restrictions (DS96); poultry (DS100); footwear (DS121); rice (DS134); asbestos (DS135); wood of conifers (DS137); cattle, swine and grain (DS144); textiles and apparel products (DS151); swine (DS203); sardines (DS231); matches (DS232); pharmaceutical products (DS233); and fresh fruit (DS237).

²⁸ WT/SC/W/27.

Table III.3

Sectoral coverage of Schedules

Sectors committed	Number of Members	WTO Members
– 20	44	Angola, Bahrain, Barbados, Benin, Botswana, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Congo (Republic), Costa Rica, Cyprus, Fiji, Gabon, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Madagascar, Malawi, Maldives, Mali, Malta, Mauritania, Mauritius, Mozambique, Myanmar, Namibia, Niger, Paraguay, Rwanda, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Solomon Islands, Sri Lanka, Suriname, Swaziland, Tanzania, Togo, Uganda, Zambia
21-40	23	Bangladesh, Bolivia, Brunei Darussalam, Burundi, Côte d'Ivoire, Djibouti, Dominica, El Salvador, Ghana, Grenada, Guatemala, Kenya, Macao (China), Mongolia, Nigeria, Papua New Guinea, Peru, Qatar, Senegal, Sierra Leone, Tunisia, Uruguay, Zimbabwe
41-60	10	Antigua & Barbuda, Belize, Cuba, India, Morocco, Netherlands Antilles, Nicaragua, Pakistan, Trinidad & Tobago, United Arab Emirates
61-80	12	Brazil, Ecuador, Egypt, Hong Kong (China), Israel, Jamaica, Kuwait, Liechtenstein, Poland, Romania, Singapore, Venezuela
81-100	12	Argentina, Chile, Czech Republic, Dominican Republic, Indonesia, Lesotho, New Zealand, Panama, Slovak Republic, Slovenia, South Africa, Turkey
101-120	7	Australia, Bulgaria, Gambia, Canada, Philippines, Switzerland, Thailand
+ 121	24	EC (15), Iceland, Japan, Columbia, Korea (Rep. of), Malaysia, Mexico, Norway, Hungary, United States

Source: WTO document T/S/C/W/94, 9 February 1999.

agreements on basic telecommunications and financial services in 1997 (Fourth and Fifth Protocols of the GATS, respectively). Just as is the case of the policies affecting market access for goods, Members display a wide variety of approaches to service-sector liberalization (Table III.3). Within the sectoral commitments, all modes of delivery are generally provided for, although a number of Members maintain restrictions on commercial presence, and the scope of access for delivery by mode 4 – movement of natural persons – is severely limited (essentially to business travellers and intra-corporate transferees).

Although GATS commitments are of relatively recent vintage, a number of Members have pursued, or are still pursuing, privatization and deregulation of services activities, accelerating the pace of autonomous liberalization in the services sector, and leading to policies in place that are generally more liberal – in some instances, much more so – than those specified in Schedules. Since the mid-1990's, a wave of restructuring, rationalization and privatization of key services has been undertaken in many developing countries, particularly in the areas of telecommunications, finance and transportation. Among the underlying factors were the rapid rate of technological change (in telecommunications, for example), financial crises and the need to redress ailing banking sectors, the restructuring of public sectors, supply bottlenecks (public transport, energy) as well as fiscal considerations. Foreign participation has often been encouraged to provide capital, transfer of technology and entrepreneurial methods. Faced with the rapid globalization of markets and technologies and changing consumer demands, service reforms have also been undertaken by developed countries, in particular in "network industries" (telecommunications, power and gas supply). Domestic reforms have generally resulted in more open markets for both domestic and foreign suppliers.

The Trade Policy Reviews conducted since the establishment of the WTO in 1995 provide numerous examples of domestic reforms undertaken in both developed and developing countries after the end of the Uruguay Round, and which have not been bound in GATS Schedules of Commitments. For example, the recent financial crisis in South-East Asia (1997-98) provided for extensive opening to foreign participation in banking (Indonesia, Republic of Korea, Thailand), other financial services (Republic of Korea), telecommunications (Republic of Korea, Thailand), and distribution services (Indonesia). Wide-ranging liberalization of service sectors had the objective to increase economic efficiency and resilience in key services as well as to attract foreign expertise. The lowering of foreign ownership thresholds in Indonesia, Republic of Korea and Thailand allowed foreign banks to take effective control of ailing domestic institutions and facilitate restructuring. In addition, the lifting of branch restrictions (Indonesia) aimed at creating a level playing field throughout the country, as foreign institutions had initially been confined to selected urban centers. In Brazil, the structural reform agenda in services covers the privatization of state-owned banks, the national telephone company and the leasing of port, airports and highways. In South Africa, the main telephone company was sold to a private consortium

and the authorities are considering the implication of privatizations in the air transport sector. Many countries in Africa have taken similar steps (Gabon, Kenya, Uganda), seeking foreign strategic partners for major banks or telecommunications companies. Reforms are undertaken on an autonomous basis, often under IMF and World Bank-supported programs.

4. Intellectual property protection

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) establishes a framework of rules on minimum levels of protection for intellectual property rights (IPRs) and the means to ensure their enforcement. These rules concern the protection of patents (for inventions), trademarks, geographical indications (identifying the origin of a product) industrial designs of integrated circuits, undisclosed information, as well as the protection of copyright (for literary and artistic works such as novels, poems, plays, films, musical works, paintings, photographs, sculptures, and architectural designs), and the rights of performers, producers of sound recordings and broadcasting organizations). Protecting intellectual property rights such as patents and copyright preserves the incentive for creativity and inventiveness, while in the area of distinctive signs, such as trademarks and geographical indications, its main purpose is to protect the consumer and prevent unfair competition between producers. In the area of patents, another benefit is to foster disclosure of inventions, which encourages further innovation.

When the WTO Agreements took effect on 1 January 1995, developed countries had one year to ensure that their laws and practices conformed with the TRIPS Agreement, developing-country Members and (under certain conditions) transition economies had an additional four years (plus five years to provide patents for areas of technology not subject to such protection previously, although exclusive marketing rights were required as of 1995), and LDCs had an additional ten years. Thus, as of 1 January 2000, developing-country Members were required to have implemented the TRIPS Agreement by introducing new legislation or modifying existing legislation; the WTO has received notifications to this effect and the TRIPS Council has been engaged in reviewing implementation efforts by such Members.²⁹

Trade Policy Reviews conducted in the course of 2000 and 2001 confirm the steps taken by many developing and transition countries to adopt entirely new intellectual property legislation, or update existing legislation.³⁰ In Latin America, Brazil enacted revised copyright, patent and trademark legislation, while Costa Rica adopted regulations to give effect to TRIPS obligations. In the Caribbean, the degree to which the Members of the Organization of Eastern Caribbean States (OECS) have amended or introduced domestic legislation to reflect the TRIPS Agreement varies considerably, but no country has completed the process. Dominica updated or introduced domestic legislation regarding trademarks, industrial designs, geographical indications, patents, and protection of layout-designs of integrated circuits, between 1998 and 2000. No new or amended legislation with respect to the protection of intellectual property rights has been passed in Antigua and Barbuda, Grenada, and St. Vincent and the Grenadines since the inception of the WTO. In Antigua and Barbuda, however, draft legislation is being prepared with respect to copyright and related rights, layout designs, trademarks and geographical indications.

In Asia, new legislation was adopted by Macau, China, and measures have been taken to better enforce rights. Brunei Darussalam introduced legislative changes in 2000 for the protection of copyright, trademarks, patents, layout designs of integrated circuits, and industrial designs. The Republic of Korea launched in April 1998 the "Intellectual Property Great Leap Forward Policy" to raise competitiveness through strengthened inventive activities and enhanced protection of IPRs, enacting legislation on IPRs, notably patents in 1999, trademarks and designs in 1998, and enhancing enforcement by raising the ceiling on fines by 150%. Malaysia has enacted two new laws (Layout Designs and Integrated Circuits Act, 2000 and the Geographical Indications Act, 2000) and amended other legislation with a view to complying with its obligations under the Agreement on Trade-Related Measures on Intellectual Property Rights.³¹ In Africa, Ghana, Kenya and Uganda were proceeding to update their intellectual property laws, and the members of the Organisation Africaine de la Propriété Intellectuelle (OAPI) revised the 1977 Bangui Agreement to attain consistency with TRIPS provisions. In Europe, the Czech and Slovak Republics and Poland revised their legislation to meet TRIPS requirements and to harmonize with legislation of the European Union.

Although the Reviews confirm significant progress being made on implementation, they also indicate that certain Members face more difficulties than others on implementation. These difficulties include delays in completing legislative procedures in some areas of IPR legislation or in ratifications of regional agreements, or with respect to measures required to be taken to better enforce IPRs. The latter includes the border measures to be taken by customs authorities, which requires training, as well as the training of police and of

²⁹ IP/C/19.

³⁰ Based mainly on the information contained in Trade Policy Review documents (WT/TPR/G/S/M) circulated between January 2000 and December 2001 for the reviews of Kenya (WT/TPR/S,G,M64), Peru (WT/TPR/S,G,M69), Poland (WT/TPR/S,G,M71), Republic of Korea (WT/TPR/S,G,M73), Bahrain (WT/TPR/S,G,M74), Brazil (WT/TPR/S,G,M75), Ghana (WT/TPR/S,G,M81), Macau, China (WT/TPR/S,G,M82), Brunei Darussalam (WT/TPR/S,G,M84), Organization of Eastern Caribbean States (OECS) (WT/TPR/S,G,M85), Gabon (WT/TPR/S,G,M86), Cameroon (WT/TPR/S,G,M87), Czech Republic (WT/TPR/S,G,M89), Mauritius (WT/TPR/S,G,M90), Slovak Republic (WT/TPR/S,G,M91), Malaysia (WT/TPR/S,G,M92), and Uganda (WT/TPR/S,G,M93).

³¹ The amended legislation includes the Copyright Act, 1987, the Patents Act, 1983, the Trade Marks Act, 1976 and the Industrial Designs Act, 1996.

magistrates on judicial tribunals. The use of the “flexibility” provisions of the TRIPS Agreement by developing countries – as well as the scope of these provisions – has recently been at issue with respect to the debate over access to essential medicines.

5. Regional trade agreements

The cornerstone of the WTO is non-discrimination, a principle embodied in the most-favoured-nation (MFN) provisions of Article I of GATT 1994, Article II of GATS and Article 4 of the TRIPS Agreement, and fundamental to all the multilateral trade agreements annexed to the WTO Agreement. At the same time, the WTO – as did the GATT from its inception – allows Members to conclude customs unions and free-trade areas, which by definition establish an element of preference in the trade between the parties to the agreement vis-à-vis the rest of the world. With virtually all WTO Members being partners in at least one regional trade agreement (RTA) and with several being part of two or more, RTAs have become by far the most important exception to the MFN principle.³² As a result, intra-RTA trade could soon account for more than half of world trade. In addition, as the number of RTAs multiplies, networks of overlapping agreements may generate intricate webs of discriminatory treatment, which are likely to lead to complex and incoherent regulatory structures for the conduct of a growing share of world trade.³³

A major development in 2001 was the formal launch of negotiations on a Free-Trade Agreement of the Americas (FTAA), linking partners in North and South America (except Cuba). Other cross-regional trade integration initiatives are also making progress, notably the negotiations on free-trade agreements between the European Union, on the one hand, and Chile and MERCOSUR, respectively, on the other hand. Another major development is the rising number of RTAs planned or under negotiation in Asia, the region with the smallest number of RTAs currently in force, including by Japan, still among the few WTO Members not party to one or more RTAs.

Although RTAs may take the form of free-trade areas (FTAs), customs unions (CUs), or agreements leading to the formation of one or the other, free-trade areas are generally more prevalent than customs unions. FTAs account for almost 90% of all RTAs.³⁴ Another fact of note is the prevalence of RTAs in Europe and neighbouring regions, accounting for about half of all RTAs, the result of the long-standing use of RTAs as an instrument to forge closer ties with neighbours on the part of the European Communities (Chart III.3).

In the Americas, the FTAA planned for 2005 would link 34 countries in the Americas. In effect, the FTAA is to link pre-existing sub-regional groupings, including the NAFTA (which is in its last stage of implementation), customs unions such as MERCOSUR, CARICOM in the Caribbean, and CACM in Central America, as well as the dense network of bilateral free-trade agreements (many of partial scope) concluded under the Latin American Integration Association (Chile and Mexico being among the most active countries in this regard). Parties to NAFTA – the United States, Canada and Mexico – have also pursued an active agenda of negotiations on bilateral FTAs with countries in other regions of the world.

In Europe, the liberalization provisions of most of the FTAs between the European Union (EU) and candidates to accession have been implemented, and further liberalization has

³² Regional *trade* agreements are distinct from regional *integration* agreements insofar as the former provide for partners to grant each other preferential tariff treatment on a reciprocal basis, while the latter promote open trade and cooperation. The Asia-Pacific Economic Cooperation (APEC), established in 1989, is an example of “open” regionalism. APEC Members are: Australia; Brunei Darussalam; Canada; Chile; China; Chinese Taipei; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russian Federation; Singapore; Thailand; United States; and Viet Nam (<http://www.apecsec.org.sg/>).

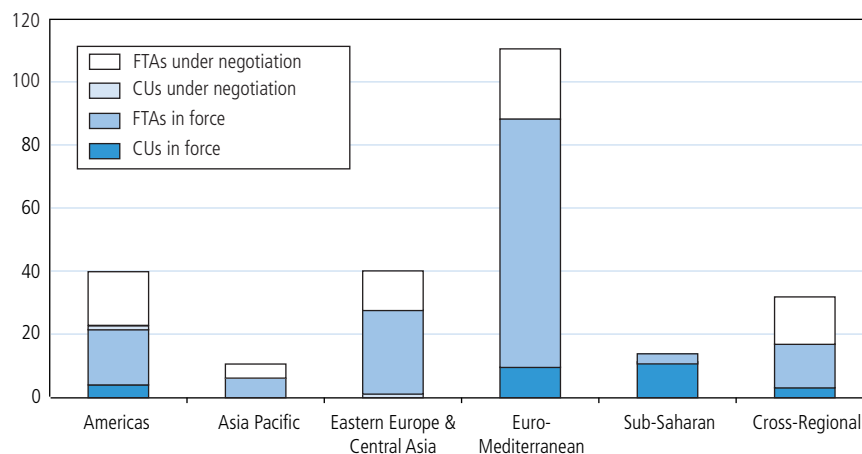
³³ Some experts believe this proliferation of RTAs should be welcomed (see, for example, L. Summers (1991) “Regionalism and the World Trading System” in *Policy Implications of Trade and Currency Zones*, Federal Reserve Bank, Kansas City). Others are less sanguine and emphasize the importance of multilateral trade liberalization, warning against the discrimination and fragmentation of the global economy that can accompany the spread of RTAs (see, for example, J. Bhagwati and A. Krueger (1995) “The Dangerous Drift to Preferential Trade Agreements”, AEI Press, Washington, D.C.).

³⁴ WT/REG/W/41.

Chart III.3

Geographical distribution of RTAs, both in force and under negotiation, 2001

Number of RTAs



Source: WT/REG/W/41.

been agreed for agricultural products. In turn, the candidates to accession are linked among themselves by FTAs such as the CEFTA (Central European Free Trade Agreement) and BAFTA (Baltic Free Trade Area), which are broadly framed and modelled on the RTAs negotiated with the EU. Meanwhile, the EU is negotiating and concluding second-generation bilateral FTAs, based on a reciprocal exchange of preferences, with partners in the Mediterranean and North Africa, with the objective of a Euro-Med free-trade area by 2010. A similar process is envisaged for African, Caribbean and Pacific (ACP) countries, as part of the transitional provisions of the ACP-EU partnership agreement concluded in February 2000. The EU is also looking to forge closer ties with emerging markets in Latin America; its FTA with Mexico entered into force in mid-2000 and negotiations on FTAs with MERCOSUR and Chile have taken place over the past few months.

In Africa, the regional integration process continues to intensify, with initiatives in western and eastern Africa involving in some cases the same countries with different objectives and rules.³⁵ In western Africa, countries are working at the completion of the West African Economic and Monetary Union (WAEMU) and Central African Economic and Monetary Community (CEMAC).³⁶ Certain Members of the Economic Community of West African States (ECOWAS) agreed to establish a common external tariff by the end of 2001, but progress has been uneven.³⁷ Ambitious plans to achieve a free-trade area among 20 countries in eastern and southern Africa under the COMESA, supported by closer monetary cooperation, are under way.³⁸ Members of the SADC are working towards achieving a free-trade area by 2004.³⁹

In Asia, Japan, like the Republic of Korea, has shifted its long-standing policy of multilateral-only trade liberalization to sign an FTA with Singapore in 2001, and has formed a study group to consider the feasibility of FTAs with the Republic of Korea and Mexico. Singapore hopes to conclude FTAs with Australia, Canada, and Mexico; an FTA with New Zealand was concluded in November 2000. Singapore, already a member of ASEAN, considers such FTAs as a useful means to forge links with trading partners. Similar considerations are motivating Thailand in its search for bilateral FTAs with Croatia, the Czech Republic, and the Republic of Korea. The Members of ASEAN moved towards their objective of achieving a free-trade area by 2005, although most tariffs will already be cut to between zero and 5% by 2002. The Republic of Korea is negotiating an FTA with Chile, and is considering the feasibility of FTAs with Japan and Thailand.

In the rest of the world, regional initiatives have been burgeoning, from the Middle-East (in the context of the Gulf Cooperation Council and the Arab League) to Eastern Europe (customs union between several former Soviet Union countries) and South Asia (recent free-trade agreement between India and Sri Lanka and the South Asian Association for Regional Cooperation (SAARC)), involving both WTO Members and non-members.

While it was argued that regional integration could strengthen after Seattle, in response to disappointment with the multilateral trading system, most of the initiatives described above were designed or launched before the Third WTO Ministerial Conference. In addition, not all regional processes are moving forward without difficulties. The process established under APEC to meet the goal set at Bogor in 1994 of "free and open trade and investment in the Asia-Pacific by 2010 for developed member economies and 2020 for developing ones", through autonomous MFN tariff reductions has not advanced significantly in recent years.⁴⁰ MERCOSUR has encountered obstacles following the decision by Argentina, on an emergency basis, to suspend certain regional commitments and impose a surcharge on imports in the autumn of 2000. Finally, plans to complete customs unions or FTAs in Africa have at times proved difficult to complete or been slowed by significant delays or even defections by parties.

Still, the evidence regarding the stock of completed RTAs, and the large number of RTAs planned or under negotiation, is testimony to the basic attraction of such agreements to virtually all WTO Members. RTAs can offer intermediate steps to the broader process of integration into the world economy and, in some cases, achieve faster and deeper liberalization than is possible at the multilateral level. Some countries argue that liberalization at the regional level is sometimes a prerequisite to achieving multilateral consensus. Other countries view trade agreements as part of a wider integration projects, aimed at stimulating economic, social and political links in their regions; this is notably the case for small or landlocked African states, which typically seek integration of infrastructures and monetary unions. In this context, the exchange of trade preferences is but an initial aspect of a much broader and deeper integration agenda.

RTAs have their limits. Experience has also shown that 100% product coverage of free-trade provisions is the exception as opposed to the rule, as the domestic forces that resist trade liberalization at the multilateral level are just as likely to resist it at the regional level, perhaps even more so given proximity. And FTA partners do not generally exempt each other from using trade defence instruments, which are a frequent source of dispute in the WTO, but also regionally. For third parties, RTAs imply trade diversion as a result of tariff preferences, reinforced by preferential rules of origin.

³⁵ Concerns have been voiced by multilateral and regional aid agencies over the number of internally inconsistent initiatives, particularly in eastern and southern Africa. COMESA, SACU, SADC and the EAC have overlapping memberships, conflicting obligations, different strategies and objectives, and conflicting rules and administrative procedures (one example is the existence of multiple rules of origin, leading to possible discretion at customs and costly duplication of administrative efforts).

³⁶ WAEMU is composed of Benin, Burkina Faso, Guinea-Bissau, Côte d'Ivoire, Mali, Niger, Senegal and Togo; and CEMAC comprises Cameroon, the Central African Republic, the Congo, Gabon, Equatorial Guinea, and Chad.

³⁷ The countries concerned are Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria, and Togo.

³⁸ COMESA Members are Angola, Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

³⁹ SADC is composed of Angola, Botswana, the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

⁴⁰ For information on APEC developments, see <http://www.apecsec.org.sg/>.

Table AIII.1

Bound tariffs on industrial products^a: scope of bindings and simple averages

Import Markets	Total number of tariff lines	Share of bound tariff lines ^b	Share of bound duty-free tariff lines	Share of unbound duty-free tariff lines	Share of non-ad valorem tariff lines	Simple average bound tariff
North America						
Canada	6,261	99.6	34.5	0.1	0.3	5.2
United States	7,872	100.0	39.4	0.0	4.2	3.9
Latin America						
Argentina	10,530	100.0	0.0	0.0	N.A	31.0
Brazil	10,860	100.0	0.5	0.0	0.0	30.0
Chile	5,055	100.0	0.0	0.0	0.1	25.0
Colombia	6,145	100.0	0.0	0.0	0.2	35.5
Costa Rica	1,546	100.0	0.0	0.0	N.A	44.6
El Salvador	4,922	100.0	0.0	0.0	0.0	36.9
Jamaica	3,097	100.0	0.0	0.0	0.0	50.0
Mexico	11,255	100.0	0.0	0.0	0.0	34.8
Peru	4,545	100.0	0.0	0.0	N.A	30.0
Venezuela	5,974	100.0	0.0	0.0	0.0	33.9
Western Europe						
European Union	7,635	100.0	26.9	0.0	0.5	4.1
Iceland	5,689	93.2	41.6	2.9	0.0	9.7
Norway	5,326	100.0	46.5	0.0	2.6	3.4
Switzerland	6,217	98.9	17.2	0.0	82.8	1.8
Turkey	15,479	36.3	1.4	0.8	0.1	42.6
Central and Eastern Europe						
Czech Republic	4,354	100.0	14.0	0.0	0.0	4.3
Hungary	5,896	95.4	10.4	0.2	0.1	7.4
Poland	4,354	95.8	2.2	0.0	0.0	10.4
Romania	4,602	100.0	5.8	0.0	0.0	30.8
Slovak Republic	4,354	100.0	14.0	0.0	0.0	4.3
Asia						
Australia	5,520	95.9	17.7	0.2	0.8	14.2
Hong Kong, China	5,110	23.5	23.5	76.5	0.0	0.0
India	4,354	61.6	0.0	0.4	1.1	58.7
Indonesia	7,735	93.2	0.0	1.2	0.0	38.9
Japan	7,339	99.2	47.4	0.4	3.5	3.5
Korea, Republic of	8,882	90.4	11.6	0.0	0.2	11.7
Macao, China	5,337	9.9	9.9	90.1	0.0	0.0
Malaysia	10,832	61.8	1.6	2.8	3.2	17.2
New Zealand	5,894	100.0	39.4	0.0	2.5	12.7
Philippines	5,387	58.6	0.0	0.0	4.1	26.1
Singapore	4,963	65.5	15.2	33.8	0.2	4.6
Sri Lanka	5,933	8.0	0.1	1.4	22.4	28.1
Thailand	5,244	67.9	0.0	1.2	19.7	27.5
Africa						
Cameroon	4,721	0.1	0.0	0.0	0.0	17.6
Chad	4,721	0.4	0.0	0.0	0.0	17.8
Gabon	4,721	100.0	0.0	0.0	0.0	15.5
Senegal	2,818	32.3	0.9	0.0	N.A	13.8
South Africa	11,677	98.1	7.7	0.3	1.3	17.7
Tunisia	5,087	46.3	0.0	1.0	0.0	34.0
Zimbabwe	1,929	8.8	3.0	44.7	N.A	11.3

^a Excluding petroleum.^b All shares are expressed as a percentage of the total number of industrial tariff lines (column 1).Source: WTO (2001), *Market Access: Unfinished Business*, Special Study 6.

Table AIII.2

Bound tariffs on industrial products: simple averages by stage of processing and by category

Import markets	Stage of process	Wood, pulp, paper and furniture	Textiles and clothing	Leather, rubber, footwear and travel goods	Metals	Chemicals and photographic supplies	Transport equipment	Non-electric machinery	Electric machinery	Mineral products and precious stones and precious metals	Manufactured articles not elsewhere specified	Fish and fish products
North America												
Canada	Raw materials	0.2	2.5	0.3	0.1					2.7		0.6
	Semi-manufactures	0.9	11.1	5.7	1.7	4.7				1.0		0.3
	Finished products	1.9	14.5	10.3	5.2	3.9	6.8	3.6	5.2	4.4	4.2	4.6
United States	Raw materials	0.0	2.8	0.0	0.8					0.6		0.7
	Semi-manufactures	0.7	9.1	2.3	1.1	4.1				1.3		1.7
	Finished products	0.7	9.1	11.7	2.9	2.3	2.7	1.2	2.1	5.3	3.0	4.0
Latin America												
Brazil	Raw materials	20.2	35.0	34.3	35.0					34.3		35.0
	Semi-manufactures	25.8	34.8	34.4	33.3	21.6				29.4		25.6
	Finished products	31.1	34.9	35.0	33.4	26.2	33.6	32.6	31.9	34.8	33.5	34.5
Chile	Raw materials	25.0	25.0	25.0	25.0					24.8		25.0
	Semi-manufactures	25.0	25.0	25.0	25.0	25.0				25.0		25.0
	Finished products	25.0	25.0	25.0	25.0	25.0	24.9	25.0	25.0	25.0	25.0	25.0
Colombia	Raw materials	35.0	35.3	34.6	35.0					35.1		35.0
	Semi-manufactures	35.0	35.0	35.0	35.0	35.0				35.0		35.0
	Finished products	35.0	38.8	35.5	35.0	35.0	35.8	35.0	35.0	35.1	35.0	63.8
El Salvador	Raw materials	36.4	40.0	40.0	26.3					39.1		42.4
	Semi-manufactures	30.0	37.1	38.5	32.8	38.0				32.6		48.3
	Finished products	39.7	40.0	42.4	39.9	36.7	35.8	32.6	34.6	39.2	38.2	55.2
Jamaica	Raw materials	50.0	50.0	50.0	50.0					50.0		50.0
	Semi-manufactures	50.0	50.0	50.0	50.0	50.0				50.0		50.0
	Finished products	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	52.4
Mexico	Raw materials	30.1	34.2	34.8	34.1					33.7		35.0
	Semi-manufactures	34.1	35.1	34.7	34.4	35.1				33.6		33.0
	Finished products	34.6	35.0	34.9	35.0	35.4	35.8	35.0	34.1	35.0	34.6	36.0
Venezuela	Raw materials	31.8	34.7	34.9	35.0					33.8		33.4
	Semi-manufactures	32.8	35.0	33.9	32.8	34.0				33.8		34.8
	Finished products	34.6	34.9	34.6	34.4	34.3	33.6	33.2	33.9	34.6	33.4	33.5
Western Europe												
European Union	Raw materials	0.0	2.6	0.1	0.0					0.4		11.2
	Semi-manufactures	1.0	6.6	2.4	1.2	5.2				2.4		13.3
	Finished products	0.5	9.7	7.0	2.8	3.4	4.7	1.8	3.3	3.7	2.7	14.1
Iceland	Raw materials	1.9	1.1	0.3	1.6					2.3		1.5
	Semi-manufactures	6.1	3.4	8.4	2.1	1.2				5.5		0.0
	Finished products	18.1	18.2	19.1	15.3	6.5	17.1	7.0	19.4	20.9	21.9	10.4
Norway	Raw materials	0.0	0.1	0.0	0.0					0.2		0.0
	Semi-manufactures	0.2	7.8		0.3	3.0				0.0		0.0
	Finished products	0.6	9.5	4.4	2.5	2.9	3.3	2.7	2.7	1.3	2.2	30.9
Switzerland	Raw materials	1.2	1.6	0.1	0.0					1.7		0.3
	Semi-manufactures	2.9	3.9	0.8	1.1	1.5				1.5		0.2
	Finished products	1.7	5.5	3.2	1.3	1.2	2.2	0.6	0.7	1.4	1.3	1.1
Turkey	Raw materials	15.7	27.3	18.1	6.0					26.3		21.2
	Semi-manufactures	39.2	74.2	87.6	24.5	27.0				35.8		25.0
	Finished products	52.8	89.8	87.3	47.9	35.6	25.8	23.7	26.6	49.7	43.3	58.8
Eastern Europe												
Czech Republic	Raw materials	2.3	3.3	0.6	0.1					0.4		0.2
	Semi-manufactures	6.2	4.8	2.2	3.7	4.1				3.6		0.0
	Finished products	6.0	7.8	5.7	4.6	3.8	6.2	3.8	4.2	5.8	3.6	0.0
Hungary	Raw materials	1.6	3.1	4.6	1.4					3.2		13.9
	Semi-manufactures	5.4	7.1	6.9	3.9	5.0				4.6		22.9
	Finished products	6.6	9.6	7.2	8.0	7.2	15.9	8.4	9.5	6.6	7.8	23.6

Table AIII.2 (continued)

Bound tariffs on industrial products: simple averages by stage of processing and by category

Import markets	Stage of process	Wood, pulp, paper and furniture	Textiles and clothing	Leather, rubber, footwear and travel goods	Metals	Chemicals and photographic supplies	Transport equipment	Non-electric machinery	Electric machinery	Mineral products and precious stones and precious metals	Manufactured articles not elsewhere specified	Fish and fish products
Poland	Raw materials	3.1	5.7	7.4	2.5					2.8		14.3
	Semi-manufactures	9.0	10.1	11.2	10.2	8.6				6.3		10.8
	Finished products	8.8	16.7	13.6	10.5	9.1	16.1	8.9	9.7	10.5	11.6	27.9
Romania	Raw materials	34.0	33.4	35.0	35.0					30.4		27.1
	Semi-manufactures	30.5	32.5	30.3	32.5	31.2				35.0		28.3
	Finished products	31.3	33.1	29.7	30.0	28.7	32.1	29.5	27.3	32.0	29.3	31.8
Slovak Republic	Raw materials	2.3	3.3	0.6	0.1					0.4		0.2
	Semi-manufactures	6.2	4.8	2.2	3.7	4.1				3.6		0.0
	Finished products	6.0	7.8	5.7	4.6	3.8	6.2	3.8	4.2	5.8	3.6	0.0
Asia/Pacific												
Australia	Raw materials	0.3	1.5	4.2	0.6					2.4		0.4
	Semi-manufactures	7.0	22.9	11.5	0.8	9.8				6.0		0.0
	Finished products	8.9	35.7	22.0	11.8	7.6	15.1	9.1	13.3	11.1	7.0	3.2
Hong Kong, China	Raw materials	0.0	0.0	0.0	0.0					0.0		0.0
	Semi-manufactures	0.0	0.0	0.0	0.0	0.0			0.0	0.0		0.0
	Finished products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India	Raw materials	25.1	39.1	37.0	29.0					38.5		60.5
	Semi-manufactures	40.4	86.5	33.7	47.1	39.4				40.6		60.0
	Finished products	81.1	93.8	96.3	82.1	61.1	53.9	36.2	44.8	58.0	72.4	106.6
Indonesia	Raw materials	38.3	40.0	39.0	40.0					39.5		40.0
	Semi-manufactures	39.8	40.0	40.0	35.1	37.5				37.1		40.0
	Finished products	39.9	39.8	39.8	38.7	37.2	58.5	36.6	38.7	40.0	36.9	40.0
Japan	Raw materials	0.1	2.6	0.1	0.0					0.2		5.2
	Semi-manufactures	1.9	5.9	10.4	1.0	2.9				0.5		10.4
	Finished products	0.6	8.3	20.7	0.9	1.0	0.0	0.0	0.2	1.8	1.1	7.9
Korea, Republic of	Raw materials	2.1	8.1	9.4	1.2					5.6		17.8
	Semi-manufactures	7.1	14.0	11.1	4.5	6.0				8.6		20.0
	Finished products	3.6	24.5	19.8	13.2	8.2	24.6	11.1	16.1	14.9	11.4	22.5
Macao, China	Raw materials	0.0	0.0	0.0	0.0					0.0		0.0
	Semi-manufactures	0.0	0.0	0.0	0.0	0.0			0.0	0.0		0.0
	Finished products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malaysia	Raw materials	19.7	5.2	10.2	5.8					5.4		9.8
	Semi-manufactures	19.7	19.6	21.1	12.0	14.7				13.3		20.4
	Finished products	20.5	23.5	24.4	19.5	16.8	29.8	10.9	14.1	21.4	12.6	22.9
New Zealand	Raw materials	0.0	0.0	5.9	0.0					2.1		1.1
	Semi-manufactures	4.6	9.2	14.8	9.4	4.1				1.6		0.0
	Finished products	5.6	34.4	23.1	15.2	11.4	17.0	15.1	16.1	13.1	11.7	6.6
Philippines	Raw materials	13.7	14.4	20.6	10.6					17.8		24.9
	Semi-manufactures	32.5	25.7	27.1	18.8	20.8				30.3		50.0
	Finished products	37.2	31.2	40.3	33.6	28.4	26.1	22.0	26.2	35.6	29.5	41.9
Sri Lanka	Raw materials	13.1	22.6	29.6	5.0					18.9		50.1
	Semi-manufactures	31.9	40.2	43.8	9.1	11.3				11.9		50.0
	Finished products	41.9	56.7	47.8	31.4	28.4	18.3	12.8	20.4	39.0	27.1	45.8
Singapore	Raw materials	4.2	6.8	6.3	0.0					0.3		10.0
	Semi-manufactures	4.2	5.1	1.2	4.1	5.2				2.2		10.0
	Finished products	1.8	9.6	3.0	2.1	4.6	4.4	4.3	4.9	1.4	1.2	8.8
Thailand	Raw materials	8.3	29.3	28.6	28.8					17.4		8.8
	Semi-manufactures	22.3	27.6	34.7	21.4	29.7				27.9		6.9
	Finished products	24.8	30.4	35.8	31.9	28.1	38.5	23.4	30.5	33.0	29.5	27.0
Africa												
Cameroon	Raw materials	24.1	12.6	10.0	10.0					12.6		24.3
	Semi-manufactures	20.6	18.8	17.8	13.2	10.3				17.5		20.0
	Finished products	21.9	27.7	25.9	20.9	15.6	14.9	12.2	16.8	23.7	22.9	27.6

Table AIII.2 (continued)

Bound tariffs on industrial products: simple averages by stage of processing and by category

Import markets	Stage of process	Wood, pulp, paper and furniture	Textiles and clothing	Leather, rubber, footwear and travel goods	Metals	Chemicals and photo-graphic supplies	Transport equipment	Non-electric machinery	Electric machinery	Mineral products and precious stones and precious metals	Manufactured articles not elsewhere specified	Fish and fish products
Chad	Raw materials	24.1	11.6	10.0	10.0					12.6		24.3
	Semi-manufactures	20.6	18.6	17.8	13.2	10.3				17.5		20.0
	Finished products	21.9	27.7	25.9	20.9	15.6	20.2	12.2	16.8	23.7	22.9	27.6
Gabon	Raw materials	15.0	15.0	15.0	15.0					15.0		15.0
	Semi-manufactures	15.0	15.0	15.0	15.0	15.1				16.6		15.0
	Finished products	16.5	15.1	15.0	15.6	15.2	15.0	15.2	15.0	16.8	18.5	15.0
South Africa	Raw materials	1.2	12.5	12.7	0.0					4.3		22.7
	Semi-manufactures	6.7	23.9	16.3	10.8	13.0				6.7		25.0
	Finished products	15.5	36.6	27.0	20.0	16.7	23.3	12.0	17.4	16.8	14.8	21.4
Tunisia	Raw materials	18.2	55.5	25.2	17.0					20.4		39.4
	Semi-manufactures	36.2	55.2	35.4	22.6	24.9				26.9		43.0
	Finished products	36.9	57.3	39.1	32.0	30.7	25.5	25.2	29.1	35.3	32.5	47.0

^a Source: WTO (2001), *Market Access: Unfinished Business*, Special Study 6, p. 36.

Table AIII.3

Initiations of anti-dumping investigations by reporting WTO Member and affected exporter, 2000

Reporting WTO Member		Affected exporter	
Name	Number	Name	Number
Argentina	45	Argentina	2
Australia	15	Australia	4
Brazil	11	Austria	3
Canada	21	Belarus	2
Chile	5	Brazil	9
Colombia	3	Bulgaria	1
Egypt	1	Canada	1
European Union	31	Chile	6
India	41	China, P.R.	42
Indonesia	3	Chinese Taipei	14
Israel	1	Croatia	1
Korea, Rep. of	2	Czech Republic	3
Mexico	7	Egypt	1
New Zealand	10	Estonia	1
Peru	1	European Union	9
Philippines	2	France	1
South Africa	21	Germany	4
Trinidad and Tobago	1	Greece	1
Turkey	2	Hong Kong, China	1
United States	47	India	10
Uruguay	1	Indonesia	13
Venezuela	1	Iran	3
Total	272	Italy	5
		Japan	9
		Kazakhstan	3
		Korea, Rep. of	19
		Latvia	2
		Libya	1
		Lithuania	1
		Malaysia	7
		Mexico	1
		Moldova	2
		Netherlands	2
		Norway	1
		Peru	1
		Philippines	1
		Poland	5
		Portugal	1
		Romania	4
		Russia	10
		Saudi Arabia	3
		Slovak Republic	1
		South Africa	6
		Spain	6
		Thailand	10
		Turkey	7
		Ukraine	6
		United Arab Emirates	2
		United Kingdom	8
		United States	12
		Venezuela	2
		Viet Nam	1
		Total	272

Source: WTO Secretariat.

Table AIII.3B

Initiations of anti-dumping investigations by reporting WTO Member and affected exporter, 1 January-30 June 2001

Reporting WTO Member		Affected exporter	
Name	Number	Name	Number
Argentina	10	Argentina	1
Australia	10	Bangladesh	1
Brazil	3	Belgium	2
Canada	23	Brazil	3
European Community	13	Bulgaria	1
India	16	Canada	3
Indonesia	1	Chile	2
Israel	2	China, P.R.	22
Japan	2	Chinese Taipei	9
Korea, Rep. of	3	Czech Republic	2
Mexico	1	European Community	2
New Zealand	1	France	2
South Africa	5	Germany	5
Thailand	1	India	8
Turkey	1	Indonesia	4
United States	39	Italy	4
Uruguay	2	Japan	4
Venezuela	1	Kazakstan	1
Total	134	Korea, Rep. of	10
		Luxembourg	2
		Macedonia	2
		Malaysia	4
		Mexico	2
		Netherlands	1
		New Zealand	1
		Pakistan	1
		Poland	1
		Romania	2
		Russia	3
		Saudi Arabia	1
		Singapore	2
		Slovak Republic	1
		South Africa	4
		Spain	1
		Thailand	6
		Turkey	1
		Ukraine	3
		United Kingdom	4
		United States	4
		Venezuela	1
		Yugoslavia	1
		Total	134

Table AIII.4

Initiations of countervailing investigations by reporting WTO Member and affected exporter, 2000

Reporting WTO Member		Affected exporter	
Name	Number	Name	Number
Canada	4	Argentina	3
Peru	1	Brazil	1
South Africa	5	India	6
United States	7	Indonesia	1
Total	17	Israel	1
		Korea, Rep. of	1
		Pakistan	1
		South Africa	1
		Thailand	1
		United States	1
		Total	17

Source: WTO Secretariat.

Table AIII.4B

Initiations of countervailing investigations by reporting WTO Member and affected exporter, 1 January-30 June 2001

Reporting WTO Member		Affected exporter	
Name	Number	Name	Number
Canada	1	Canada	1
European Community	2	Chile	1
South Africa	1	France	1
United States	8	Germany	1
Total	12	India	4
		Indonesia	1
		Italy	1
		Netherlands	1
		United Kingdom	1
		Total	12

Chapter Four

WTO ACTIVITIES

PART 1

This chapter provides an outline of the main activities of the WTO during 2001.

I. The Ministerial Conference

The Ministerial Conference of the WTO, composed of representatives of all the Members, is the highest decision-making body of the organization, and is required to meet at least once every two years. Ministerial Conferences review ongoing work, provide political guidance and direction to that work, and set the agenda for further work as necessary.

The Fourth Session of the Ministerial Conference

The Fourth Session of the Ministerial Conference was organized in Doha, Qatar, from 9-14 November 2001. A process to prepare for the Doha Ministerial Conference was organized in Geneva, starting in February 2001, under the responsibility of the General Council, the executive body of the WTO in between Ministerial Conferences. In a sense, however, preparations for Doha began immediately after the Seattle Ministerial Conference. In early 2000, the Chairman of the General Council and the Director-General announced a comprehensive set of confidence-building measures. These included specific initiatives to identify the difficulties facing LDCs in the WTO, a comprehensive reassessment of technical cooperation and capacity-building activities, a separate mechanism to deal with the serious concerns raised by many developing-country Members regarding the implementation of existing agreements and decisions, with a mandate to complete this work not later than the Fourth Ministerial, and a dedicated process to seek improvements in the area of internal transparency and effective participation of all Members. In the period since then, these confidence-building measures have been at the centre of the work of the General Council.

In the substantive process of preparations for the Doha Ministerial Conference in 2001, the General Council systematically reviewed issues for inclusion on the agenda for action by Ministers on the basis of a checklist of issues outlined by the Chairman of the General Council in April. Despite very intensive and constructive efforts in key areas, however, the Geneva process did not result in consensus texts for submission to Ministers, although the discussions helped narrow down many of the outstanding issues. At the end of the preparatory process in Geneva on 1 November, Members acknowledged that although they had within their grasp all the ingredients necessary for a balanced and comprehensive package, Ministers at Doha would have to take the critical political decisions necessary to conclude agreement (see under Work of the General Council below).

Plenary Meetings

The Fourth Session formally opened in the afternoon of 9 November under the chairmanship of H.E. Mr. Youssef Hussain Kamal, Minister of Finance, Economy and Commerce of Qatar, and with addresses by His Highness Sheikh Hamad bin Khalifa Al-Thani, Emir of the State of Qatar, by the Chairman of the Conference, by the Director-General of the WTO, by the Secretary-General of UNCTAD, Mr. Rubens Ricupero, on behalf of the UN Secretary-General, Mr. Kofi Annan, and by the Chairman of the General Council. Ministers adopted a four-point agenda for the Conference under which they agreed to: (i) review WTO activities; (ii) adopt a Ministerial text or texts and take any other actions necessary; (iii) decide on the date and venue of the Fifth Session; and (iv) elect officers to hold office until the end of the Fifth Session. In the course of the formal plenary meetings over the following days, 118 Members, nine observer governments and four observer international intergovernmental organizations delivered statements under the first agenda item on the overview of WTO activities. The actions taken by Ministers under item 2 of the agenda are described below. Ministers also requested the WTO General Council to pursue consultations and to take decisions on the questions of date and venue of the Fifth Session, and the election of officers for that Session.

Informal Consultative Process

While the plenary business of the Doha Conference got under way, and in order to make maximum use of the time available and to give all delegations the opportunity to participate in the continued work of drafting Ministerial texts and related Decisions for adoption under the second agenda item, the Chairman began, on the first full day of the Conference, a process of intensive informal open-ended meetings at the level of Heads of Delegation – a process which continued over the next four days. The main purpose of these informal meetings was to facilitate consensus-building on the texts that would be put forward for formal consideration and action under agenda item 2, in a flexible, transparent, open and inclusive fashion, in a process similar to the one followed in Geneva in preparing for the Conference. With a view to inclusiveness and transparency, this open Heads of Delegation format was the core of the informal process. The basis of work in this informal consultative process were texts forwarded to Ministers by the Chairman of the General Council and the Director-General concerning a draft Ministerial Declaration, a draft Declaration on Intellectual Property and Access to Medicines/Public Health, and a draft Decision on Implementation-Related Issues and Concerns.

The immediate focus of work was on six key issues, with the understanding that provision would be made as necessary for other areas of concern to be addressed. Open-ended Heads of Delegations meetings were organized on each issue in sequence, at which delegations were invited to make brief and focused interventions, after which the Chairman asked a “Friend of the Chair” to undertake further work on each issue on his behalf. The Friends of the Chair were available to all delegations wishing to raise issues of particular concern, and were requested to seek the views of interested Ministers before reporting back to the informal Heads of Delegations meetings on progress. The Chairman underscored that the task of the Friends of the Chair was to resolve differences and thus facilitate consensus, and that any decisions could ultimately only be taken by the membership as a whole.

Table IV.1

List of the issue areas and the Friends of the Chair

Issue	Focus	Friend of Chair
Agriculture	Declaration text concerning negotiations on Agriculture	Minister for Trade and Industry, H.E. Brigadier-General George Yeo (Singapore)
Implementation	Outstanding implementation issues and concerns	Federal Counsellor for Economy, H.E. Mr. Pascal Couchepin (Switzerland)
Trade and Environment	Environmental concerns and the WTO agenda	Under-Secretary of Foreign Relations, H.E. Mr. Heraldo Muñoz (Chile)
Rules Issues	WTO rules	Minister for Trade and Industry, H.E. Mr. Alec Erwin, MP (South Africa)
Singapore Issues	Investment; competition policy; transparency in government procurement; trade facilitation	Minister for International Trade, H.E. Mr. Pierre Pettigrew (Canada)
TRIPS	TRIPS and Health/Access to Medicines	Secretary of Economy, H.E. Mr. Luis Ernesto Derbez Bautista (Mexico)
Other Issues	Issues not covered in the above issue areas	Minister for Trade, Industry, Wildlife and Tourism, the Hon. Tebelelo Seretse (Botswana)

The work undertaken in the informal consultative process on the above issues – and by the Friends of the Chair, which fed directly into that process – continued intensively over the following four days, and paved the way for consensus agreement to submit for formal adoption by the Conference on 14 November a draft Ministerial Declaration, a draft Declaration on the TRIPS Agreement and Public Health, and a draft Decision on Implementation-Related Issues and Concerns.

Results of the Fourth Session

The results of the Ministerial Conference as described below reflect the determination of governments to provide leadership and direction at a time of considerable political and economic uncertainty, to overcome differences by recognizing and accommodating others’ needs and concerns, and to work together to make trade an instrument for global development, peace and security.

First, on 10 and 11 November respectively, Ministers met to take two historic accession decisions, one regarding the People’s Republic of China and the other regarding the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, whose respective requests for accession had been under consideration for roughly 15 years (for the former) and 12 years (for the latter). The integration of these two economies into the WTO is an event of major political significance, and brings two of the world’s important trading entities into the

multilateral trading system. With these two accessions, the WTO took another step towards the goal of universal membership.

Second, on 14 November, Ministers approved a waiver for the European Union from its non-discrimination obligations under the WTO in order to enable it to grant preferential tariff treatment to products from countries of the African, Caribbean and Pacific (ACP) Group of States under the ACP-EU Partnership Agreement (Cotonou Agreement), the successor to the earlier Lomé Conventions. Ministers also granted a waiver permitting the EU to maintain a separate quota for ACP banana exports until the end of 2005. Unilateral trade preferences granted by the EU to its 77 ACP partners have been an essential pillar of their cooperation for over 25 years, aimed at improving the standard of living and economic development of the ACP States, which include many least-developed countries. Under the Cotonou Agreement of June 2000, these preferences were extended until the beginning of 2008, at which time they would be replaced by WTO-compatible trade arrangements between the ACP and the EU.

Third, Ministers adopted a Ministerial Declaration setting out a broad work programme for the WTO for the coming years. This work programme, called the Doha Development Agenda, incorporates both expanded negotiations – going beyond the ongoing mandated negotiations in agriculture and services – as well as other activities and decisions designed to address the challenges facing the trading system and the needs and interests of the diverse membership of the WTO.

Fourth, Ministers adopted a Declaration on the TRIPS Agreement and Public Health, in response to the concerns expressed about the possible implications of the TRIPS Agreement for access to drugs. The Declaration emphasizes that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health and reaffirms the right of Members to use to the full the provisions of the TRIPS Agreement which provide flexibility for this purpose. It makes clear that the TRIPS Agreement should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health. The Declaration includes a number of important clarifications of some of the forms of flexibility available in the Agreement, in particular compulsory licensing and parallel importation. In addition, it provides for an extension until 2016 of the transition period for least-developed countries in regard to the protection and enforcement of patents and undisclosed information with respect to pharmaceutical products.

Fifth, Ministers also adopted a Decision on Implementation-Related Issues and Concerns which represented a significant and credible effort to address the concerns of developing countries regarding their experience with the implementation and operation of existing WTO Agreements, and to facilitate their active participation in the WTO and fuller integration into the multilateral trading system. Under the Decision, Ministers took immediate action to address a number of the concerns raised by developing-country Members and agreed that remaining implementation issues would be addressed in the course of the future work programme of the WTO as set out in the Ministerial Declaration. Ministers further directed that WTO technical assistance should focus, as a matter of priority, on assisting developing countries in this area of activity.

II. WTO accession negotiations

An important task facing the WTO is that of making the new multilateral trading system truly global in scope and application. The 144 Members of the WTO (as of 15 April 2002) account for more than 90% of world trade. Many of the nations that remain outside the world trade system have requested accession to the WTO and are at various stages of a process that has become more complex because of the WTO's increased coverage relative to GATT. With many of the candidates currently undergoing a process of transition from centrally-planned to market economies, accession to the WTO offers these countries – in addition to the usual trade benefits – a way of underpinning their domestic reform process.

During the period covered (1 January to 31 December 2001), the WTO received three new members: Lithuania, Moldova and China. The General Council also agreed to the accession of Chinese Taipei who became the 144th member of the WTO on 1 January 2002.

WTO membership is open to any State or customs territory having full autonomy in the conduct of its trade policies. Accession negotiations concern all aspects of the applicant's trade policies and practices, such as market access concessions and commitments on goods and services legislation to enforce intellectual property rights, and all other measures which form a government's commercial policies. Applications for WTO membership are the subject of individual working parties. Terms and conditions related to market access (such as tariff levels and commercial presence for foreign service suppliers) are the subject of bilateral negotiations. The following is a list of the 28 governments for which a WTO working party was current as of 31 December 2001:

Algeria, Andorra, Armenia, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia-Herzegovina, Cambodia, Cape Verde, Kazakhstan, Lao PDR, Lebanon, Former Yugoslav Republic of Macedonia, Nepal, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Tajikistan, Tonga, Ukraine, Uzbekistan, Vanuatu, Viet Nam, Yemen and the Federal Republic of Yugoslavia.

After the Doha Ministerial, as mandated negotiations in goods, services and TRIPS and consultations in other important sectors within the WTO continue, there is a strong interest by a significant number of acceding governments to join the WTO as soon as possible. This desire 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.

III. Work of the General Council

The General Council is entrusted with carrying out the functions of the WTO, and taking action necessary to this effect, in the intervals between meetings of the Ministerial Conference, in addition to carrying out the specific tasks assigned to it by the WTO Agreement. During the period under review, the work of the General Council included the following:

Preparations for the 2001 Ministerial Conference

In February 2001, the General Council accepted a generous offer by the State of Qatar to host the Fourth Ministerial Conference and, at the same time, authorized the Chairman of the General Council, in cooperation with the Director-General, to begin consultations on both organizational and substantive matters related to the preparations for that meeting. As part of its regular work, the General Council considered and took action on a number of organizational aspects relating to the Ministerial Conference. These included decisions concerning the organization of work for the Conference, the appointment of the vice-chairpersons, attendance of governments and of international intergovernmental organizations as observers at the Conference, and attendance of non-governmental organizations at the Conference.

The substantive preparations for the Ministerial Conference under this mandate were conducted in a process of informal meetings, in which transparency and inclusiveness were made a top priority. Following early consultations in this process, the Chairman circulated on 20 April a checklist of possible issues to be included on the agenda of the Conference, which formed the basis for the intensive discussions in the subsequent months. At the end of June, an informal meeting of the General Council at the level of Senior Officials was convened. A further informal meeting at the end of July provided an opportunity for a collective stocktaking or "reality check", prior to which the Chairman and the Director-General circulated a report that provided a sobering assessment of the results of the work up to that point. That report suggested that the task of bridging the substantial gaps that Members still faced in a very short time, although difficult and complex, would not be impossible, given two essential conditions: a strengthening of the political will to find consensus solutions and the conversion of that political will into negotiated outcomes.

In September, consultations moved from a focus on single issues to a broader approach that cut across issues and enhanced the possibility for linkages and trade-offs. On the basis of these discussions, the Chairman and the Director-General circulated a first draft of a Ministerial Declaration on 26 September, reflecting the level of development of Members' work in each area at that time. In some areas, such as agriculture and intellectual property and access to medicines/public health, fuller texts remained to be developed. In others, options for further consideration were included. The draft text represented what the Chairman and the Director-General judged to be the best possible basis at that time for reaching an eventual consensus on a text to put before Ministers in Doha. Intensive consultations subsequent to the circulation of that text indicated that although delegations had shown a willingness to engage constructively and had made considerable efforts to bridge gaps and raise comfort levels on key issues, the distance between positions in some critical areas remained. Using their best judgement, and taking account of the various positions, the Chairman and the Director-General circulated, on 27 October, a revised draft text of a Ministerial Declaration as well as a separate Declaration on Intellectual Property and Access to Medicines/Public Health in an effort to provide the basis for eventual consensus. It was made clear that nothing could be considered to be agreed definitively in the absence of agreement overall, which would be a decision for Ministers to take in Doha. At a formal meeting of the General Council on 31 October and 1 November 2001, which

marked the wrap-up of the substantive preparations for the Ministerial Conference, concerns were expressed by several Members that the draft text of the Ministerial Declaration contained no options and did not reflect the diversity of views on the various elements, while others considered that it represented a sound basis for continued discussion and decision by Ministers. The Chairman indicated that, in their judgement, he and the Director-General had taken the process in Geneva as far as they possibly could, and that further consultations would not take them any closer to improving the texts. It was therefore their intention not to revise the two texts further, but rather to transmit them to Ministers on their own responsibility under cover of a letter of transmittal, with the hope and expectation that Ministers would be able to build on the good work that had been done in Geneva and create a basis for reaching agreement at Doha.

Implementation-related issues and concerns

All WTO Members are bound to implement the multilateral trade agreements concluded in the Uruguay Round and, if applicable, the post-Uruguay Round commitments in the areas of basic telecommunications and financial services. In the course of preparations for the Seattle Ministerial Conference, many Members raised serious concerns in connection with the implementation of several WTO agreements and decisions. Following an initiative by many developing countries, the General Council decided in May 2000 to address outstanding implementation-related issues and concerns within the framework of an implementation review mechanism. Under this framework, the General Council, meeting in Special Sessions, was called on to assess existing difficulties, identify ways needed to resolve them, and take decisions for appropriate action, and to complete this process not later than the Fourth Session of the Ministerial Conference in November 2001.

Over the course of 2001, the General Council met in three Special Sessions and held a large number of informal meetings in an intensive effort to conclude its work in this area within the stipulated deadline. In its work, the General Council also drew upon the important and valuable technical expertise available in other WTO councils and committees. Discussions early in the year clearly demonstrated the significance that Members continued to attach to satisfactory results in this area in terms of the mandate of the May 2000 Decision, and broad recognition that this would be a vitally important contribution to the overall process for the Doha Ministerial Conference and key to a successful result.

In June, seven Members submitted a discussion paper which injected fresh thinking into the process and provided a new framework for approaching the issues. Intensive consultations on the basis of the framework offered by this paper resulted in specific elements being put forward by the Chairman and the Director-General in mid-July as possibilities for early agreement, pending further discussion on remaining elements. Substantial progress was also made in further intensive consultations conducted throughout September. Drawing on important and valuable contributions provided by a wide range of Members in these consultations, and taking into account the work undertaken in subsidiary bodies on issues referred to them, a first draft Decision to address all the outstanding issues was submitted by the Chairman and the Director-General for Members' consideration on 26 September, reflecting the level of development of work until that stage. The text proposed a number of issues for specific immediate action both at a Special Session scheduled for 3 October and at the Ministerial Conference itself. In addition, it proposed that any remaining implementation issues be addressed in the context of the future work programme to be decided on by Ministers at Doha, and also that WTO technical assistance focus as a priority on assisting developing countries in this area of the WTO's work. Further intensive consultations were pursued in October on the basis of this draft in an effort to take into consideration suggestions for specific improvements and clarifications, and to examine whether immediate action could be proposed on any additional implementation issues. A revised draft Decision was submitted to Members on 27 October for consideration at a resumed Special Session on 1 November. It proposed a single set of issues for immediate action by Ministers at Doha, and that outstanding issues be addressed in the course of the future work programme as set out in paragraph 12 of the draft Ministerial Declaration. As before, it also proposed related action to ensure that WTO technical assistance focused as a priority on assisting developing countries in this area of activity.

Although few Members expressed full satisfaction with the draft text in its entirety, the discussion indicated that most of the elements were acceptable to all Members as part of a package, although some concerns remained with regard to some proposals. These were areas in respect of which it was hoped that Ministers at Doha would be able create a basis for reaching agreement by building on the good work done in Geneva. For this purpose, the Chairman and Director-General indicated they would transmit the draft Decision and related documents to Ministers on their own responsibility under cover of a letter of transmittal, and

recommend that in the organization of their work on this subject, Ministers seek to focus on the limited number of outstanding issues and not reopen the text in other areas.

Mandated negotiations on agriculture and services

The General Council continued to oversee progress in the mandated negotiations on agriculture and services through periodic reports submitted by the Committee on Agriculture and the Council for Trade in Services on work undertaken in their Special Sessions.

Accessions

The General Council established working parties to examine the applications of the Bahamas, the Federal Republic of Yugoslavia and Tajikistan.

Waivers under Article IX of the WTO Agreement

The General Council granted a number of waivers from obligations under the WTO Agreement (see Table IV.2).

In October and December 2001 the General Council conducted its annual review of waivers required under Article IX:4 of the WTO Agreement. The following waivers were reviewed:

Canada – CARIBCAN, granted on 14 October 1996 until 31 December 2006 (WT/L/185); Cuba – Article XV:6 granted on 14 October 1996 until 31 December 2001 (WT/L/182); Hungary – Agricultural export subsidies, granted on 22 October 1997 until 31 December 2001 (WT/L/238); United States – Andean Trade Preference Act, granted on 14 October 1996 until 4 December 2001 (WT/L/184); United States – Caribbean Basin Economic Recovery Act, granted on 15 November 1995 until 31 December 2005 (WT/L/104); United States – Former Trust Territory of the Pacific Islands, granted on 14 October 1996 until 31 December 2006 (WT/L/183); EC. – Autonomous preferential treatment to the countries of the Western Balkans, granted on 8 December 2000 until 31 December 2006 (WT/L/380 and

Table IV.2

Waivers under Article IX of the WTO Agreement

Member	Type	Decision of		Expiry	Document
Nicaragua	Implementation of the Harmonized Commodity Description and Coding System – Extensions of Time-Limit	8 May 2001	31 October 2001	31 October 2001	WT/L/397
		31 October 2001	30 April 2002	30 April 2002	WT/L/426
Sri Lanka	Implementation of the Harmonized Commodity Description and Coding System – Extensions of Time-Limit	8 May 2001	31 October 2001	31 October 2001	WT/L/398
		31 October 2001	30 April 2002	30 April 2002	WT/L/427
Zambia	Renegotiation of Schedule – Extensions of Time-Limit	8 May 2001	31 October 2001	31 October 2001	WT/L/399
		31 October 2001	30 April 2002	30 April 2002	WT/L/428
Cameroon	Agreement on the Implementation of Article VII of the GATT 1994	8 May 2001	1 July 2001	1 July 2001	WT/L/396
Argentina, Brazil, Egypt, El Salvador, Guatemala, Iceland, Israel, Malaysia, Morocco, New Zealand, Norway, Pakistan, Panama, Paraguay, South Africa, Switzerland, Thailand, Uruguay, Venezuela	Introduction of Harmonized System changes into WTO Schedules of Tariff Concessions on 1 January 1996 – Extension of Time-Limit	8 May 2001	30 April 2002	30 April 2002	WT/L/400
Madagascar	Agreement on the Implementation of Article VII of the GATT 1994	18 July 2001	17 November 2003	17 November 2003	WT/L/408
Switzerland	Preferences for Albania and Bosnia-Herzegovina	18 July 2001	31 March 2004	31 March 2004	WT/L/406
Thailand	Agreement on Trade-Related Investment Measures	31 July 2001	31 December 2001	31 December 2001	WT/L/410
Colombia	Article 5.2 of the Agreement on Trade-Related Investment Measures	20 December 2001	31 December 2003	31 December 2003	WT/L/441
Cuba	Article XV:6 of the GATT 1994 – Extension of Time-Limit	20 December 2001	31 December 2006	31 December 2006	WT/L/440
Dominican Republic	Minimum values under the Customs Valuation Agreement	20 December 2001	1 July 2003	1 July 2003	WT/L/442
Haiti	Customs Valuation Agreement	20 December 2001	30 January 2003	30 January 2003	WT/L/439

Electronic commerce

As part of the Work Programme on Electronic Commerce, the General Council engaged in a first substantive discussion on reports submitted to it in July 1999 and December 2000 by the Council for Trade in Goods, the Council for Trade in Services, the Council for Trade-Related Aspects of Intellectual Property Rights and the Committee on Trade and Development. A dedicated discussion on issues of a cross-cutting nature relevant to electronic commerce also took place under the auspices of the General Council. In December 2001 the General Council agreed to organize future work on e-commerce as follows: (i) a further dedicated discussion on cross-cutting issues will be held under the auspices of the General Council early in 2002; (ii) the Chairman of the General Council will conduct informal consultations with delegations on the most appropriate institutional arrangements for handling the Work Programme on Electronic Commerce. The Chairman will report back to the General Council after the second dedicated discussion on cross-cutting issues; (iii) the General Council will continue to oversee progress made in the four subsidiary bodies involved in electronic commerce (the three Sectoral Councils and the Committee on Trade and Development) with regard to the work on e-commerce in their respective area of competence and would keep future work under periodic review, as appropriate.

Other issues

Other issues which were considered by the General Council include derestriction and circulation of WTO documents, and proposals to amend or review certain provisions of the Dispute Settlement Understanding. The General Council has also received reports from the Chairman of the Sub-Committee on Least-Developed Countries and from the Director-General on the Integrated Framework Pilot Scheme adopted in February 2001, and a report from the Chairperson of the Committee on Regional Trade Agreements on the situation regarding the work in the Committee.

Working Group on the Relationship between Trade and Investment

At the Singapore Ministerial Conference held in December 1996, a Working Group was established to examine the relationship between trade and investment, on the understanding that the work undertaken would not prejudge whether negotiations on multilateral disciplines in this areas would be initiated in the future. The substantive subjects studied by the Working Group are listed in a Checklist of Issues suggested for Study which was developed at the first meeting of the Working Group in June 1997 on the basis of specific proposals made by members. This Checklist comprises four categories of issues: (1) the implications of the relationship between trade and investment for development and economic growth; (2) the economic relationship between trade and investment; (3) stocktaking and analysis of existing international instruments and activities regarding trade and investment; and (4) certain questions of a more prospective nature relevant to assessing the desirability of possible future initiatives in this area. Summaries of the Working Group's discussions from 1997 to 2001 are contained in the annual reports submitted by the Working Group to the General Council (WT/WGTI/1-5, and Add. 1).

In November 2001, at the Doha Ministerial Conference, the Working Group was given a new mandate (paragraphs 20-22 of the Doha Declaration) for its work through to the 5th Session of the Ministerial Conference in 2003. It is agreed that negotiations on this subject will take place after the 5th Session on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations.

Working Group on Transparency in Government Procurement

The Working Group on Transparency in Government Procurement which was established pursuant to the Ministerial Declaration of December 1996 is mandated "to conduct a study on transparency in government procurement practices, taking into account national policies, and, based on this study, to develop elements for inclusion in an appropriate agreement".

In 2001, the Group held two meetings (on 4 May and 17 September). At these meetings, the Working Group reverted to the issues before it on the basis of a note by the Chairman listing the issues that had been raised, together with the points made on these issues, under each of the items that were discussed by the Group at its meetings held since November 1997. This note reflects the systemic study of 12 issues that were identified as important in relation to transparency in government procurement. These are:

definition and scope of government procurement; procurement methods; publication of information on national legislation and procedures; information on procurement opportunities, tendering and qualification procedures; time-periods; transparency of decisions on qualification; transparency of decisions on contract awards; domestic review procedures; other matters related to transparency (maintenance of record of procurement proceedings, application of information technology, language, fight against bribery and corruption); information to be provided to other governments (notification); WTO dispute settlement procedures; and technical cooperation and special and differential treatment for developing countries.

At the May meeting, the Group also heard an exchange of views on the experience of a number of Parties regarding the application of information technology to government procurement in their countries and parties to some regional agreements reported on the recent developments in the work of regional fora on government procurement, and provided information on the treatment of government procurement in some regional trade agreements.

At the Doha Ministerial Conference in November 2001, Ministers agreed on the following in regard to the future work of the WTO in this area:

Transparency in Government Procurement

Recognizing the case for a multilateral agreement on transparency in government procurement and the need for enhanced technical assistance and capacity building in this area, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations. These negotiations will build on the progress made in the Working Group on Transparency in Government Procurement by that time and take into account participants' development priorities, especially those of least-developed country participants. Negotiations shall be limited to the transparency aspects and therefore will not restrict the scope for countries to give preferences to domestic supplies and suppliers. We commit ourselves to ensuring adequate technical assistance and support for capacity building both during the negotiations and after their conclusion.

Working Group on the Interaction between Trade and Competition Policy

From January to October 2001, the Working Group, which was established at the Singapore Ministerial Conference and is chaired by Professor Frédéric Jenny of France, continued its work under the terms of a decision taken by the General Council in December 1998 (WT/GC/M/32, page 52). Three meetings were held during the year. The dates of the meetings were: 22-23 March, 5-6 July and 28 September. At the meetings in March and July, consideration was given to the full range of topics called for in the above-noted decision of the General Council. At the meeting on 28 September, the Working Group completed and adopted a substantive report on its activities in 2001. This document, entitled Report (2001) of the Working Group on the Interaction between Trade and Competition Policy to the General Council (document WT/WGTCP/5), is available on the WTO website (www.wto.org), under the symbol "wgtcp".

Throughout its work, the Working Group on the Interaction between Trade and Competition Policy has benefited from a high level of participation from Members. As of 31 December 1999, there had been a total of approximately 170 formal contributions by Members to the Group, including about 70 from developing countries. Almost all of these were issued as unrestricted documents or have been derestricted and are available on the WTO website.

The Singapore Ministerial Declaration (paragraph 20) encouraged the Working Group to undertake its work in cooperation with UNCTAD and other appropriate intergovernmental fora, to make the best use of available resources and to ensure that the development dimension was fully taken into account in its work. In this regard, representatives of UNCTAD and other organizations have contributed actively to the work of the Group. As a further aspect of cooperation, representatives of the Secretariats of UNCTAD and the OECD participated in a Workshop that was organized by the WTO Secretariat during the year, in cooperation with the Government of South Africa and with financial support from the Government of the United Kingdom, for the benefit of African WTO Members and observers. The Workshop took place in Cape Town, South Africa on 22-24 February 2001. The subject of the Workshop was "Competition Policy, Economic Development and the Multilateral Trading System: Overview of the Issues and Options for the Future". Although formally separate from the work programme of the Working Group, the Workshop was aimed at facilitating Members' participation in its work.

At the Ministerial Conference in Doha, Qatar in November 2001, the Member governments of the Organization reached agreement on the future course of the WTO's work in this area. The relevant paragraphs of the Ministerial Declaration read as follows:

Interaction between trade and competition policy

Recognizing the case for a multilateral framework to enhance the contribution of competition policy to international trade and development, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 24, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations.

We recognize the needs of developing and least-developed countries for enhanced support for technical assistance and capacity building in this area, including policy analysis and development so that they may better evaluate the implications of closer multilateral cooperation for their development policies and objectives, and human and institutional development. To this end, we shall work in cooperation with other relevant intergovernmental organizations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.

In the period until the Fifth Session, further work in the Working Group on the Interaction between Trade and Competition Policy will focus on the clarification of: core principles, including transparency, non-discrimination and procedural fairness, and provisions on hardcore cartels; modalities for voluntary cooperation; and support for progressive reinforcement of competition institutions in developing countries through capacity building. Full account shall be taken of the needs of developing and least-developed country participants and appropriate flexibility provided to address them.¹

IV. Trade in goods

Council for Trade in Goods

During the year 2001, the Council convened eight formal meetings. Regarding waiver requests, the Council examined and approved requests for waivers and waiver extensions made by Members in connection with the transposition of their schedules into the Harmonized System, with renegotiation of their schedules and with the introduction of HS96 changes into their schedules. Also approved and forwarded to the General Council for adoption were waiver requests by Cameroon, Haiti, Madagascar and the Dominican Republic concerning customs valuation. Further waiver requests under Article IX:3 of the WTO Agreement which were approved by the CTG concerned the ACP-EC Partnership Agreement, preferential treatment by Switzerland for Albania and Bosnia-Herzegovina, waivers for Thailand and Colombia (both concerned with TRIMs) and for Cuba for a waiver extension concerning GATT Article XV:6. Under consideration were customs valuation-related requests from Pakistan, Côte d'Ivoire and El Salvador as well as a waiver by the EC for special tariff arrangements to combat drug production and trafficking. Regarding the TRIMs Agreement, the Council adopted decisions for extensions of the transition period pursuant to Article 5.3 of the TRIMs Agreement for Argentina, Colombia, Malaysia, Mexico, Pakistan, Philippines, and Romania. The Council also discussed the review of the operation of the TRIMs Agreement. In addition, the Council adopted the terms of reference under which 18 regional agreements were to be examined in the CRTA and took note of the situation with respect to the compliance of notification obligations under the provisions of the Agreements in Annex 1A of the WTO Agreement as well as of the periodic reports of its subsidiary bodies.

The Council for Trade in Goods also continued its exploratory and analytical work on trade facilitation. At two informal meetings in February and May, members discussed national experience papers submitted by the Czech Republic (G/C/W/247), Guatemala (G/C/W/248), Australia (G/C/W/263) and Costa Rica (G/C/W/265). At the February meeting, delegations further requested the Secretariat to organize a workshop on technical assistance and capacity building in trade facilitation, which was held on 10-11 May. The objective of the workshop was to allow donors, recipients, intergovernmental organizations and the private sector to exchange their views on the role of technical assistance and capacity building in the facilitation of trade. Drawing on conclusions made in the course of that workshop, delegations underlined the importance of such assistance and identified several elements as crucial for a successful execution of trade facilitation-related technical assistance. (A detailed report on the workshop is contained in document G/C/W/297).

¹ Ministerial Declaration (Fourth Session, Doha, WT/MIN(01)/DEC/1, November 9-14, 2001), paragraphs 23-25. In a statement made prior to the adoption of the Declaration, the Chairman of the Conference, Mr. Youssef Kamel, expressed his understanding that the requirement in paragraph 23 for a decision to be taken, by explicit consensus, on the modalities for negotiations before negotiations on competition policy and other "Singapore issues" could proceed would give "each Member the right to take a position on modalities that would prevent negotiations from proceeding after the Fifth Session until that Member was prepared to join in an explicit consensus." (WT/MIN(01)/SR/9)

In the second half of 2001, the Secretariat's work on trade facilitation increasingly focused on the preparatory process for the Fourth Ministerial Conference.

Rules of Origin

The main objective of the Agreement on Rules of Origin is to harmonize non-preferential rules of origin and to ensure that such rules do not themselves create unnecessary obstacles to trade. The Agreement sets out a Harmonization Work Programme (HWP) for the harmonization of non-preferential rules of origin to be accomplished by the Committee on Rules of Origin (CRO) in conjunction with the World Customs Organization's Technical Committee on Rules of Origin (TCRO). Much work was done in the CRO and the TCRO and substantial progress has been achieved in the three years foreseen in the Agreement for the completion of the work. However, due to the complexity of the issues, the HWP could not be finalized within the foreseen deadline.

The CRO continued its work under the mandate from the General Council. The pace of the HWP began to accelerate, and the CRO resolved more than 300 outstanding issues in 2001, as a result of which the number of unresolved issues is now reduced to 155. In December 2001, the General Council set the end of 2002 as the new deadline for completion of the remainder of the work. The negotiating texts are contained in documents G/RO/45 and its addenda.

Market Access

The Committee on Market Access held three formal meetings and 12 informal meetings in 2001.

Concerning routine work, and on the introduction on 1 January 1996 of the changes to the Harmonized System (HS) nomenclature and the submission of documentation related to these changes, the Committee noted that the submissions of 21 Members, whether they had requested a waiver or not, remained pending due to ongoing consultations and/or negotiations. Two Members under waiver had not yet submitted the required documentation. Informal meetings dedicated to reviewing this situation were found to be useful and three such meetings were held during the year. The Committee also agreed that the waiver which had been granted to Members on a collective basis in connection with the introduction of Harmonized System 1996 (HS96) changes would be granted for the last time on that basis and for a period of one year. Any future waivers linked to the HS96 exercise would be granted on an individual basis. The Committee took note that three Members remained under waiver for the transposition and/or renegotiation of their schedules into the HS. The Committee elaborated new procedures to introduce Harmonized System 2002 (HS2002) changes to schedules of concessions. These procedures were approved by the General Council at its meeting of 18 July 2001 (WT/L/407).

Following agreement in the Committee on a programme for a "Multilateral Appraisal of the Operation of the Integrated Data Base (IDB) and Related Technical Assistance Activities" on 18 December 2000, the Committee commenced work in this area. In this respect, there were four meetings held, based on regional groupings, with the Secretariat preparing background notes for each meeting. The outcome of these meetings were further discussed and additional ways to improve IDB submissions and technical assistance activities were also examined. The Secretariat updated the Committee on the status of processing of IDB submissions, the status of software development, use of IDB information, information obtained from the Trade Policy Review Division, IDB reporting tools, IDB internet analysis facility, and the technical assistance activities that had been carried out. The Committee was also informed of the status of the consolidated tariff schedules database by the Secretariat, including the status of the Members' files, software developments, and analytical facilities.

Regarding other activities of the Committee, on the invitation of the Committee, the Secretariat organized and conducted a Tariff Seminar on 20 March 2001. As to the notifications of quantitative restrictions, the Committee agreed to follow the procedures as outlined in document G/MA/NTM/QR/W/1 in order to accommodate items when difficulties were encountered in entering the information in the database. The Committee also conducted its review of notifications under the Decision on Reverse Notification of Non-Tariff Measures on the basis of a Secretariat document. The Committee took note of the information in document G/MA/W/23/Rev.1 reflecting the situation of schedules of WTO Members, and of G/MA/TAR/3/Rev.6 containing the tariff information available in the Secretariat.

Import Licensing

The Agreement on Import Licensing Procedures establishes disciplines on the users of import licensing systems with the principal objective of ensuring that the procedures applied

for granting import licences do not in themselves restrict trade. It contains provisions to ensure that automatic import licensing procedures are not used in such a manner as to restrict trade, and that non-automatic import licensing procedures (licensing for the purposes of implementation of quantitative or other restrictions) do not act as additional restrictions on imports over and above those which the licensing system administers, and are not administratively more burdensome than absolutely necessary to administer the relevant measures. By becoming Members of the WTO, governments commit themselves to simplifying and bringing transparency to their import licensing procedures and to administering them in a neutral and non-discriminatory manner.

The obligations contained in the Agreement include publication of import licensing procedures, notification to the Committee on Import Licensing, fair and equitable application and administration, simplification of procedures and provision of foreign exchange to pay for licensed imports on the same basis as for imports of goods not requiring import licences. The Agreement establishes time-limits for processing of licence applications, publication of information concerning licensing procedures and notification to the Committee.

The Committee on Import Licensing affords Members the opportunity of consulting on matters relating to the operation of the Agreement or the furtherance of its objectives, and reviews periodically the implementation and operation of the Agreement. During the period covered by this report, 14 Members have notified to the Committee their laws and regulations pursuant to Articles 1.4(a) and 8.2(b) of the Agreement and 22 have submitted replies to the Questionnaire on Import Licensing Procedures pursuant to Article 7.3 (counting the EC as a single Member). Four Members have submitted notifications relating to the institution of import licensing procedures or changes in those procedures pursuant to Article 5.

The Committee held two meetings during this period, continued its discussion on steps that could be taken to improve the compliance of all members with the notification obligations of the Agreement, and reviewed notifications submitted by the following Members under various provisions of the Agreement: Antigua and Barbuda; Burundi; Chad; Cuba; Czech Republic; Dominica; Estonia; EC; Gabon; Georgia; Hong Kong, China; Hungary; India; Japan; Jordan; Liechtenstein; Macau, China; Mali; Malta; Mongolia; Oman, Philippines; Poland; South Africa; Switzerland; Trinidad and Tobago; Turkey; Uruguay; Venezuela and Zimbabwe.

Trade in information technology products (ITA)

The Ministerial Declaration on Trade in Information Technology Products (ITA) which was agreed to in Singapore in 1996 has been accepted by 57 WTO Members and states or separate customs territories. Ultimately, the tariffs on computers, telecommunications equipment, semiconductors, semiconductor manufacturing equipment, software, and scientific instruments will be reduced to zero; most of this occurred on 1 January 2000 for many countries. The details are contained in each schedule of commitments. During 2001, the Committee was engaged in a non-tariff measures' (NTMs) work programme to identify NTMs that impact IT trade and to examine the economic and developmental impacts. Additionally, the Committee added new participants, examined classification divergences, and reviewed the implementation during 2001.

Customs Valuation

The WTO Agreement on Implementation of Article VII of the GATT 1994, known as the Customs Valuation Agreement, entered into force on 1 January 1995. Originally, the Customs Valuation Agreement was one of the Tokyo Round Codes which resulted from the Tokyo Round negotiations. The Tokyo Round Code sought to replace the many different national valuation systems in existence at the time with a set of straightforward rules which provide a fair, uniform and neutral system and preclude the use of arbitrary or fictitious values. The Agreement gave greater precision to the provisions on customs valuation already found in Article VII of the GATT and has led to the harmonization of valuation systems and greater predictability in duties payable by traders. The WTO Customs Valuation Agreement and the Tokyo Round Customs Valuation Agreement do not differ in a substantive manner. During the period under consideration, the Committee has held six formal meetings (on 9 March, 11 April, 24 July, 2 and 25 October, and 21 November). Much of the work this year focused on implementation matters. For 21 Members, the five-year delay period in applying the Agreement under Article 20.1 expired during the year 2000 and for five Members it expired during 2001. During the year 2001, four Members requested extensions of the delay period, in accordance with paragraph 1, Annex III of the Agreement or through the General Waiver provisions of the WTO Agreement (Article IX). Of these requests, two have been granted extensions and two are still under negotiation among Committee Members. In addition, five

Members have requested derogations to continue the use of minimum values while applying the Agreement, in accordance with paragraph 2, Annex III. Five have been granted and one request is pending.

In the area of notifications, Members are to ensure that their laws, regulations and administrative procedures conform with the provisions of the Agreement, and are required to inform the Committee on Customs Valuation of any changes in this regard. Such notifications are subject to examination in the Committee. The Committee examined the national legislations of 19 Members. It concluded examination of the legislations of Albania, Brazil, Colombia, Cuba, Dominica, Dominican Republic, Indonesia, Jamaica, Kyrgyz Republic, Madagascar, Malaysia, Mauritius, Oman, Pakistan, Philippines, Romania, Senegal, and Uruguay. The legislation of the Republic of Korea was to be reverted to by the Committee for further examination.

In addition, Article 20.3 of the Agreement provides that developed country Members furnish technical assistance to developing country Members that so request. For this reason, the Committee has continued to focus the question of technical assistance. Various Members have informed the Committee of the technical assistance activities they had conducted or were conducting, and the Secretariat has briefed the Committee on the 47 Technical Assistance missions it has carried out under the Market Access Programme on Customs Valuation Technical Assistance which concluded in December 2001. Further, at its 24 July meeting, the Committee adopted a work programme to "reinvigorate" the Committee's technical assistance activities.

At its meeting of 2 October 2001, the Committee adopted its 2001 report to the Council for Trade in Goods. Adoption of the fourth, fifth, sixth and seventh annual reviews remains blocked by an unresolved issue concerning one Member's interpretation of paragraph 2, Annex III of the Agreement. Article 18 of the Agreement established a WTO Technical Committee under the auspices of the World Customs Organization (WCO) to promote, at the technical level, uniformity of interpretation and application of the Agreement. The Technical Committee presented reports on its Twelfth and Thirteenth Sessions.

Textiles and clothing

The Agreement on Textiles and Clothing (ATC), which entered into force on 1 January 1995, is a ten-year transitional agreement with a programme to gradually integrate textile and clothing products fully into GATT 1994 rules and disciplines by the end of 2004. Under the ATC, when products are integrated, they are removed from the Agreement and normal GATT rules apply to their trade. Furthermore, if the integrated products are subject to bilateral quotas carried over from the former Multifibre Arrangement, these quotas must be removed. The agreed rate for the integration of textile and clothing products in the first stage (1995-1997) was 16% of the total volume of each country's imports in 1990; a further 17% was integrated at the beginning of the second stage (1998-2002). Consequently, in the period under review, one third of all textile and clothing products have been integrated. At the beginning of the third stage, on 1 January 2002, a further 18% of products were integrated and the process will be completed on 31 December 2004 with the integration of all remaining products and the full removal of the quota regime.

For the second stage of the integration process, 49 Members notified the products being integrated; through this process, some quotas were removed in Canada, EC and US. Norway had decided to use another approach, removing all of the quotas in place over a four-year period under another provision of the Agreement while not integrating the products. In addition, at the beginning of the second stage, the annual growth rates in all of the remaining quotas were automatically increased by a factor of 25%. For example, a 6% growth rate under the former MFA had become 6.96% in Stage 1 and moved to 8.7% for Stage 2, to be applied annually.

During 2001, Members notified to the TMB their respective programmes of integration for the third stage (2002-04), which brings total product integration to at least 51% of the Member's total imports in 1990. It has been estimated that about 20% of imports under specific quota restrictions were to be liberalized by the main importing Members by the beginning of Stage 3.

In the last quarter of 2001, the Council for Trade in Goods conducted its major review of the implementation of the ATC during the second stage of the integration process, as required by the Agreement. In this review, developing countries raised a number of concerns with the implementation process being carried out by the WTO Members maintaining quotas, in particular, that their integration programmes had thus far not been commercially meaningful for developing countries, with few products of export interest being integrated, and only a small number of quotas being removed. Developed-country importers, for their part, consider that they were meeting the requirements of the ATC.

In the period under review, one matter involving the application of the safeguard provisions of the ATC was examined by a panel established under the DSU and was

reviewed by the Appellate Body. This involved a restraint placed by the United States on exports of combed cotton yarn from Pakistan. Details of this matter are set out in Section VII.

Discussions among Members continued in 2001 on the best way to implement the provisions of the ATC in view of the concern expressed by many developing countries that the current implementation programmes of the major importing countries had not brought about the anticipated market liberalization. These discussions were held in the WTO General Council in the context of its special sessions on implementation-related issues. Developing-country Members brought forward a number of suggestions on means to improve the implementation process within the existing structure of the ATC. Reference was also made to actions taken by developed-country Members on textile products exported by developing countries under other WTO instruments.

Matters arising from these discussions were taken up at the Fourth Ministerial Conference with agreement being reached on some of these matters while others were referred to the CTG for examination and recommendation by 31 July 2002. Details are set out in the Ministerial Decision on Implementation-Related Issues (See Section VII).

The Textiles Monitoring Body (TMB)

The TMB has the task of supervising the implementation of the ATC and examining all measures taken under this Agreement and their conformity with it. It consists of a Chairman and 10 members who act in their personal capacity. It is a standing body and meets as necessary to carry out its functions, relying mainly on notifications and information supplied by Members under the relevant provisions of the ATC.

The composition of TMB's membership for the second stage of the integration process under the ATC (1998-2001) was decided by the General Council in December 1997. The decision included the allocation of the ten seats to WTO Members or to groupings of Members (i.e. constituencies) which, in turn, appointed an individual to be the TMB member, acting on an *ad personam* basis. The TMB members may appoint their alternates. Alternates are selected from within the constituency of the member. Most of the constituencies operate on the basis of rotation.

At the beginning of 2001 the following WTO Members appointed individuals to serve as member (or alternate) in the TMB: Brazil (Paraguay, Panama); Canada (Norway); the European Communities; Hong Kong, China (the Republic of Korea, Bangladesh); India (Egypt); Japan; Pakistan (Macau, China); Switzerland (Turkey); Thailand (the Philippines) and the United States.

The TMB takes all of its decisions by consensus. However, consensus within the TMB does not require the assent or the concurrence of those members appointed by WTO Members which are involved in an unresolved issue under review by the TMB. The TMB also has its own detailed working procedures.

In the period 1 February 2001 to 31 January 2002, the TMB held 13 formal sessions. The detailed reports of these meetings are contained in documents G/TMB/R/73 to 85. On 20 July 2001 the TMB adopted its Comprehensive Report on the Implementation of the ATC during its Second Stage (1998-2001), which was transmitted to the Council for Trade in Goods in the context of the major review envisaged in Article 8.11 of the ATC (G/L/459). It considered, in this context, communications received in response to questions put by the TMB for the preparation for the report from Canada; the European Communities; Hong Kong, China; Japan; Macau, China; Turkey; the United States and Uruguay (the latter on behalf of the members of the International Textiles and Clothing Bureau). The TMB adopted, in addition, an annual report to the CTG covering the period 10 October 2000 to 14 September 2001 and providing an overview of the issues handled by the TMB during that time (G/L/475).

The TMB examined a number of notifications and communications received from WTO Members in respect of actions taken under the provisions of the ATC, including integration programmes, actions taken under the transitional safeguard mechanism and a number of issues in respect of other obligations under the ATC. As mandated in the ATC, it also exercised surveillance of the implementation of its recommendations.

More specifically, during the period covered by this report the TMB, *inter alia*, took note of two notifications made pursuant to Article 6.1 of the ATC: Lithuania and the People's Republic of China stated that they wished to retain the right to use the transitional safeguard provided for in Article 6.1. The programmes for the first and second stage of the integration process (1995-1997 and 1998-2001) of Estonia and Lithuania were also examined.

The TMB completed its detailed review of the integration programmes for the third stage (2002-2004) submitted by 36 Members (Argentina, Brazil, Canada, Colombia, Costa Rica, Cyprus, Czech Republic, Dominican Republic, El Salvador, Estonia, European Communities, Honduras, Indonesia, the Republic of Korea, Latvia, Liechtenstein, Lithuania, Malta,

Mauritius, Morocco, Norway, Pakistan, Panama, Peru, Philippines, Poland, Romania, Slovak Republic, Slovenia, Sri Lanka, Switzerland, Thailand, Tunisia, Turkey, United States, Uruguay), while with respect to five others it was still waiting for the responses to the additional information or clarification sought from the Members concerned. With respect to the notifications addressed to the TMB after the relevant deadlines specified by the ATC, the TMB reiterated that its taking note of late notifications was without prejudice to the legal status of such notifications. As regards the notification made by the United States, the TMB requested, *inter alia*, information regarding the application by the United States of visa requirements to the products integrated into GATT 1994 as from 1 January 2002. The United States informed the TMB that "the visa requirement for products integrated in the third stage has been eliminated".

Following the accession of the People's Republic of China, as well as that of the separate customs territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to the WTO, the TMB started to consider the notifications made by Canada and the European Communities of the quantitative restrictions maintained on imports of the products covered by the ATC from those Members. The TMB decided to seek clarification from Canada and the European Communities regarding certain aspects of their notifications.

The TMB reviewed a notification made by Canada under Article 2.15 according to which Canada would remove the restraints on baby garments of category 17, effective 1 January 2002. The Member affected was the Republic of Korea. Canada further stated that it would not be reducing the category 17 restraint level of this Member to account for the removal of baby garments from restraint, thereby providing a further *de facto* increase in access for it to the Canadian market, and that as a result of the action under Article 2.15, all remaining restraints on baby apparel would be eliminated by 1 January 2002.

With reference to the transitional safeguard mechanism, the TMB examined a notification of a transitional safeguard measure applied by Poland on 20 July 2001 under Article 6.10 of the ATC on imports of acrylic/modacrylic staple yarn, pure or mixed with wool or fine animal hair from Romania, for a period of three years. The TMB concluded that Poland had not demonstrated that the yarns subject to its safeguard measure were being imported into its territory in the reference period in such increased quantities as to cause serious damage to the domestic industry producing like and/or directly competitive products, and recommended, therefore, that Poland rescind the transitional safeguard measure. Subsequently, Poland informed the TMB, pursuant to Article 8.10 of the ATC, that it considered itself unable to conform with this TMB recommendation, providing reasons for this inability. The TMB gave thorough consideration to the reasons presented by Poland and concluded that these reasons did not lead it to change the conclusion and recommendation it had arrived at. The TMB recommended, therefore, that Poland reconsider its position and that the safeguard measure introduced on the imports from Romania of acrylic/modacrylic staple yarn, pure or mixed with wool or fine animal hair, be rescinded forthwith.

In terms of exercising surveillance of the implementation of its recommendation the TMB, in view of the fact that it had received no information from Poland as to the implementation of the above-mentioned recommendation, decided to request such information from Poland. The TMB was informed subsequently by Poland that it intended to implement the TMB recommendation and rescind the measure on 1 March 2002.

The TMB reviewed the notification made by the United States under Article 2.17 of the ATC of the administrative arrangements concluded between the United States and Oman. The TMB observed, *inter alia*, that certain provisions of the administrative arrangements seemed to be inconsistent with the ATC. It sought confirmation from the United States of its understanding that the statements, made by the United States when the TMB had examined some other administrative arrangements, that when provisions of the administrative arrangements were inconsistent with the ATC, the provisions of the ATC would apply, also applied to the administrative arrangements concluded between the United States and Oman. The United States confirmed the Body's understanding.

The TMB, noting that under the provisions of Article 2.18, which applied to small suppliers and new entrants, as well as, to the extent possible, to least-developed country Members, "... meaningful improvement in access for their exports shall be provided [...] for the duration of this Agreement [i.e. the ATC] ...", considered that in order to comply with the requirements of the first sentence of Article 2.21, it should receive the necessary information from the Members concerned (Canada, the European Communities and the United States) on how they intended to implement the provisions of Article 2.18 as from 1 January 2002. The Body decided, therefore, to seek information from the European Communities and the United States in this regard (an earlier communication by Canada had provided this information). Replies were received from the European Communities and the United States, and the TMB noted that the three Members concerned would increase the annual growth rates applied during Stage 2 for WTO Members falling under the provisions of Article 2.18 (small suppliers) in their respective regimes by 27% as from 1 January 2002.

The TMB considered a notification received from Japan pursuant to Article 3.2(b), regarding the progressive phase-out of the measures notified by Japan under Article 3.1, affecting the importation of silk yarn and silk fabric from the Republic of Korea. Japan had decided to maintain the measures. In taking note of this notification, the TMB recalled that, pursuant to Article 3.2(b), and to the related commitment undertaken by Japan, these measures had to be completely phased out over the duration of the ATC. Furthermore, the TMB reiterated its expectation that the implementation of the continued phase-out programme, in conformity with Article 3.2(b), would be such as to provide appropriate progressive increases to the level of restrictions on imports of silk yarn and silk fabric from the Republic of Korea.

Agriculture

In February 2000, the General Council launched, in accordance with Article 20 of the Agreement on Agriculture, the negotiations to continue the process of reform of trade in agriculture which began in 1995 with the progressive implementation of the Uruguay Round results. The negotiations, which are conducted by the Committee on Agriculture meeting in Special Sessions, started smoothly and continue to be on track. During the first phase of the negotiations (March 2000 to March 2001), a total of 121 Members submitted, individually or as part of a group, 45 negotiating proposals.

At a stock-taking meeting at the end of March 2001, the Committee adopted a programme for the second phase of the negotiations up to early 2002, involving work in depth on all issues and options for policy reform set out in Members' proposals, with further elaboration as appropriate. In the course of the second phase, which was concluded at a Special Session in February 2002, Members submitted a further 105 elaborated proposals and other informal papers.

The Special Sessions continued to serve as a forum for presentation and intense initial discussion of these proposals as well as other papers submitted by Members and background information prepared by the Secretariat. All aspects of the negotiating proposals were substantively addressed in one way or another.²

The text on agriculture of the Doha Ministerial Declaration set the scene and has provided guidance for the further work. This includes a benchmark to establish modalities for the further commitments, including provisions for special and differential treatment, by the end of March 2003. Comprehensive draft schedules based on these modalities are to be submitted by participants by the Fifth Session of the Ministerial Conference, and the negotiations on agriculture are to be concluded as part and on the date of conclusion of the negotiating agenda as a whole (1 January 2005).

In addition to conducting the negotiations, the WTO Committee on Agriculture continued in 2001 in the course of four regular meetings to review progress in the implementation of commitments under the Uruguay Round agricultural reform programme, or resulting from WTO accession negotiations. For the purpose of the multilateral review of the implementation of commitments, Members must periodically submit notifications in the areas of market access, domestic support and export subsidies, as well as under the provision of the Agreement relating to export restrictions. Since 1995 the Committee reviewed 1,265 notifications. Specific matters were also addressed under Article 18.6 of the Agreement. This provision entitles Members to raise in the Committee any matter relevant to the implementation of commitments under the reform programme.

In the area of market access, the Committee continued last year to review systematically Members' administration of tariff quotas and imports under these commitments. Many tariff quotas have a significant commercial value since imports are subject to relatively low customs duties, albeit for limited import volumes. Thirty seven Members, counting the EC as one, bound a total of 1,371 tariff quotas in their WTO Schedules. In 2001, in response to a decision of the WTO General Council under the Implementation Mechanism, several Members provided additional notifications to the Committee on Agriculture which include further details on guidelines and procedures for the allotment of tariff quotas. The Committee also monitored the application of the special agricultural safeguard by the limited number of Members that have thus far taken recourse to it.

In the area of domestic support, the Committee's review of notifications focused on measures claimed by Members to be in conformity with the "Green Box". Most Members provide support to agriculture under the provisions of the Green Box and so long as they comply with the non-trade distortion and other criteria specified in Annex 2 of the Agreement, such measures are exempt from reduction commitments. Furthermore, specific questions were raised with respect to payments under production-limiting programmes ("Blue Box" payments) as well as matters related to compliance with scheduled reduction commitments ("Amber Box").

Members' performance in implementing their export subsidy commitments was also reviewed. Clarification was sought on various aspects of a number of export subsidy

² The Chairperson's summary overviews of the discussions at the informal Special Sessions of the second phase of the negotiations are contained in documents G/AG/NG/R/8, 9 and 10. The negotiating proposals tabled during the first phase and other submissions by Members, background papers for the negotiations prepared by the WTO Secretariat as well as other detailed information on the work carried out in the negotiations are available on the agriculture page of the WTO website.

programmes, including cases where Members had apparently exceeded their export subsidy commitments.

In December 2001, the Committee held, in accordance with Article 18.5 of the Agreement, its annual consultation concerning the impact of the implementation of the Uruguay Round export subsidy commitments on Members' world market shares for major commodities as well as high value agricultural products. As requested by the General Council, the Committee also continued its discussions on the issue of implementation of Article 10.2 of the Agreement on Agriculture which concerns the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes.

The Committee is mandated to monitor the follow-up to the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. In December 2001, the Committee conducted its seventh annual monitoring exercise on the basis of contributions by Members, including notifications concerning actions taken by developed countries within the framework of the Decision, and a background paper prepared by the Secretariat.³ The FAO, the International Grains Council, the IMF, the OECD, the World Bank and UNCTAD also contributed to this process.

Finally, the Committee worked out and, on the responsibility of the Vice-Chairman, submitted to the General Council recommendations on the implementation of Article 10.2 of the Agreement on Agriculture (export credits); on the examination of possible means of improving the effectiveness of the implementation of the Marrakesh Ministerial Decision on net food-importing developing countries; and concerning the addenda to notifications on tariff quota regimes noted above.⁴ These recommendations became subsequently part of the Decision on Implementation-Related Issues and Concerns adopted by Ministers at Doha.

Sanitary and phytosanitary measures

The Agreement on the Application of Sanitary and Phytosanitary Measures (the "SPS Agreement") sets out the rights and obligations of Members when taking measures to ensure food safety, to protect human health from plant - or animal-spread diseases, or to protect plant and animal health from pests and diseases. Governments must ensure that their food safety and animal or plant health measures are necessary for health protection, are based on scientific principles, are transparent, and are not applied in a manner which would constitute a disguised restriction on international trade. The measures must be justifiable through an assessment of the health risks involved. The use of internationally-developed standards is encouraged. Advance notice must be given of proposed new regulations or modifications to requirements whenever these differ from the relevant international standards. Since 1 January 2000, the provisions of the SPS Agreement also apply for least-developed countries.

By 31 December 2001, the Committee had received close to 2,630 SPS notifications since the entry into force of the WTO in 1995. One hundred and twenty two Members had established and identified Enquiry Points to respond to requests for information regarding sanitary and phytosanitary measures, and 115 had identified their national authority responsible for notifications.⁵

In 2001, the SPS Committee held three regular meetings. At each of these, the Committee discussed specific trade concerns identified by Members.⁶ The Committee also focused specifically on difficulties faced by developing countries, in particular regarding recognition of equivalence and the need for technical assistance. The Committee adopted a decision providing guidance on the recognition of the equivalence of sanitary measures which provide a similar level of health protection (G/SPS/19). A number of intergovernmental organizations have been granted observer status by the Committee, either on a regular or an *ad hoc* basis.⁷

The WTO Secretariat regularly provides technical assistance to developing and WTO-acceding countries to facilitate their implementation of the SPS Agreement. This assistance is usually provided either through WTO-organized programmes or through WTO presentations in programmes organized by other institutions. Most of this technical assistance is undertaken in cooperation with the relevant standard-setting organizations (Codex, OIE and IPPC), as well as with the World Bank. During 2001, the WTO Secretariat participated in SPS technical assistance to the Congo, China, Pakistan, Kenya and Chinese Taipei as well as in regional seminars in the Near and Middle East, the Gulf, the South Pacific, and southern, eastern and central Africa.

As for dispute settlement, to date Panel and Appellate Body reports have been adopted for three distinct cases in the SPS area: *EC-Hormones*, *Australia-Salmon* and *Japan-Varietals*. No further panels were established on new SPS issues in 2001, although formal requests for consultations relating to alleged violations of the SPS Agreement were requested by Ecuador

³ See document G/AG/W/42/Rev. 4

⁴ See document G/AG/11.

⁵ For the most recent listing see G/SPS/GEN/27/Rev. 9.

⁶ See G/SPS/GEN/204/Rev. 2.

⁷ G/SPS/W/98/Rev. 1.

on Turkey's measures affecting imports of bananas and other fresh fruit. In October 2001, the United States and Japan reported that they had reached a mutually acceptable solution to the US complaint regarding Japan's testing requirements on fresh fruits.

Safeguards

WTO Members may take "safeguard" actions with respect to a product if increased imports of that product are causing, or threaten to cause, serious injury to the domestic industry that produces like or directly competitive products. Prior to the Uruguay Round, safeguard measures could be applied on the basis of Article XIX of GATT 1947, but were infrequently used, in part because some governments preferred to secure protection for their domestic industries by using "grey-area" measures, such as voluntary export restraint agreements between exporting and importing countries.

The WTO Agreement on Safeguards, which entered into force on 1 January 1995, broke new ground in establishing a prohibition against "grey-area" measures. In particular, the Agreement stipulates that Members shall not seek, take or maintain any voluntary export restraints, orderly marketing arrangements or any other similar measures which afford protection. All such pre-existing measures were required to have been phased out by the end of 1998 (in the case of one specified measure by the end of 1999). The Agreement also establishes the substantive and procedural requirements for applying new safeguard measures.

During the period under review (i.e., calendar year 2001), the Committee established under the Agreement completed its review of national safeguard legislation which had been notified to the Committee as of mid-September 2001. As of 29 October 2001, 92 Members⁸ had notified the Committee of their domestic safeguards legislation and/or regulations or made communications in this regard to the Committee. 35 Members had not as of that date made such a notification.

The Agreement requires Members that had grey-area measures in force as of 1 January 1995 to have notified them, as well as timetables for their phase-out, to the Committee during 1995. Timely notifications of timetables were received from Cyprus, the European Communities, the Republic of Korea, Slovenia and South Africa. The notified measures were eliminated by 31 December 1998 as required by the Agreement (except for the EC/Japan arrangement on motor vehicles, which the Agreement permitted to remain in force until 31 December 1999). The Agreement also requires notification and termination of any pre-existing safeguard measures imposed under Article XIX of GATT 1947. The European Communities and the Republic of Korea notified such measures by the relevant deadline in 1995. These measures were phased out by 1 January 2000 as required by the Agreement. Nigeria also notified such pre-existing safeguard measures, after the deadline. At the Committee's 29 October 2001 meeting, the Committee requested that Nigeria update the Committee on the status of these measures as soon as possible.

Members are required to notify the Committee immediately upon taking any action related to safeguard measures. During 2001,⁹ the Committee reviewed notifications concerning the initiation of safeguard investigations received from Argentina, Brazil, Bulgaria, Chile, the Czech Republic, Egypt, Japan, Jordan, Morocco, the Philippines, Poland, El Salvador, the Slovak Republic, and the United States. The Committee reviewed notifications concerning the application of provisional safeguard measures received from Argentina, Chile, the Czech Republic, Ecuador, Japan and Morocco. The Committee reviewed notifications concerning findings of serious injury (or threat thereof) due to increased imports received from Argentina, Chile, the Czech Republic, Egypt, India, Jordan, Morocco, the Slovak Republic, and Venezuela. The Committee reviewed notifications concerning the termination of a safeguard investigation with no safeguard measure imposed received from Chile, Colombia, the Czech Republic, Jordan, El Salvador, and the United States.

During 2001, the Committee reviewed notifications related to decisions to apply safeguard measures, and related to the exclusion from application of safeguard measures of those developing countries whose shares of imports are below the thresholds set forth in Article 9.1 of the Agreement, received from Argentina, Chile, the Czech Republic, Egypt, Jordan, Morocco, the Slovak Republic, and the United States.

During 2001, the Committee reviewed a notification of the results of a mid-term review of a safeguard measure in effect received from the United States.

During 2001, the Committee reviewed notifications regarding the proposed suspension of concessions and other obligations received from Egypt and the European Communities (joint notification), and from Poland.

Subsidies and countervailing measures

The Agreement on Subsidies and Countervailing Measures ("Agreement"), which entered into force on 1 January 1995, regulates the provision of subsidies and the imposition of

⁸ Counting the EC as a single Member for purposes of the legislative notification. There are currently 144 WTO Members. This figure is reduced to 129 if the EC is counted as a single Member.

⁹ During 2001, the Committee reviewed notifications that were received in time for consideration at the two 2001 regular meetings. Other notifications received during 2001 will be reviewed at the April 2002 regular meeting of the Committee.

countervailing measures by Members. The Agreement applies to subsidies that are specific to an enterprise or industry or group of enterprises or industries within the territory of a Member. Specific subsidies are divided into two categories: prohibited subsidies under Part II of the Agreement and actionable subsidies under Part III of the Agreement.¹⁰ Part V of the Agreement contains detailed rules regarding the conduct of countervailing duty investigations and the application of countervailing measures by Members. Parts VIII and IX of the Agreement provide special and differential treatment, respectively, for developing-country Members and for Members in transformation to a market economy.

Implementation-related Issues referred to the Committee

During 2001, the Committee on Subsidies and Countervailing Measures ("the Committee") undertook a review of certain implementation-related issues referred to it from the General Council: all issues related to Articles 27.5 and 27.6 of the Agreement, including the possibility to establish export competitiveness on the basis of a period longer than two years; the issues of aggregate and generalized rates of remission of import duties, and of the definition of "inputs consumed in the production process"; consideration of the implementation of Article 27 of the Agreement as it relates to particular issues concerning developing country Members with a small percentage share of exports in import markets and in global trade; review of the provisions of the Agreement regarding countervailing duty investigations; and methodology to be used in calculating GNP per capita in constant 1990 dollars, as referred to in a draft decision contained in Annex I to the *Draft Decision on Implementation-Related Issues and Concerns* (JOB/(01)/139). The Committee Chairman reported to the General Council in respect of the Committee's consideration of these issues on 31 July, 30 September, and 26 October 2001 in documents G/SCM/34, G/SCM/36 and G/SCM/38, respectively.

At the Fourth Ministerial Conference, in their Decision on Implementation-Related Issues and Concerns, Ministers approved procedures for certain developing-country Members to obtain an extension of the transition period for export subsidies under SCM Article 27.4. (The procedures can be found in G/SCM/39). As of 31 December 2001 (the deadline under Article 27.4 for all requests for extensions) the Committee had received 26 such requests from Members, of which 22 were made pursuant to the special procedures. (The requests received are listed in G/SCM/40/Rev.1 and Corr.1). Ministers also took implementation-related decisions in respect of Annex VII to the Agreement, the Committee's review of the provisions pertaining to countervailing duty investigations, and certain subsidies of developing country Members. (WT/MIN(01)/17, paras. 10.1-10.6.)

Negotiations

At the Fourth Ministerial Conference, Ministers agreed to negotiations aimed at clarifying and improving disciplines under, *inter alia*, the Agreement on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of that Agreement and its instruments and objectives, and taking into account the needs of developing and least-developed participants. In the initial phase of the negotiations, participants will indicate the provisions, including disciplines on trade distorting practices, that they seek to clarify and improve in the subsequent phase. In the context of these negotiations, participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries. (WT/MIN(01)/DEC/1, para. 28.)

Notification and review of subsidies

Transparency is essential for the effective operation of the Agreement. To this end, Article 25 of the Agreement requires that Members make a new and full notification of specific subsidies every third year (the most recent such notification was due on 30 June 2001), and that Members submit an updating notification on 30 June of the intervening years. As of 31 December 2001, 30 Members (counting the EC as a single Member) had submitted a 2001 new and full notification, of which 14 notified that they provided no specific subsidies. The Committee on Subsidies and Countervailing Measures ("the Committee") continued its review of subsidy notifications at its regular and special meetings in May and October 2001. At its special meeting of 31 May 2001, the Committee reached an understanding that, in an effort to improve compliance with the subsidy notification obligations and thus transparency, Members would give priority to submitting new and full notifications every two years and would de-emphasize the review of updating notifications.

Notification and review of countervailing duty legislation

Pursuant to Article 32.6 of the Agreement and a decision of the Committee, Members were required to notify their countervailing duty legislation and/or regulations (or the lack

¹⁰ The provisions of Part IV of the Agreement, on non-actionable subsidies, lapsed on 1 January 2000, as there was no consensus in the Committee on Subsidies and Countervailing Measures, pursuant to SCM Article 31, to extend these provisions.

thereof) to the Committee by 15 March 1995. As of 31 December 2001, 89 Members (counting the EC as a single Member) had submitted such a notification. Of these, 62 Members notified countervailing duty legislation, and 27 Members notified that they had no such legislation. Thirty nine Members had not submitted a notification. During 2001 the Committee continued its review of legislative notifications.

Permanent Group of Experts

The Agreement provides for the establishment of a Permanent Group of Experts (PGE), composed of five independent persons highly qualified in the fields of subsidies and trade relations. The role of the PGE involves the provision of assistance to panels with respect to whether a subsidy is prohibited, as well as the provision of advisory opinions at the request of the Committee or a Member.¹¹ Although the PGE has drafted Rules of Procedure and submitted them to the Committee for its approval, the draft Rules have not yet been approved by the Committee.

Countervailing actions

Countervailing actions taken during the period 1 July 2000–30 June 2001 are summarized in Tables IV.3 and IV.4. The tables are incomplete because certain Members have not submitted one or both of their semi-annual reports on countervailing actions or have not provided all of the information required by the format adopted by the Committee. The data available indicate that 26 new countervailing duty investigations were initiated in the review period. As of 30 June 2001, Members reported 86 countervailing measures (including undertakings) in force.

Table IV.3

Exporters subject to initiations of countervailing investigations, 1 July 2000-30 June 2001¹

Affected Country	Initiations	Affected Country	Initiations
Argentina	3	Israel	1
Canada	1	Korea, Rep. of	1
Chile	1	South Africa	1
European Community ²	6	Thailand	1
India	8	United States	1
Indonesia	2	TOTAL	26

¹ The table is based on information from Members that have submitted semi-annual reports and is incomplete due to a significant number of missing notifications.

² Includes initiations in respect of individual EC Member States: Germany, Italy, France, Netherlands, United Kingdom.

Table IV.4

Summary of countervailing duty actions, 1 July 2000-30 June 2001¹

Reporting party	Initiations	Provisional measures	Definitive duties	Undertakings	Measures in force on 30.06.2001
Argentina	0	0	0	0	3
Australia	1	0	1	0	5
Canada	3	3	2	0	9
European Community	2	4	5	1	19 ²
Mexico	0	0	0	0	1
New Zealand	0	0	0	0	2
Peru	1	1	0	0	0
South Africa	4	2	1	0	1
United States	15	12	1	0	43
Venezuela	0	0	0	0	3
TOTAL	26	22	10	1	86

¹ The table is based on information from Members that have submitted semi-annual reports and is incomplete due to a significant number of missing notifications.

² A price undertaking and a definitive duty with respect to Polythelene Terephthalate (PET) from India have been counted as two measures, and a price undertaking and a definitive duty with respect to salmon from Norway have been counted as two measures.

¹¹ The current membership of the PGE is as follows: Mr. Okan Aktan, Chairman, Department of Economics at Hacettepe University, Ankara; Mr. Marco Bronckers, private attorney in the trade law area and Professor of Law at the University of Leyden; Mr. Jorge Castro Bernieri, private attorney in the trade law area; and Mr. Renato Galvao Flores Junior, Professor of Law at Universidade Federal do Rio de Janeiro.

Table IV.5

Rules Notifications Submitted by WTO Members

Status as of 31 December 2001

Member	Anti-Dumping			Countervailing Duties			Subsidies	State Trading	Safeguards
	Legislation	Semi-Annual Reports*		Legislation	Semi-Annual Reports*		(Articles 25 & XVI)	Article XVII:4(a) & XVII	Legislation
		July-Dec. 2000	Jan.-June 2001		July-Dec. 2000	Jan.-June 2001	New & Full 2001	New & Full 2001	
Albania					X				
Angola									
Antigua and Barbuda	X			X		X			
Argentina	X	X	X	X	X	X			X
Australia	X	X	X	X	X	X	X		X
Bahrain	X	X			X				X
Bangladesh									
Barbados	X			X					
Belize							X		
Benin	X			X					X
Bolivia	X	X	X	X	X	X		X	X
Botswana	X								X
Brazil	X	X	X	X	X	X			X
Brunei Darussalam	X	X	X	X	X	X			X
Bulgaria	X	X	X	X	X	X			X
Burkina Faso	X								
Burundi	X	X		X	X		X	X	X
Cameroon									
Canada	X	X	X	X	X	X			X
Central African Republic									
Chad	X			X				X	X
Chile	X	X	X	X	X	X	X	X	X
Colombia	X	X		X			X		X
Congo									
Congo, Dem. Rep.									
Costa Rica	X	X	X	X	X				X
Côte d'Ivoire	X								X
Croatia	X	X	X	X	X	X	X		X
Cuba	X	X	X	X	X	X	X		X
Cyprus	X	X		X	X				X
Czech Republic	X	X	X	X	X			X	X
Djibouti									
Dominica	X	X		X	X				X
Dominican Republic	X			X					X
European Communities**	X	X	X	X	X	X	X	X	X
Ecuador	X			X					X
Egypt	X	X	X	X	X	X			X
El Salvador	X	X		X	X		X		X
Estonia	X	X	X	X	X	X		X	X
Fiji	X			X					X
Gabon		X					X		
Gambia									
Georgia									
Ghana	X		X	X		X	X	X	X
Grenada	X	X	X	X	X	X	X		
Guatemala	X	X	X	X	X	X	X	X	X
Guinea Bissau									
Guinea, Rep. of	X			X					X
Guyana									
Haiti	X			X					X
Honduras	X	X	X	X	X	X			X
Hong Kong, China	X	X	X	X	X	X	X	X	X
Hungary	X	X	X	X	X	X			X
Iceland	X	X	X	X	X	X			X

Table IV.5 (continued)

Rules Notifications Submitted by WTO Members

Status as of 31 December 2001

Member	Anti-Dumping			Countervailing Duties			Subsidies	State Trading	Safeguards
	Legislation	Semi-Annual Reports*		Legislation	Semi-Annual Reports*		(Articles 25 & XVI)	Article XVII:4(a) & XVII New & Full	Legislation
		July-Dec. 2000	Jan.-June 2001		July-Dec. 2000	Jan.-June 2001	New & Full 2001	New & Full 2001	
India	X	X	X	X	X	X	X	X	X
Indonesia	X	X	X	X	X				X
Israel	X	X	X	X	X	X			X
Jamaica	X	X		X	X	X		X	X
Japan	X	X	X	X	X	X		X	X
Jordan	X			X					X
Kenya	X			X					X
Korea, Rep. of	X	X	X	X	X	X	X		X
Kuwait									
Kyrgyz Republic	X			X					X
Latvia	X	X	X	X	X	X	X	X	X
Lesotho									
Liechtenstein	X	X	X	X	X	X	X	X	X
Lithuania									
Macao, China	X	X	X	X	X	X	X	X	X
Madagascar	X								X
Malawi	X			X					
Malaysia	X	X	X	X	X	X			X
Maldives	X			X					X
Mali	X		X		X		X		
Malta	X	X	X	X	X	X		X	X
Mauritania									
Mauritius	X	X		X					X
Mexico	X	X	X	X	X	X			X
Moldova									
Mongolia	X	X		X	X			X	X
Morocco	X		X	X		X			X
Mozambique									
Myanmar									X
Namibia	X	X	X	X	X	X	X		X
New Zealand	X	X	X	X	X	X		X	X
Nicaragua	X			X					X
Niger									
Nigeria									X
Norway	X	X	X	X	X	X		X	X
Oman	X	X		X	X		X	X	X
Pakistan	X		X	X		X		X	X
Panama	X	X		X	X		X	X	X
Pap. New Guinea	X	X							
Paraguay	X			X		X	X		X
Peru	X	X	X	X	X	X			X
Philippines	X	X	X	X	X	X			X
Poland	X	X	X	X	X	X		X	X
Qatar	X			X					X
Romania	X	X	X	X	X	X		X	X
Rwanda									
Saint Kitts & Nevis									
Saint Lucia	X			X					X
Saint Vincent & Grenadines									
Senegal	X			X					X
Sierra Leone									
Singapore	X	X	X	X	X	X	X		X
Slovak Republic	X	X	X	X	X	X			X
Slovenia	X	X	X	X	X	X		X	X

Table IV.5 (continued)

Rules Notifications Submitted by WTO Members

Status as of 31 December 2001

Member	Anti-Dumping			Countervailing Duties			Subsidies	State Trading	Safeguards
	Legislation	Semi-Annual Reports*		Legislation	Semi-Annual Reports*		(Articles 25 & XVI)	Article XVII:4(a) & XVII	Legislation
		July-Dec. 2000	Jan.-June 2001		July-Dec. 2000	Jan.-June 2001	New & Full 2001	New & Full 2001	
Solomon Islands									
South Africa	X	X	X	X	X	X		X	X
Sri Lanka	X			X	X				X
Suriname	X			X					X
Swaziland	X								
Switzerland	X	X	X	X	X	XX	X	X	X
Tanzania									
Thailand	X	X	X	X	X	X	X	X	X
Togo									
Trinidad & Tobago	X	X	X	X	X	X			X
Tunisia	X	X	X	X	X	X	X		X
Turkey	X	X	X	X	X	X	X		X
Uganda	X			X					X
United Arab Emirates	X			X					X
United States	X	X	X	X	X	X			X
Uruguay	X	X	X	X	X	X			X
Venezuela	X	X	X	X	X	X		X	X
Zambia	X			X					X
Zimbabwe	X	X		X	X		X		X

X = notification submitted.

N = document submitted on its face does not satisfy the requirement to notify.

* Tally reflects semi-annual reports for the period 1 July-31 December 2000, due 29 February 2001, and 1 January-30 June 2001, due 31 August 2001.

** The EC submits a single notification that covers the EC and all 15 Member States.

Anti-dumping practices

The Agreement on Implementation of Article VI of GATT 1994 ("the Agreement") entered into force on 1 January 1995. Article VI of GATT 1994 allows Members to apply anti-dumping measures on imports of a product with an export price below its "normal value" (usually, the comparable price of the product in the domestic market of the exporting country) if such imports cause or threaten to cause material injury to a domestic industry. The Agreement sets forth detailed rules concerning the determinations of dumping, injury, and causal link, and the procedures to be followed in initiating and conducting anti-dumping investigations. It also clarifies the role of dispute settlement panels in disputes concerning anti-dumping actions taken by WTO Members.

Implementation-related matters. At the Fourth Ministerial Conference, in their Decision on Implementation-Related Issues and Concerns, Ministers agreed that investigating authorities shall examine with special care any application for the initiation of an anti-dumping investigation where an investigation of the same product from the same Member resulted in a negative finding within the 365 days prior to the filing of the application and that, unless this pre-initiation examination indicates that circumstances have changed, the investigation shall not proceed. (WT/MIN(01)/17, para. 7.1). Ministers also referred three implementation-related issues to the Committee or its Working Group on Implementation for consideration and recommendations, to be completed within 12 months. The Working Group on Implementation will examine modalities for the application of Article 15 of the Agreement and draw up recommendations on how to operationalize it, and will draw up recommendations concerning the time-frame to be used in determining a *de minimis* volume of imports under Article 5.8 of the Agreement. The Committee will draw up guidelines for the improvement of the annual reviews under Article 18.5 of the Agreement. (WT/MIN(01)/17, paras. 7.2, 7.3., and 7.4).

Negotiations. At the Fourth Ministerial Conference, Ministers agreed to negotiations aimed at clarifying and improving disciplines under, *inter alia*, the Agreement, while preserving the basic concepts, principles and effectiveness of that Agreement and its

instruments and objectives, and taking into account the needs of developing and least-developed participants. In the initial phase of the negotiations, participants will indicate the provisions, including disciplines on trade distorting practices, that they seek to clarify and improve in the subsequent phase. (WT/MIN(01)/DEC/1, para. 28).

Notification and review of anti-dumping legislation. WTO Members are under a continuing obligation to notify their anti-dumping legislation and/or regulations (or the lack thereof). Thus, Members who enact new legislation or amend existing legislation are required to notify the new text or amendment. As of 31 December 2001, 97 Members (counting the EC as a single Member) had submitted notifications regarding anti-dumping legislation or regulations. 31 Members have not yet submitted a notification in this regard. The status of notifications pursuant to Article 18.5 may be found in Table IV.6. Review of Members' notifications of legislation continues at the regular meetings of the Committee on Anti-Dumping Practices, on the basis of written questions and answers.

Subsidiary bodies. The Committee has two subsidiary bodies, the Working Group on Implementation (formerly known as the Ad Hoc Group on Implementation), and the Informal Group on Anti-Circumvention. These bodies meet twice a year in regular session, in conjunction with the regular meetings of the Committee. The Working Group on Implementation considers, principally, technical issues concerning the Agreement, and seeks to develop agreement concerning implementation issues for consideration by the Committee. At its meetings in April and October 2001, the Working Group continued discussions on a series of topics referred to it by the Committee in April 1999. Discussion proceeded on the basis of papers submitted by Members, draft recommendations prepared by the Secretariat, and information submitted by Members concerning their own practices.

Table IV.6

Summary of Anti-Dumping Actions, 1 July 2000 – 30 June 2001¹

	Initiations	Provisional measures	Definitive Duties	Price Undertakings	Measures in force on 30 June 2001 ²
Argentina	44	8	13	1	45
Australia	20	6	3	4	56
Brazil	10	0	11	3	52
Canada	41	38	12	1	89
Chile	4	0	0	0	0
Colombia	0	0	0	2	n.a. ³
Czech Republic	0	0	1	0	1
Egypt	1	0	0	0	10
European Communities	29	16	36	1	219
India	37	52	41	0	121
Indonesia	1	7	3	0	n.a. ³
Israel	2	1	1	0	4
Japan	2	0	0	0	n.a. ³
Korea, Rep. of	5	0	1	2	29
Malaysia	0	0	0	0	8
Mexico	4	4	6	0	66
New Zealand	5	2	3	0	11
Peru	0	1	1	1	15
Philippines	2	2	5	0	n.a. ³
Poland	0	0	5	1	n.a. ³
Singapore	0	0	0	0	2
South Africa	20	9	12	0	109
Thailand	1	0	0	0	6
Trinidad and Tobago	1	1	2	0	5
Turkey	2	0	2	0	15
Uruguay	3	0	0	0	n.a. ³
United States	77	35	20	0	241
Venezuela	2	1	0	0	1
Total	313	183	178	16	1105

¹ The reporting period covers 1 July 2000 – 30 June 2001. The table is based on information from Members having submitted a semi-annual report for that period and is incomplete due to missing reports and/or missing information in reports.

² Includes definitive price undertakings.

³ Did not submit a separate list of measures in force.

In the Informal Group on Anti-Circumvention, Members discuss the matters referred to the Committee by Ministers in the 1994 Ministerial Decision on Anti-Circumvention. The Informal Group met in April and October 2001, and continued discussions on the first two topics under the agreed framework for discussions, "what constitutes circumvention", and "what is being done by Members confronted with what they consider to be circumvention". In addition, the Informal Group agreed, at its meeting in October 2001, to open discussions on the third topic under the agreed framework, "to what extent can circumvention be dealt with under the relevant WTO rules? to what extent can it not? and what other options may be deemed necessary?".

Anti-dumping actions. Anti-dumping actions taken during the period 1 July 2000-30 June 2001 are summarized in Tables IV.6 and V.5. The tables are incomplete because certain Members have not submitted the required semi-annual report of anti-dumping actions for this period or have not provided all the information required by the format adopted by the Committee. The data available indicate that 313 investigations were initiated during the period. The most active Members during this period, in terms of initiations of anti-dumping investigations, were the United States (77), Argentina (44), Canada (41), India (37), the European Communities (29), Australia and South Africa (20 each), and Brazil (10). As of 30 June 2001, 21 Members reported anti-dumping measures (including undertakings) in force. Of the 1105 measures in force reported, 22% were maintained by the United States, 20% by the European Communities, 11% by India, 10% by South Africa, 8% by Canada, and 6% by Mexico. Other Members reporting measures in force each accounted for 5% or less of the total number of measures in force. Products exported from China were the subject of the most anti-dumping investigations initiated during the period, (53), followed by products exported from the European Communities or member States (52), Republic of Korea (20), Chinese Taipei (19), India (14) Indonesia (12), Brazil, Japan and Thailand (11 each), and the United States (10).

Technical barriers to trade

During the year 2001, the Committee held three meetings where statements were made on the implementation and administration of the Agreement. A number of Members informed the Committee of measures taken to ensure the implementation and administration of the Agreement. Several measures were brought to the attention of the Committee by Members who raised concerns about the potential adverse trade effects or inconsistency with the Agreement of those measures. A number of observers updated the Committee on their technical assistance activities and on the ways in which they sought to ensure effective participation of Members, in particular developing-country Members in their activities (G/TBT/M/23-25).

In order to give Members the opportunity to discuss the activities and problems relating to information exchange and to review periodically how well notification procedures work, a special meeting on procedures for information exchange was held. A number of proposals to improve information exchange were made for the consideration of the Committee.

As a result of the Second Triennial Review of the Agreement, the Committee proceeded to develop a demand driven TBT-related Technical Cooperation Programme. At the Doha Ministerial Conference, Ministers confirmed the approach to technical assistance being developed by the Committee, reflecting the results of the triennial review work in this area, and mandated this work to continue.

State trading enterprises

The Working Party on State Trading Enterprises was established in accordance with paragraph 5 of the Understanding on the Interpretation of Article XVII of the GATT 1994, and held its first meeting in April 1995. Since the 2001 Annual Report, the Working Party has held one formal meeting: in October 2001. The Working Party's main task is to review the notifications and counter-notifications submitted by Members on their state trading activities.

The Working Party was also charged with two other tasks by the Ministers at Marrakesh:

- to examine, with a view to revising, the questionnaire on state trading adopted in November 1960; and

- to develop an illustrative list of the kinds of relationships between governments and state trading enterprises and the kinds of activities engaged in by these enterprises.

As reported previously, the illustrative list of state trading relationships and activities – contained in document G/STR/4 and approved by the Working Party at its July 1999 meeting – was adopted by the Council for Trade in Goods at its October 1999 meeting. As also

reported previously, a revised questionnaire – contained in document G/STR/3 and approved by the Working Party at its April 1998 meeting – was adopted by the Council for Trade in Goods at its April 1998 meeting. This questionnaire has been in use since then as the format for state trading notifications by Members.

Reviews of the notifications submitted are conducted in formal meetings of the Working Party. The first series of new and full notifications on state trading enterprises was required of all Members by the deadline of 30 June 1995, and subsequent new and full notifications are required every third year, also by the deadline of 30 June. Updating notifications must be submitted in each of the intervening two years, also by the deadline of 30 June. All notifications must be made by all Members, regardless of whether the Member maintains any state trading enterprises and regardless of whether an existing state trading enterprise has conducted any trade during the period under review.

With regard to the main task of the Working Party – the review of notifications – at its meeting of October 2001, the Working Party conducted a review of 57 notifications:

- 2001 new and full notifications of Bolivia; Burundi; Chad; Czech Republic; Estonia; Ghana; Guatemala; Hong Kong, China; Jamaica; Japan; Liechtenstein; Latvia; Macau, China; Malta; Mongolia; New Zealand; Oman; Panama; Romania; Slovenia; South Africa; Switzerland; and Thailand;
- 2000 updating notifications of Dominica; El Salvador; Guatemala; Jordan; Liechtenstein; Pakistan; Panama; Poland; Romania; St. Vincent and the Grenadines; Slovak Republic; South Africa; Switzerland; and Uganda;
- 1999 updating notifications of Dominica; El Salvador; Jordan; Pakistan; Panama; Poland; Romania; St. Vincent and the Grenadines; South Africa; and Uganda; and
- 1998 new and full notifications of Dominica; El Salvador; Jordan; Pakistan; Panama; Poland; Romania; St. Vincent and the Grenadines; South Africa; and Uganda.

Trade-related investment measures (TRIMs)

Under the Uruguay Round Agreement on Trade-Related Investment Measures, WTO Members are required to eliminate the use of trade-related investment measures (TRIMs) that are inconsistent with Article III or Article XI of GATT 1994, subject to the exceptions permitted under GATT 1994.

Members were given a transition period to eliminate TRIMs notified within 90 days of the entry into force of the WTO Agreement – two years in the case of developed-country Members, five years in the case of developing-country Members, and seven years in the case of least-developed country Members. Twenty-six such notifications were made.

The TRIMs Agreement provides that the Council for Trade in Goods may extend the transition period at the request of an individual developing or least-developed country Member which demonstrates particular difficulties in implementing the provisions of the Agreement. In July 2001, Argentina, Colombia, Malaysia, Mexico, Pakistan, the Philippines, Romania and Thailand received extensions of the transition period through to the end of 2001, and in November 2001 further extensions were granted to these Members for periods up to the end of 2003. Consideration of one further request for an extension of the transition period is pending.

At its October 1999 meeting, the Council for Trade in Goods began the Article 9 review of the operation of the TRIMs Agreement.

V. Trade in services

Council for Trade In Services (Regular Session)

The Council for Trade in Services held five formal meetings. Reports of the meetings are contained in documents S/C/M/52 to 56. The Council has also held one special meeting dedicated to the review of the Annex on Air Transport Services, the report of which is contained in document S/C/M/57. The reports of the meetings, as well as the annual report by the Council, contained in document S/C/14, should be read in conjunction with this report. During the reporting period, the Council addressed the following matters:

Revision of Guidelines for the Scheduling of Specific Commitments

At its meeting of 23 March 2001, the Council adopted the revised Guidelines for the Scheduling of Specific Commitments under the General Agreement on Trade in Services (GATS) (document S/L/92).

Date of further review of Article II (MFN) Exemptions

The Council discussed the date for a further review of Article II (MFN) exemptions at the meetings of 23 March and 14 May 2001. At the May meeting, the Council decided that a further review of MFN exemptions should take place no later than June 2004.

Issues arising from the review of Article II (MFN) Exemptions

In the course of the review of MFN exemptions, several Members had identified issues of concern to them, both of substantive as well as of procedural nature. Upon request by the Council at the meeting of 4 October 2001, the Secretariat prepared draft procedures for the rectification, termination, or reduction of MFN exemptions, contained in document S/C/W/202.

Proposals Concerning a Technical Review of GATS Provisions

At its meeting held on 23 March 2001, a group of Members introduced a proposal to conduct a technical review of GATS provisions with the objective of ensuring their legal consistency and clarity. Notwithstanding differences among Members as to whether a technical review of GATS provisions should be based on a pre-identified list of issues and conducted within a set timeframe, a number of substantive issues were discussed at the Council meetings in 2001.

Other issues addressed by the Council for Trade in Services

At all meetings held in 2001, the Council continued its discussions on the review of the Understanding on Accounting Rates, as provided for in paragraph 7 of the Report of the Group on Basic Telecommunications contained in document S/GBT/4. The Council also continued its work on electronic commerce, as mandated by the General Council. A request for a cooperation arrangement with the International Civil Aviation Organization (ICAO) was discussed.

Special Session of the Council for Trade in Services

The Council held six meetings in Special Session in 2001, one of which dedicated to the issue of the treatment of autonomous liberalization. Reports of the meetings are contained in documents S/CSS/M/8 to 13.

Negotiating Guidelines and Procedures pursuant to Article XIX of the GATS

Article XIX:3 of the GATS mandates that, for each round of negotiations, negotiating guidelines and procedures be established. The Council had discussed the establishment of such guidelines throughout 2000, and adopted the negotiating guidelines and procedures contained in document S/L/93 on 28 March 2001.

Stock-taking

In March 2001, the Council held a stock-taking exercise, to consider progress made in the negotiations and to decide on how to move forward. The stock-taking discussion was carried out expeditiously, thanks to the positive and constructive spirit of delegations. Besides the many negotiating proposals submitted to the Council, several delegations referred to on-going work and to the need to continue the rule-making work with dispatch. There was convergence on the schedule of meetings for the year ahead. Members agreed to hold clusters of services meetings in May, July, October, December 2001 and March 2002, when they would again review progress made in the negotiations.

Proposals Relating to the Negotiations under Article XIX of the GATS

Under this agenda item, Members discussed the various negotiating proposals submitted to the Special Session on a number of services sectors, modes of supply and other horizontal issues. Around 110 proposals were submitted to the Special Session, by more than 50 Members.

At the meeting in May, the Council addressed all the proposals and structured the discussion according to sectors, modes of supply and the horizontal issues identified. Subsequently, the proposals were divided into two groups for a more detailed discussion at the meetings in July and October. Sectors were taken up in the order in which they appear in the MTN.GNS/W/120 sectoral classification, while also allowing for the discussion of other sectors, such as energy services. In December, the Council again addressed all the proposals, but, in order to sharpen the focus of the discussion, decided to organize the debate around a set of items. These are: classification issues; market access and national treatment commitments; regulatory issues; issues relating to the implementation of Article IV; and any other issues, including MFN exemptions. It was underscored that Members remained free to introduce new proposals at any time.

At the meeting held in July, Members also decided that, in order to move the debate on mode 4 forward, an informal symposium on the issue would be held in collaboration with the World Bank in the spring 2002.

The Secretariat was also asked to prepare a paper which, while not a substitute for the proposals themselves, identifies their main elements. The paper, which is regularly updated, is contained in documents JOB(01)/63, Addenda 1 and 2 and Corrigendum 1.

Assessment of Trade in Services

Article XIX:3 of the GATS mandates the Council to carry out an assessment of trade in services in overall terms and on a sectoral basis, with reference to the objectives of the Agreement, including those set out in Article IV:1. The assessment of trade in services figures as a standing item on the agenda of the Special Session.

Contributions tabled on the assessment include a communication by Argentina assessing the participation of developing countries in services trade, a paper presented by the delegation of Norway titled "Diffusion of Information Technology, SADC and International Production", two joint submissions on the assessment of trade tabled by two groups of developing countries, a Secretariat note on the work of the Inter-Agency Task Force on Statistics of International Trade in Services, a Secretariat compilation of all the statements made and submissions tabled on the assessment, and a Secretariat note containing a list of issues that Members might wish to take into consideration when conducting their own assessment.

At the meeting held in October, Members also decided that an informal symposium on the assessment of trade in services would be held within the March 2002 cluster of services meetings.

Treatment of Autonomous Liberalization

Article XIX:3 of the GATS mandates that the negotiating guidelines establish modalities for the treatment of liberalization undertaken autonomously by Members since previous negotiations. The treatment of autonomous liberalization figures as a standing item on the agenda of the Special Session.

At the meeting in March, Members tasked the Secretariat with producing a checklist of issues and any relevant material on experience gained in the Uruguay Round in addressing the treatment of autonomous liberalization. The note was discussed in May, when Members also decided that a meeting dedicated to autonomous liberalization would be held in July. At that meeting the Council agreed that, in order to move to a more operational phase, the Secretariat would prepare a brief note outlining the broad views expressed under each relevant issue; the note formed the basis of the discussion in October. Two new proposals were submitted in December, one by the Republic of Korea and one by a group of developing countries. While it was generally acknowledged that the issue of autonomous liberalization was complex, there was widespread and shared will in the Council to make progress. As a basis to advance work, Members asked the Secretariat to prepare a note indicating possible criteria and modalities for the treatment of autonomous liberalization.

Working Party on Domestic Regulation

The Working Party on Domestic Regulation (WPDR), established by the Services Council in April 1999, is mandated to develop disciplines to ensure that measures relating to licencing requirements, technical standards and qualification requirements do not constitute unnecessary barriers to trade in services. It also took over the tasks assigned to the former Working Party on Professional Services, including the development of general disciplines for professional services. The Working Party held five formal meetings and one informal meeting in the period under review. Minutes of the formal meetings are found in WTO documents S/WPDR/M/410 to M/14. Discussions of the Working Party continued to focus primarily on issues related to the development of horizontally applicable disciplines. This, however, did not rule out the possibility of developing sector-specific disciplines. A revised checklist of substantive issues relating to the development of horizontal disciplines helped focus and structure discussions. Observing the mandate of the Working Party to also develop general disciplines for professional services, Members continued to consult on a voluntary basis with their domestic organizations concerning the potential applicability of the accountancy disciplines, adopted in December 1998, to other professions. The Secretariat presented an informal paper, *Examples of Measures to be Addressed by Disciplines under GATS Article VI:4*, at the meeting of the WPDR on 11 May.

Committee on Trade in Financial Services

The Committee on Trade in Financial Services is mandated to discuss matters relating to trade in financial services and, as such, serves as a forum for technical discussions and

examination of regulatory developments. It is responsible, *inter alia*, for the continuous review and surveillance of the application of the GATS with respect to this sector, and for formulating proposals or recommendations for consideration by the Council for Trade in Services in connection with any matters relating to trade in the sector. The Committee held four formal meetings during the period under consideration. The reports of these meetings are contained in documents S/FIN/M/30-33. The annual report of the Committee to the Council for Trade in Services is contained in document S/FIN/6, dated 4 October 2001. During the year 2001, the Committee continued monitoring the acceptance of the Fifth Protocol to the GATS (which entered into force on 1 March 1999), discussed technical issues regarding the classification of financial services, and addressed recent developments in financial services trade. With respect to the former, seven Members have yet to ratify the Protocol, namely Bolivia, Brazil, Dominican Republic, Jamaica, Philippines, Poland and Uruguay. Also, the Committee invited relevant international standard-setting organizations to brief WTO delegates on the scope of their activities with respect to international standards for financial services.

Committee on Specific commitments

The Committee on Specific Commitments (CSC) is mandated to oversee the implementation of services commitments and the application of the procedures for the modification of schedules and seeks to improve the technical accuracy and coherence of schedules of commitments and lists of MFN exemptions. It has concentrated its work on services classification and the scheduling of commitments, with a view to facilitating the current round of negotiations on trade in services.

During the period under consideration, the Committee held three formal meetings. The reports of those meetings are contained in documents S/CSC/M/19 to 21. The Committee also held six informal meetings in this period, mainly devoted to advancing work on the Guidelines for the Scheduling of Specific Commitments under the GATS and organizational issues. Following intense consultations, the Committee agreed on a revised text of the Scheduling Guidelines which was adopted as a non-binding set of guidelines by the Council for Trade in Services on 23 March 2001. The text of the Guidelines and the related Decision by the Services Council are contained in documents S/L/92 and S/L/91, respectively. Additionally, the Committee continued its consideration of proposals submitted by Members concerning possible amendments to the existing Secretariat's services classification list (document MTN.GNS/W/120). The classification issues raised related to environmental services, energy services, legal services, postal and courier services, and construction services. The Committee also continued its deliberations on the issue of "manufacturing on a fee or contract basis". At its May meeting, the Committee agreed on this issue not being a matter of priority at that stage. The Annual Report of the Committee on Specific Commitments to the Council for Trade in Services is contained in document S/CSC/6 of 4 October 2001.

Working Party on GATS Rules

The Working Party on GATS Rules is mandated to carry out negotiations on emergency safeguard measures (GATS Article X), government procurement (GATS Article XIII) and subsidies (GATS Article XV). In 2001, it held five formal meetings during which these three topics were discussed. Differing views continued to be expressed regarding the desirability and feasibility of an emergency safeguard mechanism in services. Various approaches have been suggested and discussed (see doc. S/WPGR/M/31 to 35). In November 2000, Members decided to extend the negotiating deadline for emergency safeguard measures until 15 March 2002. On government procurement, discussions focused on definitional issues as well as on possible multilateral disciplines. The Working Party also considered the need for, and possible scope of disciplines on, subsidies which may have trade-distortive effects. The annual report of the Working Party on GATS Rules to the Council for Trade in Services is contained in document S/C/14 (9 October 2001).

VI. Trade-related aspects of intellectual property rights (TRIPS)

A major feature of the work of the Council for TRIPS in 2001 was a continuation of the reviews of the national implementing legislation of developing and transition economy Members, following the expiry of their transition period at the beginning of 2000. The Council reviewed in April 2001 the legislation of Bolivia, Cameroon, Congo, Grenada, Guyana, Jordan, Namibia, Papua New Guinea, Saint Lucia, Suriname and Venezuela; in June 2001 the legislation of Albania, Argentina, Bahrain, Botswana, Costa Rica, Côte d'Ivoire,

Croatia, Dominica, Dominican Republic, Egypt, Fiji, Georgia, Honduras, Jamaica, Kenya, Mauritius, Morocco, Nicaragua, Oman, the Philippines, Saint Kitts and Nevis and the United Arab Emirates; and in November 2001 the legislation of Antigua and Barbuda, Barbados, Brazil, Brunei Darussalam, Cuba, Gabon, Ghana, India, Lithuania, Malaysia, Pakistan, Sri Lanka, Swaziland, Thailand, Tunisia, Uruguay and Zimbabwe. The Council will still follow up some of these reviews in 2002.

Following a request from Zimbabwe on behalf of the African Group, the Council agreed to devote a full day's special discussion at its meeting in June to intellectual property issues relevant to access to medicines, focusing on the interpretation and application of the relevant provisions of the TRIPS Agreement with a view to clarifying the flexibility to which Members are entitled under that Agreement; and the relationship between the TRIPS Agreement and affordable access to medicines. This discussion was continued at an informal meeting of the Council in July and at the Council's meeting in September. Eventually, these issues were addressed in the Doha Declaration on the TRIPS Agreement and Public Health, which is designed to respond to concerns about the possible implications of the TRIPS Agreement for access to medicines. It emphasizes that the TRIPS Agreement does not and should not prevent Member governments from acting to protect public health. It affirms governments' right to use the Agreement's flexibilities to the full. It states that the Agreement should be interpreted in a way that supports governments' right to protect public health. The Declaration clarifies some of the forms of flexibility available, in particular compulsory licensing and parallel importing.

As far as the Doha agenda is concerned, this Declaration sets two specific tasks. The TRIPS Council has to find a solution to the problems countries may face in making use of compulsory licensing if they have too little or no pharmaceutical manufacturing capacity, and report to the General Council on this by the end of 2002. The Declaration also makes provision for the extension of the deadline for least-developed countries to apply provisions on patents and undisclosed information in the area of pharmaceuticals until 1 January 2016.

Technical cooperation has been a prominent issue in the TRIPS Council. Article 67 of the Agreement obliges each developed-country Member to provide, on request and on mutually-agreed terms, technical and financial cooperation in favour of developing and least-developed Member countries. In order to ensure that information on available assistance is readily accessible and to facilitate the monitoring of compliance with the obligation of Article 67, developed-country Members update annually descriptions of their technical and financial cooperation programmes. For the sake of transparency, intergovernmental organizations observers to the TRIPS Council also present, on the invitation of the Council, information on their activities. In addition, the WTO Secretariat provides information on its technical cooperation in the TRIPS area. Developed-country Members have also notified contact points in their administrations which can be addressed by developing countries seeking technical cooperation on TRIPS.

The Secretariat cooperates with a number of intergovernmental organizations, notably with WIPO pursuant to the Agreement Between WIPO and the WTO, which entered into force on 1 January 1996. On 14 June 2001, the respective Directors-General of WTO and WIPO launched a joint initiative to provide technical assistance to least-developed countries (LDCs). This joint initiative is aimed at helping LDC Members to comply with their obligations under the TRIPS Agreement. It is also open to other LDCs and is aimed at helping LDCs make best use of the intellectual property system for their economic, social and cultural development.

The Council continued its work on the implementation of Article 66.2 of the Agreement, which requires developed country Members to provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base. The issue of implementation of Article 66.2 of the Agreement was taken up in paragraph 11.2 of the Doha Decision on Implementation-Related Issues and Concerns. Reaffirming that the provisions of Article 66.2 of the TRIPS Agreement are mandatory, this Decision calls for the TRIPS Council to put in place a mechanism for ensuring the monitoring and full implementation of the obligations in question. To this end, developed-country Members shall submit prior to the end of 2002 detailed reports on the functioning in practice of the incentives provided to their enterprises for the transfer of technology in pursuance of their commitments under Article 66.2. These submissions shall be subject to a review in the TRIPS Council and information shall be updated by Members annually.

During the period covered by the report, the Council held discussions on various aspects of the TRIPS Agreement's built-in agenda. It continued its work on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits. The Doha Ministerial Declaration set a deadline of the Fifth Ministerial Conference in 2003 for completion of negotiations on this matter.

The implementation of Article 24.1 relating to increasing the protection of individual geographical indications under Article 23 has been under discussion in the Council since September 2000, following a request by Switzerland and the submission of a paper outlining the views of a number of delegations. As regards its review of the application of the Agreement's provisions on geographical indications under Article 24.2, the Council received a Secretariat paper summarizing, on the basis of an agreed outline, the responses to a Checklist of Questions on how Members are implementing the TRIPS provisions on geographical indications. Paragraph 18 of the Doha Ministerial Declaration states that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of the Declaration concerning outstanding implementation-related issues and concerns.

In regard to the review of the provisions of Article 27.3(b), Members continued to discuss both a number of substantive issues and a number of procedural questions relating to how the Council should handle its further work on this matter. The Council also had a discussion about the extent to which all the issues that had been raised under Article 27.3(b) should be pursued in that context or whether some might more suitably form part of the items to be taken up in the context of the implementation of the TRIPS Agreement under Article 71.1. Article 71.1 requires the Council for TRIPS to review the implementation of the Agreement after the end of the five-year transition period provided for in Article 65.2, which ended on 1 January 2000. Throughout the period under review, the Council continued to discuss how it should approach this general review of the implementation of the Agreement.

The Doha Ministerial Declaration gives the Council further guidance on how to pursue its work on reviews under Articles 27.3(b) and 71.1 of the Agreement. In paragraph 19 of the Declaration, the Ministers instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this Declaration relating to outstanding implementation issues and concerns, to examine, *inter alia*, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by Members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension.

The Council continued to examine the scope and modalities for non-violation and situation complaints. Paragraph 11.1 of the Doha Decision on Implementation-Related Issues and Concerns directs the TRIPS Council to continue its examination of the scope and modalities for complaints of the types provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 and make recommendations to the Fifth Session of the Ministerial Conference. It is agreed that, in the meantime, Members will not initiate such complaints under the TRIPS Agreement.

VII. Resolution of trade conflicts under the WTO's Dispute Settlement Understanding

Overview

The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes arising from any agreement contained in the Final Act of the Uruguay Round that is covered by the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). The DSB has the sole authority to establish dispute settlement panels, adopt panel and Appellate Body reports, maintain surveillance of implementation of recommendations and rulings, and authorize suspension of concessions in the event of non-implementation of recommendations.

Dispute settlement activity in 2001

In the year 2001, the DSB received 24 notifications from Members of formal requests for consultations under the DSU. During this period, the DSB also established panels to deal with 16 new cases and adopted panel and/or Appellate Body reports in 16 cases, concerning 14 distinct matters. In addition, mutually agreed solutions were notified in seven cases. Two panels suspended their work at the request of the parties and in two cases the request for a panel was withdrawn by the complaining party following abrogation of the contested measure. The following sections briefly describe the procedural history and, where available, the substantive outcome of these cases. They also describe the implementation status of adopted reports where new developments occurred in the covered period. In order to

provide the most up-to-date information available at the time of writing concerning cases which were active in 2001, developments from 1 January 2001 until 1 February 2002 are reflected. New cases initiated in 2002 are not reflected here. Additional information on each of these cases can be found on the WTO's website at www.wto.org.¹²

Appellate Body and/or Panel reports adopted

Thailand – Anti-dumping duties on angles, shapes and sections of iron or non-alloy steel and H-beams from Poland, complaint by Poland (WT/DS122)

This dispute concerns the imposition of final anti-dumping duties on imports of certain steel products from Poland. Poland alleged that provisional anti-dumping duties were imposed by Thailand on 27 December 1996, and a final anti-dumping duty of 27.78% of c.i.f. value for these products, produced or exported by any Polish producer or exporter, was imposed on 26 May 1997. Poland further alleged that Thailand refused two requests by Poland for disclosure of findings. Poland contended that these actions by Thailand violated Articles 2, 3, 5 and 6 of the Anti-Dumping Agreement (AD Agreement). At its meeting on 19 November 1999, the DSB established a panel. The European Communities, Japan and the United States reserved their third-party rights.

In its report circulated to Members on the 28 September 2000, the Panel concluded that Poland failed to establish that Thailand's initiation of the anti-dumping investigation on imports of H-beams from Poland was inconsistent with the requirements of Articles 5.2, 5.3 and 5.5 of the AD Agreement or Article VI of the GATT 1994. The Panel also concluded that Poland failed to establish that Thailand had acted inconsistently with its obligations under Article 2 of the AD Agreement or Article VI of the GATT 1994 in the calculation of the amount for profit in constructing normal value. However, the Panel found that Thailand's imposition of the definitive anti-dumping measure on imports of H-beams from Poland was inconsistent with the requirements of Article 3 of the AD Agreement (*for a more detailed description of the Panel report, see also WTO Annual Report 2001, "Panel reports pending before the Appellate Body", p. 97*). On 23 October 2000, Thailand notified the Dispute Settlement Body of its decision to appeal certain issues of law covered in the Panel report and legal interpretations developed by the Panel.

The Appellate Body upheld the Panel's conclusion that with respect to the claims under Articles 2, 3 and 5 of the AD Agreement, the request for the establishment of a panel submitted by Poland in this case was sufficient to meet the requirements of Article 6.2 of the DSU. The Appellate Body reversed the finding of the Panel that the AD Agreement requires a panel reviewing the imposition of an anti-dumping duty to consider only the facts, evidence and reasoning that were disclosed to, or discernible by, Polish firms at the time of the final determination of dumping. The Appellate Body was of the view that there was no basis for the Panel's reasoning, either in Article 3.1 of the AD Agreement, which lays down the obligations of Members with respect to the determination of injury, or in Article 17.6 of the AD Agreement, which sets out the standard of review for panels. Although the Appellate Body reversed the reasoning of the Panel on this issue, it left undisturbed the Panel's main findings of violation. The Appellate Body also upheld the Panel's conclusions under Article 3.4 of the AD Agreement. The Appellate Body agreed with the Panel that Article 3.4 requires a mandatory evaluation of all the factors listed in that provision. Finally, the Appellate Body concluded that the Panel did not err in its application of the burden of proof, or in the application of the standard of review under Article 17.6(i) of the AD Agreement.

The Appellate Body report was circulated to WTO Members on 12 March 2001. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 5 April 2001.

European Communities – Measures affecting asbestos and asbestos-containing products, complaint by Canada (WT/DS135)

This dispute concerns a French Decree of 24 December 1996 imposing prohibitions on the manufacture, processing, sale, import, etc. of asbestos and products containing asbestos. The measure also included certain temporary and limited exceptions to these prohibitions. Canada claimed that this Decree violated Articles 2 and 5 of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), Article 2 of the Agreement on Technical Barriers to Trade (TBT Agreement) and Articles III and XI of GATT 1994. Canada also argued, under Article XXIII:1(b), nullification and impairment of benefits accruing to it under the various agreements cited. Canada's claims related to the restrictions imposed on one type of asbestos, namely chrysotile (or white) asbestos, and products containing chrysotile. The DSB established a panel at its meeting of 25 November 1998. Brazil, the United States and Zimbabwe reserved their third-party rights.

In its report circulated on 18 September 2000, the Panel concluded that the TBT Agreement applied to the exceptions, but not to the prohibitions, in the measure. The Panel

¹² Documents relating to a particular dispute can easily be found through the "Documents online" facility of the WTO website by using the document series reference indicated in brackets after the title of each dispute (WT/DSxxx, where xxx is the number of the dispute). All documents concerning a specific dispute are issued under that symbol. Panel reports normally are issued under the symbol "WT/DSxxx/R", and Appellate Body reports are normally issued under the symbol "WT/DSxxx/AB/R". The full text of the DSU is also available on the WTO website.

examined, and upheld, Canada's claim that the measure was inconsistent with Article III:4 of the GATT 1994. This provision prevents WTO Members from treating imported products "less favourably" than "like" domestic products. The Panel concluded that chrysotile asbestos fibres are "like" polyvinyl alcohol, cellulose and glass fibres ("PCG fibres") and, also, that cement-based products containing chrysotile asbestos fibres are "like" cement-based products containing PCG fibres.

The Panel also found that there was less favourable treatment of imported products and, consequently, concluded that the measure was inconsistent with Article III:4 of the GATT 1994. However, since chrysotile asbestos is carcinogenic, the Panel found that the measure was justified by the exception provided in Article XX(b) of the GATT 1994 as it is "necessary to protect human ... life or health" (*for a more detailed description of the Panel report, see also WTO Annual Report 2001, "Panel reports pending before the Appellate Body", p. 97*). On 23 October 2000, Canada notified the Dispute Settlement Body of its decision to appeal certain issues of law covered in the Panel report and legal interpretations developed by the Panel.

The Appellate Body ruled that the French Decree, prohibiting asbestos and asbestos-containing products had not been shown to be inconsistent with the European Communities' obligations under the WTO agreements. The Appellate Body reversed the Panel's finding that the TBT Agreement does not apply to the prohibitions in the measure concerning asbestos and asbestos-containing products and found that the TBT Agreement applies to the measure viewed as an integrated whole. The Appellate Body concluded that it was unable to examine Canada's claims that the measure was inconsistent with the TBT Agreement. The Appellate Body reversed the Panel's findings with respect to "like products", under Article III:4 of the GATT 1994. The Appellate Body ruled, in particular, that the Panel erred in excluding the health risks associated with asbestos from its examination of "likeness". The Appellate Body also reversed the Panel's conclusion that the measure was inconsistent with Article III:4 of the GATT 1994. The Appellate Body itself examined Canada's claims under Article III:4 of the GATT 1994 and ruled that Canada had not satisfied its burden of proving the existence of "like products" under that provision. Finally, the Appellate Body upheld the Panel's conclusion, under Article XX(b) of the GATT 1994, that the French Decree was "necessary to protect human ... life or health".

In this appeal, the Appellate Body adopted an additional procedure "for the purposes of this appeal only" to deal with *amicus curiae* submissions. The Appellate Body received, and refused, 17 applications to file such a submission. The Appellate Body also refused to accept 14 unsolicited submissions from non-governmental organizations that were not submitted under the additional procedure.

At its meeting of 5 April 2001, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report.

European Communities – Anti-dumping duties on imports of cotton-type bed linen, complaint by India (WT/DS141)

This dispute concerns the imposition of anti-dumping duties by the European Communities on imports of cotton-type bed linen from India. India argued that the European Communities acted inconsistently with various obligations under Articles 2, 3, 5, 6, 12 and 15 of the Anti-Dumping Agreement (AD Agreement). At its meeting on 27 October 1999, the DSB established a panel. Egypt, Japan and the United States reserved their third-party rights. The Panel concluded that the European Communities did not act inconsistently with its obligations under Articles 2.2, 2.2.2, 3.1, 3.4, 3.5, 5.3, 5.4, and 12.2.2 of the AD Agreement. However, the Panel did conclude that the European Communities had acted inconsistently with its obligations under Articles 2.4.2, 3.4, and 15 of the AD Agreement (*for further details on the Panel's findings see also WTO Annual Report 2001, "Panel reports pending before the Appellate Body", p. 97*). The Panel report was circulated to WTO Members on 30 October 2000.

On 1 December 2000, the European Communities notified the DSB of its intention to appeal the finding that the European Communities' practice of "zeroing" when establishing the margin of dumping was inconsistent with Article 2.4.2 of the AD Agreement. In addition, India appealed the Panel's findings regarding Article 2.2.2(ii).

The Appellate Body upheld the Panel's finding that the European Communities' practice of "zeroing" was inconsistent with Article 2.4.2 of the AD Agreement. Article 2.4.2 states that: "... the existence of margins of dumping shall ... be established on the basis of a comparison of weighted average normal value with the weighted average of prices of *all* comparable export transactions ...". (emphasis added) By "zeroing" the "*negative* dumping margins", the European Communities did *not* take fully into account the entirety of the prices of *some* export transactions, namely, those export transactions involving models of cotton-type bed linen where "*negative* dumping margins" were found. Thus, the European Communities did *not* establish the existence of dumping for cotton-type bed linen on the

basis of a comparison "with the weighted average of prices of *all* comparable export transactions" as required by Article 2.4.2.

The Appellate Body, however, reversed the Panel's findings regarding Article 2.2.2(ii) of the AD Agreement. The Appellate Body found that the method for calculating amounts for administrative, selling and general costs and profits set forth in Article 2.2.2(ii) *cannot* be applied where there is data on administrative, selling and general costs and profits for only *one* other exporter or producer. The Appellate Body also found that, in calculating amounts for profits, sales by other exporters or producers that were not made in the ordinary course of trade *may not* be excluded. In the light of these findings, the Appellate Body concluded that the European Communities had acted inconsistently with Article 2.2.2(ii) of the AD Agreement (for subsequent developments see the section on "Implementation of adopted reports" below).

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 12 March 2001.

Argentina – Measures on the export of bovine hides and the import of finished leather, complaint by the European Communities (WT/DS155)

This dispute concerns certain measures taken by Argentina affecting the exportation of bovine hides and the importation of goods. The European Communities alleged that a de facto export prohibition on raw and semi-tanned bovine hides was being implemented, in part through the authorization granted by the Argentine authorities to the Argentine tanning industry to participate in customs control procedures of hides before export) in violation of GATT Articles XI:1 (which prohibits export restrictions and measures of equivalent effect) and X:3(a) (which requires uniform and impartial administration of laws and regulations), to the extent that personnel of the Argentine Chamber for the tanning industry were authorized to assist Argentine customs authorities in the customs clearance process. The European Communities also claimed that the "additional value added tax" of 9% on imports of products into Argentina, and the "advance turnover tax" of 3% based on the price of imported goods imposed on operators when importing goods into Argentina, were in violation of Article III:2 of the GATT 1994 (which prohibits tax discrimination of foreign products which are like domestic products).

At its meeting on 26 July 1999, the DSB established a panel. The Panel found that Argentina was acting inconsistently with its obligations under the GATT 1994 both with respect to the export measure and the import measures at issue in the dispute. However, Argentina prevailed with respect to one of the two European Communities claims regarding the export measure; namely that the export measure did not constitute a de facto export restriction contrary to Article XI:1 of the GATT 1994. The Panel considered that the European Communities had failed to show that the measure in question was the cause of the low export levels. The European Communities asserted, *inter alia*, that the Argentine tanners were operating a cartel and thus were able to exert pressure on exporters of hides due to the fact that they could allegedly become aware of the identity of exporters by participating in the customs process. The Panel rejected this claim as unproven (*for further details on the Panel's findings see also WTO Annual Report 2001, "Appellate Body and/or panel reports adopted", p. 75*).

The report of the Panel was circulated to WTO Members on 19 December 2000. It was adopted by the DSB on 16 February 2001.

Korea – Measures affecting imports of fresh, chilled and frozen beef, complaints by the United States and Australia (WT/DS/161 and 169)

This dispute concerns Korean Government measures affecting the distribution and sale of imported beef. Korea established in 1990 a "dual retail" system which required imported beef and domestic beef to be sold in separate stores; or in the case of large stores or supermarkets, in separate display areas. Also, stores which sold imported beef were required to display a sign reading "Specialized Imported Beef Store". In addition, domestic beef benefited from price support provided by the Korean Government. The United States argued that the measures were in violation of Articles II, III, XI, and XVII of GATT 1994; Articles 3, 4, 6, and 7 of the Agreement on Agriculture; and Articles 1 and 3 of the Import Licensing Agreement.

At its meeting on 26 July 1999, the DSB also established a panel at the request of Australia. Canada, New Zealand and the United States reserved their third-party rights. At the request of Korea, the DSB agreed that, pursuant to DSU Article 9.1, this complaint would be examined by the same panel established at the request of the United States.

The Panel found first that a number of the contested Korean measures benefited, by virtue of a Note in Korea's Schedule of Concessions, from a transitional period until 1 January 2001, by which date they had to be eliminated or otherwise brought into conformity with the WTO Agreement. The Panel found that Korea violated Article 3.2 of the

Agreement on Agriculture, since Korea's total domestic support for agriculture (Total AMS) for 1997 and 1998, when price support for domestic beef was included, exceeded its Total AMS commitments for these years set out in the Schedule. The Panel also found that Korea violated Article III:4 of the GATT 1994, principally by requiring a dual retail system for the sale of imported and domestic beef.

The report of the Panel was circulated to WTO Members on 31 July 2000. On 11 September 2000, Korea notified its intention to appeal certain issues of law and legal interpretations developed by the Panel. On 11 December 2000, the report of the Appellate Body was circulated.

The Appellate Body upheld the Panel's conclusion that Korea's domestic support (AMS) for beef provided in 1997 and 1998 was not calculated in accordance with Article 1(a)(ii) and Annex 3 of the Agreement on Agriculture, but reversed the Panel's findings that Korea's total domestic support for agriculture (Total AMS) provided in 1997 and 1998 exceeded its commitments in its Schedule contrary to Article 3.2 of the Agreement on Agriculture. The Appellate Body upheld the Panel's conclusions that Korea's dual retail system was inconsistent with the national treatment obligation in Article III:4 of the GATT 1994. The Appellate Body upheld the Panel's conclusion that the measure could not be justified under Article XX(d) of the GATT 1994 (*for a more detailed description of the Panel and Appellate Body reports see also WTO Annual Report 2001, Appellate Body and/or Panel reports adopted p. 77*).

At its meeting of 10 January 2001, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report (*for subsequent developments, see the section on "Implementation of adopted reports" below*).

United States – Import measures on certain products, complaint by the European Communities (WT/DS165)

This dispute concerns certain measures taken by the United States with respect to certain imports from the European Communities in the context of the dispute on *European Communities – Regime for the Importation, Distribution and Sale of Bananas (WT/DS27)* (*see section below on "Implementation of adopted reports"*). On 2 March 1999, the arbitrators charged with determining the level of suspension of concessions, requested by the United States in response to the failure by the European Communities to implement the recommendations of the DSB in respect of the European Communities banana regime, had asked for additional data from the parties and informed them that they were unable to issue their report within the 60-day period envisaged by the DSU. On 3 March 1999, the United States imposed increased bonding requirements on certain designated products from the European Communities in order, in their own words, "to preserve [the United States] right to impose 100% duties as of 3 March, pending the release of the arbitrators' final decision". This was the "3 March measure" which is the subject of this dispute.

The arbitrators circulated their decision on 9 April 1999. On 19 April 1999, the DSB granted authorization to the United States to suspend concessions or other obligations with respect to the European Communities in the amount determined by the arbitrators. Subsequent to this authorization, the United States imposed 100% duties on *some*, but not all of the designated products that were previously subject to the increased bonding requirements. This decision is referred to as the "19 April action", and the United States applied it retroactively to 3 March 1999.

The European Communities contended that the 3 March 1999 measure was inconsistent with Articles 3, 21, 22 and 23 of the DSU, and Articles I, II, VIII and XI of the GATT 1994. The European Communities also alleged nullification and impairment of benefits under GATT 1994, as well as the impediment of the objectives of the DSU and GATT 1994. The European Communities requested urgent consultations pursuant to Article 4.8 of the DSU.

At its meeting on 16 June 1999, the DSB established a panel. Dominica, Ecuador, India, Jamaica, Japan and St. Lucia reserved their third-party rights. The Panel found that when on 3 March the United States increased bonding requirements to guarantee 100% tariff duties on certain products from the European Communities, it effectively imposed unilateral retaliatory sanctions, contrary to Article 23.1 of the DSU, which requires WTO Members not to take unilateral action, but to have recourse to, and abide by, the rule and procedures of the DSU when seeking redress for alleged violations of WTO obligations. The Panel found that by putting into place the 3 March measure prior to the time authorized by the DSB, the United States made a unilateral determination that the revised European Communities bananas regime in respect of its bananas import, sales and distribution regime violated WTO rules, contrary to Articles 23.2(a) and 21.5, first sentence, of the DSU.

The Panel further found that the United States had violated its obligations under Articles I and II of the GATT 1994 (one panelist dissented, considering that the bonding requirements rather violated Article XI:1 of the GATT 1994). In light of these conclusions, the 3 March measure constituted a suspension of concessions or other obligations within the meaning of Articles 3.7, 22.6 and 23.2(c) of the DSU imposed without DSB authorization and during the

ongoing Article 22.6 arbitration process. In suspending concessions in those circumstances, the United States did not abide by the DSU and thus violated Article 23.1 together with Articles 3.7, 22.6 and 23.2(c) of the DSU. The report of the Panel was circulated to WTO Members on 17 July 2000.

Both the United States and the European Communities appealed certain issues of law and legal interpretations developed by the Panel. However, the Panel's key conclusion that the United States had acted inconsistently with Article 23.1 of the DSU was not appealed.

The Appellate Body upheld the Panel's findings that the measure at issue in this dispute is the 3 March measure, i.e., the increased bonding requirements, and that the 19 April action, i.e., the imposition of 100% duties on certain designated products, is not within the terms of reference of the Panel. The Appellate Body also upheld the Panel's finding that the United States acted inconsistently with Article 21.5 of the DSU. The Appellate Body reversed the Panel's findings of inconsistency with Article 23.2(a) of the DSU as well as Article II:1(a) and II:1(b), first sentence of the DSU. With regard to the Panel's statements that the determination of whether measures taken to implement recommendations and rulings of the DSB are WTO-consistent can be made by arbitrators appointed under Article 22.6 of the DSU, the Appellate Body found that the Panel had erred in addressing this issue in this case, and held that the Panel's statement on this issue, therefore, was of no legal effect.

The report of the Appellate Body was circulated to WTO Members on 11 December 2000. At its meeting of 10 January 2001, the DSB adopted the Appellate Body Report and the report of the Panel, as modified by the Appellate Body's report (*for further description of the Panel and Appellate Body reports see also Annual Report 2001, p. 78*).

United States – Definitive safeguard measures on imports of wheat gluten, complaint by the European Communities (WT/DS166)

This dispute concerns definitive safeguard measures imposed by the United States on imports of wheat gluten from the European Communities. The European Communities claimed that the measure was inconsistent with Articles 2.1 and 4.2 of the Agreement on Safeguards because the United States "competent authorities", the International Trade Commission (the USITC), did not demonstrate that the conditions for imposing a safeguard measure were satisfied. In addition, the European Communities claimed that the United States did not comply with the procedural requirements in Articles 8.1, 12.1 and 12.3 of the Agreement on Safeguards. At its meeting on 26 July 1999, the DSB established a panel. Australia and New Zealand reserved their third-party rights. The report of the Panel was circulated to WTO Members on 31 July 2000.

The Panel found that: (i) the United States had not acted inconsistently with Articles 2.1 and 4 of the Safeguards Agreement or with Article XIX:1(a) of the GATT 1994; (ii) the definitive safeguard measure imposed by the United States on certain imports of wheat gluten based on the United States investigation and determination was inconsistent with Articles 2.1 and 4 of the Safeguards Agreement; (iii) the Panel further concluded that the United States failed to notify immediately the initiation of the investigation under Article 12.1(a) and the finding of serious injury under Article 12.1(b) of the Safeguards Agreement; (iv) in notifying its decision to take the measure only after the measure was implemented, the United States did not make timely notification under Article 12.1(c). For the same reason, the United States violated the obligation of Article 12.3 to provide adequate opportunity for prior consultations on the measure; and (v) the United States therefore also violated its obligation under Article 8.1 of the Safeguards Agreement to endeavour to maintain a substantially equivalent level of concessions and other obligations to that existing under the GATT 1994 between it and the exporting Members which would be affected by such measures, in accordance with Article 12.3 of the Safeguards Agreement.

On 26 September 2000, the United States notified its decision to appeal to the Appellate Body certain issues of law and legal interpretation covered in the Panel report and certain legal interpretations developed by the Panel. The Appellate Body circulated its report on 22 December 2000. The Appellate Body upheld the Panel's overall conclusion that the United States' safeguard measure on imports of wheat gluten was inconsistent with Articles 2.1 and 4.2 of the Agreement on Safeguards. However, in reaching this conclusion, the Appellate Body reversed certain of the Panel's legal findings, in particular, the Panel's interpretation of the legal standard for causation in Article 4.2 of the Agreement on Safeguards (*for a more detailed account of the Panel and Appellate Body reports, see also WTO Annual Report 2001, p. 76*).

The DSB adopted the report of the Appellate Body, and the report of the Panel, as modified by the Appellate Body, on 19 January 2001.

United States – Safeguard measures on import of fresh, chilled or frozen lamb meat, complaints by New Zealand and Australia (WT/DS177 and WT/DS178)

This dispute concerns a safeguard measure in the form of a tariff rate quota imposed by the United States in July 1999 on imports of fresh, chilled, or frozen lamb meat, primarily

from New Zealand and Australia, for a duration of three years. New Zealand and Australia raised a number of claims against this measure under Articles 2, 3, 4, 5, 8, 11 and 12 of the Agreement on Safeguards and Articles I, II and XIX of GATT 1994. The DSB established a panel on 19 November 1999.

The Panel found that Article XIX:1(a) of the GATT 1994, read in the context of Article 3.1 of the Agreement on Safeguards, requires that a Member's competent authorities set out, in their findings, "reasoned conclusions" with respect to the existence of unforeseen developments. In examining the report of the United States International Trade Commission (USITC), the Panel did not find such "reasoned conclusions". The Panel also found that the United States acted inconsistently with the Agreement on Safeguards because the USITC included, in the domestic lamb meat industry, producers of live lambs, even though these producers do not produce lamb meat. With respect to the "threat" of serious injury, the Panel agreed with the USITC's "analytical approach" and that the USITC was correct to focus on the most recent data available from the end of the investigation period. However, the Panel found that the data used was not sufficiently representative of the domestic industry, since the USITC failed to obtain data on producers representing a major proportion of the total domestic production by the domestic industry. The Panel also found that, under the Agreement on Safeguards, increased imports must be shown to be a necessary and sufficient cause of serious injury or threat thereof. The Panel found that the USITC had not met this standard (*for a more detailed description concerning the Panel report, see also the Annual Report 2001, p.98*).

The report of the Panel was circulated to WTO Members on 21 December 2000. On 31 January 2001, the United States notified its intention to appeal certain issues of law covered in the Panel report and legal interpretations developed by the Panel.

The report upheld the Panel's overall conclusion that the safeguard measure taken by the United States with respect to imported lamb meat was inconsistent with the GATT 1994 and the Agreement on Safeguards. In particular, the Appellate Body upheld the Panel's findings that, in taking safeguard action with respect to imported lamb, the United States had: (i) failed to demonstrate the existence of "unforeseen developments"; (ii) incorrectly defined the relevant "domestic industry"; (iii) failed to make a determination of the state of the "domestic industry" on the basis of data that was sufficiently representative of that industry; (iv) inadequately explained its determination of a threat of serious injury to the domestic industry; and (v) failed to ensure that injury caused to the domestic industry by factors other than increased imports was not attributed to those imports. The Appellate Body also found, however, that the Panel had erred: (i) in its application of the standard of review under Article 11 of the DSU; and (ii) in interpreting the causation requirements in the Agreement on Safeguards.

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body, report on 16 May 2001.

United States – Anti-dumping measures on stainless steel plate in coils and stainless sheet and strip from Korea, complaint by Korea (WT/DS179)

This dispute concerns preliminary and final determinations of the United States Department of Commerce (DOC) on stainless steel plate in coils from Korea dated 4 November 1998 and 31 March 1999 respectively, and stainless steel sheet and strip from Korea dated 20 January 1999 and 8 June 1999 respectively. Korea considered that several errors were made by the United States in those determinations which resulted in erroneous findings and deficient conclusions as well as the imposition, calculation and collection of anti-dumping duties which are incompatible with the obligation of the United States under the provisions of the Anti-Dumping Agreement (AD Agreement) and Article VI of GATT 1994 and in particular, but not necessarily exclusively, Article 2, Article 6 and Article 12 of the AD Agreement.

At its meeting on 19 November 1999, the DSB established a panel. The European Communities and Japan reserved their third-party rights. The Panel concluded that certain aspects of the calculation of the dumping margin by the United States in the two investigations concerned were not in accordance with the requirements of the AD Agreement. In particular, the Panel found that (1) in the case of the investigation on sheet and strip, the United States made unnecessary currency conversions when determining normal value; (2) in both investigations, it made adjustments to export prices for unpaid sales in a manner not foreseen by the AD Agreement and (3) in both investigations, the United States calculated the dumping margin through multiple weighted averages in circumstances not provided for in the AD Agreement.

The Panel, however, also concluded that the United States acted consistently with its obligations under the AD Agreement when engaging in currency conversions for the purpose of determining normal value in the plate investigation. The Panel recommended that the United States be required to bring the two anti-dumping measures at issue into conformity

with their obligations under the AD Agreement, but declined Korea's request suggesting that the United States revoke such measures. The report of the Panel was circulated to WTO Members on 22 December 2000. It was adopted by the DSB on 1 February 2001.

United States – Anti-dumping measures on certain hot-rolled steel products from Japan, complaint by Japan (WT/DS184)

This dispute concerns preliminary and final determinations of the United States Department of Commerce and the United States International Trade Commission in the anti-dumping investigation of Certain Hot-Rolled Steel Products from Japan issued on 25 and 30 November 1998, 12 February 1999, 28 April 1999 and 23 June 1999. Japan alleged that these determinations were erroneous and based on deficient procedures under the United States Tariff Act of 1930 and related regulations. The Japanese complaint also concerned certain provisions of the Tariff Act of 1930 and related regulations. Japan claimed violations of Articles VI and X of the GATT 1994 and Articles 2, 3, 6 (including Annex II), 9 and 10 of the Anti-Dumping Agreement (AD Agreement). On 24 February 2000, Japan requested the establishment of a panel. At its meeting on 20 March 2000, the DSB established a panel. Brazil, Canada, Chile, the European Communities and Korea reserved their third-party rights in the proceedings.

In its report, circulated on 28 February 2001, the Panel, as a preliminary matter, concluded that certain of Japan's claims were limited to specific determinations in the underlying investigation, and did not encompass United States "general practice" with respect to certain aspects of the conduct of anti-dumping investigations. The Panel found that the United States acted inconsistently with its obligations under the AD Agreement in the following respects when it imposed definitive anti-dumping duties on imports of certain hot-rolled steel products in June 1999: (i) the decision to rely on "facts available" in the determination of the dumping margin for all three investigated Japanese exporters was not in accordance with the requirements of the AD Agreement; (ii) the exclusion of certain home sales and their replacement with downstream home market sales in the calculation of normal value was not in accordance with the requirements of the AD Agreement; and (iii) the United States statute governing the calculation of a maximum dumping margin to be applied to imports from uninvestigated producers (the "all others" dumping margin) was, on its face, inconsistent with the AD Agreement.

However the Panel concluded that the United States did not act inconsistently with its obligations under the AD Agreement in the following respects: (i) issuing a preliminary "critical circumstances" determination; (ii) the examination and determination of injury and causation; (iii) the requirement in the United States statute of a "primary focus" on financial performance and market share in the merchant, as opposed to the captive market, in the examination of injury. Finally, the Panel found that the United States had not acted inconsistently with Article X:3 of GATT in conducting its investigation and making its determinations in the underlying investigations.

On 25 April 2001, the United States notified its decision to appeal to the Appellate Body certain issues of law covered in the Panel report and certain legal interpretations developed by the Panel. The Appellate Body circulated its report on 24 July 2001. The Appellate Body upheld the Panel's overall conclusion that the imposition, by the United States, of anti-dumping duties on imports of hot-rolled steel from Japan was inconsistent with the AD Agreement, as well as the Panel's conclusion that a provision of the United States Tariff Act of 1930 was also inconsistent with that Agreement and with the WTO Agreement. However, it reversed the Panel's finding regarding the inconsistency with Article 2.1 of the AD Agreement of the United States methodology for calculating the normal value as regards the using of certain downstream sales made by an investigated exporter's affiliates to dependent purchasers. It found that there was insufficient factual record to allow completion of the analysis of Japan's claim under Article 2.4 of the AD Agreement that the United States did not make a fair comparison in its use of downstream sales when calculating normal value. It reversed the Panel's finding that the United States had not acted inconsistently with the AD Agreement in its application of the captive production provision in its determination of injury sustained by the United States hot-rolled steel industry. It also reversed the Panel's finding that the USITC had demonstrated the existence of a causal relationship, under Article 3.5 of the said Agreement, between dumped imports and material injury to that industry, but found that there was insufficient factual record to allow completion of the analysis of Japan's claim on causation.

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 23 August 2001.

Argentina – Definitive anti-dumping measures on imports of ceramic floor tiles from Italy, complaint by the European Communities (WT/DS189)

This dispute concerns Argentina's definitive anti-dumping measures on imports of ceramic floor tiles from Italy imposed on 12 November 1999. The European Communities claimed

that the Argentine investigative authority without justification disregarded all the information on normal value and on export prices provided by the exporters included in the sample; failed to calculate an individual dumping margin for each of the exporters included in the sample; failed to make due allowance for the differences in physical characteristics between the models exported to Argentina and those sold in Italy; and failed to inform the Italian exporters of the essential facts concerning the existence of dumping which formed the basis for the decision whether to apply definitive measures. The European Communities considered that the anti-dumping measures in question were inconsistent with Articles 2.4, 6.8 in conjunction with Annex II, 6.9 and 6.10 of the Anti-Dumping Agreement.

On 7 November 2000, the European Communities requested the establishment of a panel. At its meeting on 17 November 2000, the DSB established a panel on the basis of the European Communities reduced complaint relating only to definitive anti-dumping measures on imports of ceramic floor tiles from Italy (WT/DS189/3). Japan, Turkey and the United States reserved their third-party rights.

The Panel circulated its report to Members on 28 September 2001. The Panel found that (i) Argentina acted inconsistently with Article 6.8 and Annex II of the AD Agreement by disregarding in large part the information provided by the exporter for the determination of the normal value and export price, and this without informing the exporters of the reasons for such a rejection; (ii) Argentina acted inconsistently with Article 6.10 of the AD Agreement by not determining an individual dumping margin for each sampled exporter; (iii) Argentina acted inconsistently with Article 2.4 of the AD Agreement by failing to make due allowance for difference in physical characteristics affecting price comparability; and (iv) Argentina acted inconsistently with Article 6.9 of the AD Agreement by not disclosing to the exporters the essential facts under consideration which form the basis of the decision as to whether to apply definitive measures.

At its meeting on 5 November 2001, the DSB adopted the Panel report (*for subsequent developments see the section on "Implementation of adopted reports" below*).

United States – Transitional safeguard measure on combed cotton yarn from Pakistan, complaint by Pakistan (WT/DS192)

This dispute concerns a transitional safeguard measure applied by the United States, as of 17 March 1999, on combed cotton yarn (United States category 301) from Pakistan.

In accordance with Article 6.10 of the Agreement on Textiles and Clothing (ATC), the United States had notified the Textiles Monitory Body (TMB) on 5 March 1999 that it had decided to unilaterally impose a restraint, after consultations as to whether the situation called for a restraint had failed to produce a mutually satisfactory solution. In April 1999, the TMB examined the United States restraint pursuant to Article 6.10 of the ATC and recommended that the United States restraint should be rescinded. On 28 May 1999, in accordance with Article 8.10 of the ATC, the United States notified the TMB that it considered itself unable to conform to the recommendations issued by the TMB. Despite a further recommendation of the TMB pursuant to Article 8.10 of the ATC that the United States reconsider its position, the United States continued to maintain its unilateral restraint and thus the matter remained unresolved. Pakistan is of the view that the transitional safeguards applied by the United States are inconsistent with the United States' obligations under Articles 2.4 of the ATC and not justified by Article 6 of the ATC. Pakistan considers that the United States restraint does not meet the requirements for transitional safeguards set out in paragraphs 2, 3, 4 and 7 of Article 6 of the ATC.

At its meeting on 19 June 2000, the DSB established a panel. India and the European Communities reserved their third-party rights.

The Panel circulated its report on 31 May 2001. The Panel concluded that the transitional safeguard measure (quantitative restriction) imposed by the United States on imports of combed cotton yarn from Pakistan as of 17 March 1999, and extended as of 17 March 2000 for a further year was inconsistent with the provisions of Article 6 of the ATC. Specifically, the Panel found that: (i) inconsistently with its obligations under 6.2, the United States excluded the production of combed cotton yarn by vertically integrated producers for their own use from the scope of the "domestic industry producing like and/or directly competitive products" with imported combed cotton yarn; (ii) inconsistently with its obligations under Article 6.4, the United States did not examine the effect of imports from Mexico (and possibly other appropriate Members) individually; and (iii) inconsistently with its obligations under Articles 6.2 and 6.4, the United States did not demonstrate that the subject imports caused an "actual threat" of serious damage to the domestic industry. With respect to the other claims, the Panel found that Pakistan did not establish that the measure at issue was inconsistent with the United States obligations under Article 6 of the ATC. Specifically, the Panel found that: (a) Pakistan did not establish that the United States determination of serious damage was not justified based on the data used by the United States investigating authority; (b) Pakistan did not establish that the United States determination of serious

damage was not justified regarding the evaluation by the United States investigating authority of establishments that ceased producing combed cotton yarn; (c) Pakistan did not establish that the United States determinations of serious damage and causation thereof were not justified based upon an inappropriately chosen period of investigation and period of incidence of serious damage and causation thereof.

On 9 July 2001, the United States notified its decision to appeal to the Appellate Body certain issues of law covered in the Panel report and certain legal interpretations developed by the Panel. The Appellate Body circulated its report to Members on 8 October 2001. The Appellate Body upheld the Panel's overall conclusion that the transitional safeguard measure taken by the United States with respect to imports of combed cotton yarn (yarn) from Pakistan was inconsistent with the ATC. In particular, the Appellate Body upheld the Panel's findings that, in taking safeguard action with respect to imports of yarn from Pakistan, the United States: (i) failed to define properly the relevant "domestic industry" producing yarn; and (ii) failed to examine the effect of imports of yarn from other major supplier(s) individually when attributing serious damage to imports from Pakistan. Furthermore, the Appellate Body concluded that the Panel should not have considered data which were not in existence at the time when the United States determined that serious damage had been caused to the domestic industry. It declined to rule on the broader issue of whether an importing Member must attribute serious damage to all Members whose exports contributed to that damage and concluded therefore that the Panel's interpretation of this broader issue was of no legal effect.

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 5 November 2001.

United States – Measures treating export restraints as subsidies, complaint by Canada (WT/DS194)

This dispute concerns United States measures that treat a restraint on exports of a product as a subsidy to other products made using or incorporating the restricted product if the domestic price of the restricted product is affected by the restraint. The measures at issue include provisions of the Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act (URAA) and the Explanation of the Final Rules, United States Department of Commerce, Countervailing Duties, Final Rule (Nov. 25, 1998) interpreting section 771(5) of the Tariff Act of 1930 (19 U.S.C. § 1677(5)), as amended by the URAA.

Canada considered that these measures were inconsistent with United States obligations under Articles 1.1, 10 (as well as Articles 11, 17 and 19, as they relate to the requirements of Article 10), and 32.1 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) because these measures provide that the United States would impose countervailing duties against practices that are not subsidies within the meaning of Article 1.1 of the SCM Agreement. Canada also considered that the United States had failed to ensure that its laws, regulations and administrative procedures were in conformity with its WTO obligations as required by Article 32.5 of the SCM Agreement and Article XVI:4 of the WTO Agreement.

On 24 July 2000, Canada requested the establishment of a panel. At its meeting on 11 September 2000, the DSB established a panel. Australia, the European Communities and India reserved their third-party rights.

The report of the Panel was circulated to Members on 29 June 2001. The Panel concluded that an export restraint as defined in this dispute cannot constitute government-entrusted or government-directed provision of goods in the sense of subparagraph (iv) of Article 1.1(a)(1) and hence does not constitute a financial contribution in the sense of Article 1.1(a) of the SCM Agreement; the Panel also stated that Section 771(5)(B)(iii) read in light of the SAA and the Preamble to the United States CVD Regulations is not inconsistent with Article 1.1 of the SCM Agreement by "requir[ing] the imposition of countervailing duties against practices that are not subsidies within the meaning of Article 1.1". With respect to those of Canada's claims not addressed, the Panel concluded that in light of considerations of judicial economy, it was neither necessary nor appropriate to make findings thereon. The Panel therefore made no recommendations with respect to the United States obligations under the SCM and WTO Agreements.

The DSB adopted the Panel report on 23 August 2001.

United States – Section 211 Omnibus Appropriations Act, complaint by the European Communities (WT/DS176)

This dispute concerns Section 211 of the United States Omnibus Appropriations Act, which was signed into law on 21 October 1998 (Section 211). Section 211 regulates trademarks, trade names, and commercial names that are the same as, or substantially similar to, trademarks, trade names, or commercial names that were used in connection with

businesses or assets that were confiscated by the Cuban Government on or after 1 January 1959. Section 211(a)(1) prevents the registration and renewal of such trademarks, trade names or commercial names; Section 211(a)(2) prevents United States courts from recognizing, enforcing or validating any rights asserted by Cuba or a Cuban national or its successor-in-interest in respect of such trademarks, trade names or commercial names; and Section 211(b) prevents the United States courts from recognizing, enforcing or validating any treaty rights asserted by Cuba or a Cuban national or its successor-in-interest in respect of such trademarks, trade names or commercial names.

Before the Panel, the European Communities argued that Section 211 was inconsistent with Articles 2.1, 3.1, 4, 15.1, 16.1, and 42 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), as read with the relevant provisions of the Paris Convention (1967), which is incorporated into the TRIPS Agreement.

On 30 June 2000, the European Communities and its member States requested the establishment of a panel. At its meeting on 26 September 2000, the DSB established a panel. Canada, Japan and Nicaragua reserved their third-party rights.

The Panel circulated its report on 6 August 2001. The Panel rejected most of the claims by the European Communities and their member States except that relating to the inconsistency of Section 211(a)(2) of the Omnibus Appropriations Act with Article 42 of the TRIPS Agreement. In this regard, the Panel concluded that this Section is inconsistent with the relevant TRIPS Article on the grounds that it limits, under certain circumstances, right holders' effective access to, and availability of, civil judicial procedures.

On 4 October 2001, the European Communities and its member States notified their decision to appeal certain issues of law and legal interpretations developed by the Panel report. The Appellate Body report was circulated to Members on 12 January 2002. The Appellate Body: (i) found, in respect of the protection of trademarks, that Sections 211(a)(2) and (b) of the Omnibus Appropriations Act violated the national treatment and most-favoured-nation obligations under the TRIPS Agreement and the Paris Convention for the Protection of Industrial Property, thereby reversing the Panel's findings to the contrary; (ii) reversed the Panel's finding that Section 211(a)(2) was inconsistent with Article 42 of the TRIPS Agreement and concluded that Article 42 contains procedural obligations, while Section 211 affects substantive trademark rights; (iii) upheld the Panel's findings that Section 211 does not violate the United States' obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 6 *quinquies* A(1) of the Paris Convention, and Articles 15 and 16 of the TRIPS Agreement. It also upheld the Panel's finding under Article 42 of the TRIPS Agreement in respect of Section 211(b); and (iv) reversed the Panel's conclusion that trade names were not a category of intellectual property protected under the TRIPS Agreement and then completed the analysis reaching the same conclusions for trade names as with respect to trademarks. It also found that Sections 211(a)(2) and (b) were not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967).

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 1 February 2002.

Implementation of adopted reports

The DSU requires the DSB to keep under surveillance the implementation of adopted recommendations or rulings (DSU, Article 21.6). This section reflects developments concerning this surveillance, and includes information relating to: (i) the determination, where relevant, of a reasonable period of time for the Member concerned to bring its measures into conformity with its obligations under the WTO Agreements (DSU, Article 21.3); (ii) recourse to dispute settlement procedures in cases of disagreement regarding the existence or consistency of measures taken to comply with the recommendations and rulings (DSU, Article 21.5); and (iii) suspension of concessions in case of non-implementation of the DSB's recommendations (DSU, Article 22).

European Communities – Regime for the importation, sale and distribution of bananas, complaints by Ecuador, Guatemala, Honduras, Mexico and the United States (WT/DS27)

At its meeting of 25 September 1997, the DSB adopted the Appellate Body report and the Panel reports, as modified by the Appellate Body report, recommending that the European Communities bring its regime for the importation, sale and distribution of bananas into conformity with its obligations under the GATT 1994 and the GATS (*for a detailed description of the Panel and Appellate Body reports, see also Annual Report 1998, p. 106. For more detailed information relating to the implementation of the reports up until December 2000, please see Annual Report 2000, p. 69 and Annual Report 2001, p. 95*).

On 1 March 2001, the European Communities reported to the DSB that on 29 January 2001, the Council of the European Union adopted Regulation (EC) No 216/2001 amending Regulation (EEC) No. 404/93 on the common organization of the market in bananas. The modifications made in Council Regulation 216/2001 provided for three tariff quotas open to all imports irrespective of their origin: (1) a first tariff quota of 2,200,000 tonnes at a rate of 75 €/tonnes, bound under the WTO; (2) a second autonomous quota of 353,000 tonnes at a rate of 75 €/tonnes; (3) a third autonomous quota of 850,000 tonnes at a rate of 300 €/tonnes. Imports from ACP countries will enter duty-free. In view of contractual obligations towards these countries and the need to guarantee proper conditions of competition, they would benefit from a tariff preference limited to a maximum of 300 €/tonnes. The tariff quotas were a transitional measure leading ultimately to a tariff-only regime. According to the European Communities, substantial progress has been achieved with respect to the implementing measures necessary to manage the three tariff-rate quotas on the basis of the first-come, first-served method.

On 3 May 2001, the European Communities reported to the DSB that intensive discussions with the United States and Ecuador, as well as the other banana-supplying countries, including the other co-complainants, had led to the common identification of the means by which the long-standing dispute over the European Communities bananas import regime would be resolved. In accordance with Article 16(1) of Regulation No. (EC) 404/93 (as amended by Council Regulation No (EC) 216/2001), the European Communities would introduce a tariff-only regime for imports of bananas no later than 1 January 2006. GATT Article XXVIII negotiations would be initiated in good time to that effect. In the interim period, starting on 1 July 2001, the European Communities would implement an import regime based on three tariff-rate quotas, to be allocated on the basis of historical licensing.

On 22 June 2001, the European Communities notified an "Understanding on Bananas between the European Communities and the United States" of 11 April 2001, and an "Understanding on Bananas between the European Communities and Ecuador" of 30 April 2001. Pursuant to these Understandings with the United States and Ecuador, the European Communities would implement an import regime on the basis of historical licensing as follows: (1) effective 1 July 2001, the European Communities would implement an import regime on the basis of historical licensing as set out in annex to each of the Understandings; and (2) effective as soon as possible thereafter, subject to Council and European Parliament approval and to adoption of an Article XIII waiver, the European Communities would implement an import regime on the basis of historical licensing as set out in annex to each of the Understandings. The Commission would seek to obtain the implementation of such an import regime as soon as possible.

Pursuant to its Understanding with the European Communities, the United States: (i) upon implementation of the new import regime described under (1) above, would provisionally suspend its imposition of the increased duties; (ii) upon implementation of the new import regime described under (2) above, would terminate its imposition of the increased duties; (iii) may reimpose the increased duties if the import regime described under (ii) does not enter into force by 1 January 2002; and (iv) would lift its reserve concerning the waiver of Article I of the GATT 1994 that the European Communities requested for preferential access to the European Communities of goods originating in ACP states signatory to the Cotonou Agreement; and would actively work towards promoting the acceptance of an European Communities request for a waiver of Article XIII of the GATT 1994 needed for the management of quota C under the import regime described under (2) above until 31 December 2005.

Pursuant to its Understanding with the European Communities, Ecuador: (i) took note that the European Commission would examine the trade in organic bananas and report accordingly by 31 December 2004; (ii) upon implementation of the new import regime, Ecuador's right to suspend concessions or other obligations of a level not exceeding US\$201.6 million per year *vis-à-vis* the European Communities would be terminated; and (iii) Ecuador would lift its reserve concerning the waiver of Article I of the GATT 1994 that the European Communities has requested for preferential access to the European Communities of goods originating in ACP States signatory to the Cotonou Agreement; and would actively work towards promoting the acceptance of an European Communities request for a waiver of Article XIII of the GATT 1994 needed for the management of quota C under the import regime described in paragraph C(2) until 31 December 2005.

The European Communities notified the Understandings as mutually satisfactory solutions within the meaning of Article 3.6 of the DSU. Both Ecuador and the United States communicated that the Understandings did not constitute mutually satisfactory solutions within the meaning of Article 3.6 of the DSU and that it would be premature to take the item off the DSB agenda. At the DSB meeting on 25 September 2001, Ecuador made an oral statement whereby it criticized the Commission proposal aimed at reforming the European Communities common organization for bananas in order to honour the

above Understandings. On 4 October 2001, the European Communities circulated a status report on the implementation where it indicated that it was continuing to work actively on the legal instruments required for the management of the three tariff quotas after 1 January 2002. In addition, the European Communities' report indicated that no progress had been made since the previous DSB meeting regarding the waiver request submitted by the European Communities and the ACP States. The European Communities further indicated that in the event that no progress was made at the meeting of the Council of Trade in Goods scheduled for 5 October 2001, the European Communities and the ACP States would be forced to reassess the situation in all respects. At the DSB meeting on 15 October 2001, the European Communities recalled that the procedure for the examination of the waiver request had been unblocked at the meeting of the Council for Trade in Goods on 5 October 2001, and expressed its readiness to work and discuss with all interested parties in the course of this examination. Ecuador, Guatemala, Honduras, Panama and Saint Lucia made statements on this item (*for a further description of these discussions, see WT/DS/OV/4 p. 102*). At the DSB meeting on 5 November 2001, the European Communities informed that the Working Party to examine the waiver requests submitted by the European Communities and ACP had made some progress. Ecuador said that tariff preferences to be applied by the European Communities would reproduce the same inconsistencies in the banana import regime. Honduras indicated that it was necessary to ensure that the scope of the waiver did not go beyond what was required for the implementation of the new regime. Panama said that even if the waiver was granted, the dispute would not be settled.

At the DSB meeting on 18 December 2001, the European Communities welcomed the granting of the two waivers by the Ministerial Conference, which were the prerequisite for the implementation of phase II of the Understandings reached with the United States and Ecuador. The European Communities noted that the Regulation implementing phase II would be adopted on 19 December 2001, with effect on 1 January 2002. Ecuador, Honduras, Panama and Colombia noted the progress made and sought information from the European Communities concerning the granting of import licences by one European Communities member State in a manner that was inconsistent with the Understandings. On 21 January 2002, the European Communities announced that Regulation (EC) No. 2587/2001 had been adopted by the Council on 19 December 2001 and indicated that through this Regulation, the European Communities had implemented phase 2 of the Understandings with the United States and Ecuador.

Turkey – Restrictions on imports of textile and clothing products, complaint by India (WT/DS34)

At its meeting of 19 November 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Turkey bring its quantitative restrictions on imports of textile and clothing products into conformity with its obligations under the GATT 1994 and the Agreement on Textiles and Clothing (*for a description of the Panel and Appellate Body reports, see also Annual Report 2000, p. 62*).

At the DSB meeting of 19 November 1999, Turkey stated its intention to comply with the recommendations and rulings of the DSB. On 7 January 2000, the parties informed the DSB that they had agreed that the reasonable period of time for Turkey to implement the DSB's recommendations and rulings would expire on 19 February 2001. Pursuant to the agreement reached, Turkey also is to refrain from making more restrictive the arrangements concerning imports of specified textile and clothing products from India, to increase the size of the quotas of India on certain specified textile and clothing products and to treat India no less favourably than any other Member with respect to the elimination of, or modification to, quantitative restrictions affecting any product covered by the agreement.

On 6 July 2001, the parties to the dispute notified the DSB that they had reached mutually acceptable solution regarding implementation by Turkey of the conclusions and recommendations adopted by the DSB on the matter. Pursuant to the agreement, Turkey agreed to: (i) remove the quantitative restrictions it applied on textile categories 24 and 27 in respect of imports from India, by 30 June 2001 or the date of signature of the agreement; (ii) carry out tariff reductions on the applied rate basis as described in annex to the agreement, by 30 September 2001; and (iii) strive towards early compliance with the recommendations and rulings of the DSB.

Pursuant to the agreement, the compensation would remain effective until Turkey removed all quantitative restrictions applied as of 1 January 1996 in respect of imports from India for the 19 categories of textile and clothing products.

At the meeting of the DSB on 18 December 2001, India made a statement concerning the lack of notification by Turkey of tariff reductions carried out as part of the implementation process.

Brazil – Export financing programme for aircraft, complaint by Canada (WT/DS46/RW/2)

At its meeting of 20 August 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Brazil bring the export subsidies for regional aircraft under PROEX into conformity with its obligations under the Agreement on Subsidies and Countervailing Measures (SCM Agreement) (*for a description of the Panel and Appellate Body reports, see also Annual Report 2000, p. 57*).

At the DSB meeting of 19 November 1999, Brazil announced that it had withdrawn the measures at issue within 90 days and had thus implemented the recommendations and rulings of the DSB. Nevertheless, on 23 November 1999, Canada requested the establishment of a panel under Article 21.5 arguing that Brazil had not taken measures to comply fully with the recommendations and rulings of the DSB. Canada and Brazil reached an agreement concerning the procedures to be applicable pursuant to Articles 21 and 22 of the DSU and Article 4 of the SCM Agreement. At its meeting on 9 December 1999, the DSB agreed to reconvene the original panel pursuant to Article 21.5 of the DSU (compliance panel). Australia, the European Communities and the United States reserved their third-party rights. The report of the compliance Panel was circulated to WTO Members on 9 May 2000. The compliance Panel found that Brazil's measures to comply with the recommendations and rulings of the DSB either did not exist or were not consistent with the SCM Agreement. In reaching this conclusion, the compliance Panel notably rejected Brazil's defence that PROEX payments were permitted under item (k) of Annex I of the SCM Agreement, adding that if a WTO Member encountered an export credit that had been provided on terms that it could not meet consistent with the SCM Agreement, the proper response was to challenge that export credit in WTO dispute settlement.

On 10 May 2000, Canada requested the DSB authorization to suspend the application to Brazil of concessions or other obligations in an amount of Can\$700 million per year. On 22 May 2000, Brazil appealed certain legal findings and conclusions of the compliance Panel. At the DSB meeting on 22 May 2000, Brazil also requested arbitration under Article 4.11 of the SCM Agreement to determine whether the countermeasures requested by Canada were appropriate. The DSB referred the matter to the original panel for arbitration, it being understood that no countermeasures would be sought pending the report of the Appellate Body and until after the arbitration decision.

The Appellate Body, although for different reasons, upheld the compliance Panel's conclusion that Brazil had failed to implement the recommendation of the DSB to withdraw the export subsidies for regional aircraft under PROEX because of the continued issuance by Brazil of NTN-I bonds, after 18 November 1999, pursuant to letters of commitment issued before 18 November 1999. The Appellate Body also upheld the compliance Panel's findings that payments made under the revised PROEX were prohibited by Article 3 of the SCM Agreement and were not justified under item (k) of the Illustrative List of the same Agreement. The report of the Appellate Body was circulated to WTO Members on 9 May 2000. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, at its meeting on 4 August 2000.

Brazil stated its intention to bring future PROEX operations in line with the recommendations and rulings of the DSB. The decision by the arbitrators on the appropriateness of the countermeasures proposed by Canada was circulated to WTO Members on 28 August 2000. The arbitrators found that the subsidy on which the calculation of the countermeasures should be based was the full amount of PROEX payments and that appropriate countermeasures in this case amounted to Can\$344.2 million per year and was spread over six years to give the annual average present value of the subsidy per aircraft model. The arbitrators also found that Canada may request authorization by the DSB to suspend tariff concessions or other obligations under GATT 1994, the Agreement on Textiles and Clothing and the Agreement on Import Licensing Procedures.

At the DSB meeting of 12 December 2000, Canada requested, and received, authorization from the DSB to suspend the application to Brazil of tariff concessions or other obligations under GATT 1994, the Agreement on Textiles and Clothing and the Agreement on Import Licensing Procedures covering trade in a maximum amount of Can\$344.2 million per year.

On 12 December 2000, Brazil advised the DSB of changes that it had made to the measures at issue in this case and claimed that PROEX had been brought into compliance with Brazil's obligations under the SCM Agreement. Canada disagreed and on 22 January 2001 sought the establishment of a compliance panel pursuant to Article 21.5 of the DSU in the "interest of further legal clarity. At its meeting of 16 February 2001, the DSB referred the matter to the original panel. Australia, the European Communities and Korea reserved their third-party rights. The report of the Panel was circulated to Members on 26 July 2001. The

Panel found that, contrary to Canada's claims, Brazil's revised export financing programme for regional aircraft, PROEX III, is *not* as such, inconsistent with the SCM Agreement.

At its meeting on 23 August 2001, the DSB adopted the Panel report on this second recourse to Article 21.5 of the DSU.

United States – Import prohibition of certain shrimp and shrimp products, complaint by India, Malaysia, Pakistan and Thailand (WT/DS58/RW)

At its meeting of 6 November 1998, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that the United States bring its measures into conformity with its obligations under GATT 1994 (*for a description of the Panel and Appellate Body reports, see also Annual Report 1999, p. 77*).

At the DSB meeting on 25 November 1998, the United States informed the DSB that it was committed to implementing the recommendations and rulings of the DSB. The parties to the dispute announced that they had agreed on an implementation period of 13 months from the date of adoption of the Appellate Body and Panel reports, i.e. a period expiring on 6 December 1999. The United States issued the Revised Guidelines on 8 July 1999 with a view to implementing those recommendations and rulings.

On 12 October 2000, Malaysia requested that the matter be referred to the original panel pursuant to Article 21.5 of the DSU (compliance panel), considering that by not lifting the import prohibition, and by not taking the necessary measures to allow the importation of certain shrimp and shrimp products in an unrestrictive manner, the United States had failed to comply with the recommendations and rulings of the DSB. At its meeting of 23 October 2000, the DSB referred the matter to the original panel pursuant to Article 21.5 DSU (compliance panel). Australia, Canada, the European Communities, Ecuador, India, Japan, Mexico, Pakistan, Thailand and Hong Kong, China reserved their third-party rights to participate in the compliance Panel's proceedings. On 15 June 2001 the compliance Panel circulated its report. The Panel considered *inter alia* that the migratory nature of sea turtles and the existence of several international agreements on the protection of migratory species create a specific factual and legal framework which influences the interpretation of Article XX, making unilateral measures less acceptable in that field. The Panel thus concluded that the United States was expected to make serious good faith efforts to reach an international agreement on the conservation of sea turtles in order to be entitled to apply unilateral measures pending the conclusion of that multilateral agreement. The Panel considered that the United States had made serious good faith efforts. The Panel also found that the measure at issue complied with the other requirements contained in the Appellate Body report. However, the Panel found that the above-mentioned efforts had to be continuous and could be subject to further review under Article 21.5 of the DSU.

On 23 July 2001, Malaysia notified its decision to appeal to the Appellate Body certain issues of law covered in the Panel Report and certain legal interpretations developed by the Panel.

The report of the Appellate Body was circulated to WTO Members on 22 October 2001. The Appellate Body upheld the Panel's finding that the measure at issue – Section 609 of Public Law 101-162, as implemented by the Revised Guidelines of 8 July 1999 and as applied so far by the United States authorities – was justified under Article XX of the GATT 1994 as long as the conditions stated in the findings of the Panel report, in particular the ongoing serious, good faith efforts to reach a multilateral agreement, remained satisfied. In particular, the Appellate Body found that the measure at issue was not applied in a manner that constituted unjustifiable discrimination because the efforts made by the United States in relation to the negotiation of a multilateral agreement in the Indian Ocean and South-East Asia region constituted serious, good faith efforts comparable to those that led to the conclusion of the Inter-American Convention for the Protection and Conservation of Sea Turtles in the Caribbean/Western Atlantic region. The Appellate Body also ruled that the measure at issue met the requirements of the chapeau of Article XX because it provided sufficient flexibility to allow the United States authorities to take into account the specific conditions prevailing in Malaysia. In addition, the Appellate Body found that the Panel did not confine itself to the reasoning of the Appellate Body in the original proceedings and, therefore, had correctly fulfilled its task under Article 21.5 of the DSU.

The DSB adopted the Appellate Body report and the Panel report as upheld by the Appellate Body report on 21 November 2001.

Japan – Measures affecting agricultural products, complaint by the United States (WT/DS76)

At its meeting of 19 March 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Japan bring its varietal testing requirements into conformity with its obligations under the SPS Agreement (*for a description of the Panel and Appellate Body reports, see also Annual Report 1999, p. 79*).

The reasonable period of time for Japan to implement the DSB recommendations and rulings was determined by mutual agreement and expired on 31 December 1999. On 31 December 1999, Japan abolished the varietal testing requirement as well as the "Experimental Guide". At the DSB meeting of 14 January 2000, Japan stated that it was conducting consultations with the United States regarding a new quarantine methodology for those products subject to import prohibitions because they were hosts of the pest codling moth. At the DSB meeting of 24 February 2000, Japan noted that it expected to reach a mutually satisfactory solution with the United States regarding a new quarantine methodology. Subsequently, the item has remained under consideration at every regular meeting of the DSB, and Japan has reported that discussions were still ongoing with the United States on this matter.

On 23 August 2001, Japan and the United States notified to the DSB that they had reached a mutually satisfactory solution with respect to conditions for lifting import prohibitions on the fruits and nuts at issue in the dispute.

Chile – Taxes on alcoholic beverages, complaints by the European Communities (WT/DS87 and 110)

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 12 January 2000, recommending that Chile bring its Transitional System and its New System for taxation of distilled alcoholic beverages into conformity with its obligations under the second sentence of Article III:2 of the GATT 1994 (*for a description of the Panel and Appellate Body reports, see also Annual Report 2000, p. 63*).

On 15 March 2000, Chile requested, pursuant to Article 21.3(c) of the DSU, that the reasonable period of time for implementation of the DSB's recommendations and rulings be determined through binding arbitration. The report of the arbitrator was circulated to WTO Members on 23 May 2000. The arbitrator determined that the reasonable period of time for Chile to implement the recommendations and rulings of the DSB was not more than 14 months and NINE days from 12 January 2000, i.e. Chile has until 21 March 2001 to enact and put into effect a law appropriately amending the relevant tax legislation.

At the DSB meeting of 1 February 2001, Chile announced that implementing legislation was adopted by a clear majority in both the Chamber of Deputies and the Senate, and that its full entry into force awaited only its promulgation by the President of the Republic and its publication in the Official Journal. Under this legislative reform, the existing rate of 27% would be maintained for pisco, while that same rate would be applied to other alcoholic beverages as from 21 March 2003. In the meantime, the tax applied to those spirits would be progressively reduced to 27%.

India – Quantitative restrictions on imports of agricultural, textile and industrial products, complaint by the United States (WT/DS90)

At its meeting of 22 September 1999, the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, recommending that India bring its quantitative restrictions for balance-of-payments purposes into conformity with its obligations under the GATT 1994 and the Agreement on Agriculture (*for a description of the Panel and Appellate Body reports, see also Annual Report 2000, p. 60*).

On 28 December 1999, the parties informed the DSB that they had reached an agreement on the reasonable period of time for India to comply with the recommendations and rulings of the DSB. The reasonable period of time was to expire on 1 April 2000, except for some tariff items to be notified by India to the United States for which the reasonable period of time was to expire on 1 April 2001. Pursuant to the agreement reached, India also was to treat the United States no less favourably than any other Member with respect to the elimination of or modification of quantitative restrictions affecting any product covered by the agreement.

At the DSB meeting of 27 July 2000, India stated that it had notified to the United States those tariff items for which the reasonable period was to expire on 1 April 2001 and that for all other items India had implemented the recommendation of the DSB by 1 April 2000. At the DSB meeting of 5 April 2001, India announced that, with effect from 1 April 2001, it had removed the quantitative restrictions on imports in respect of the remaining 715 items and had thus implemented the DSB's recommendations in this case.

Canada – Measures affecting the importation of milk and the exportation of dairy products, complaints by the United States and New Zealand (WT/DS103 and 113)

At its meeting of 27 October 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Canada bring the measures at issue into conformity with its obligations under the Agreement on Agriculture and the GATT 1994. The Panel and the Appellate Body found that Canada had

acted inconsistently with its obligations under Articles 3.3 and 8 of the Agreement on Agriculture by providing “export subsidies” in excess of the quantity commitment levels specified by Canada in its Schedule to that Agreement. The Panel and the Appellate Body also found that one of Canada’s restrictions on access to a tariff-rate quota constituted a violation of Article II:1(b) of the GATT 1994 (*for a description of the Panel and Appellate Body reports, see also Annual Report 2000, p. 60*).

Pursuant to Article 21.3(b) of the DSU, the parties to the dispute agreed that Canada should have until 31 January 2001 to implement the recommendations and rulings of the DSB. Canada subsequently modified its commercial export milk scheme. On 1 March 2001, New Zealand and the United States requested the DSB to refer the matter to the original panel, pursuant to Article 21.5 of the DSU, to determine the consistency of the measure with Canada’s obligations under the Agreement on Agriculture. Australia, the European Communities and Mexico reserved their third-party rights. On the same day, the United States and New Zealand also requested authorization from the DSB to suspend concessions and other obligations, as provided for in Article 22.2 of the DSU. Canada objected to the level of suspension proposed, and the matter was referred to arbitration, pursuant to Article 22.6 of the DSU. However, the parties agreed to defer this arbitration proceeding pending the outcome of the Article 21.5 proceeding. On 12 April 2001, the compliance Panel was composed. The compliance Panel circulated its report on 11 July 2001. The Panel found that Canada had acted inconsistently with its obligations under Articles 3.3 and 8 of the Agreement on Agriculture by providing “export subsidies” within the meaning of Article 9.1(c) in excess of the quantity commitment levels specified in its Schedule to that Agreement.

On 4 September 2001, Canada appealed the compliance Panel report. The report of the Appellate Body was circulated to Members on 3 December 2001. The Appellate Body reversed the Panel’s finding that the measure at issue – the supply of commercial export milk (CEM) by Canadian milk producers to Canadian dairy processors – involved “payments” on the export of milk that were “financed by virtue of governmental action” under Article 9.1(c) of the Agreement on Agriculture. The Appellate Body took the view that there were “payments” under Article 9.1(c), on the facts of this case, when the price charged by the producer was less than the milk’s proper value to the producer. This value was reflected in the producer’s average total cost of production of the milk. The Appellate Body did not have sufficient facts to enable it to determine whether the supply of CEM involved “payments” under Article 9.1(c).

At its meeting on 18 December 2001, the DSB adopted the Appellate Body Report and the Panel report, as reversed by the Appellate Body Report. On 17 January 2002, a second compliance panel was established under the terms of the Article 21.5 of the DSU.

United States – Tax treatment for “Foreign Sales Corporations”, complaint by the European Communities (WT/DS108)

At its meeting of 20 March 2000, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body, finding that the tax exemption measure at issue, the FSC measure, constituted a prohibited subsidy under Article 3.1(a) of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and Article 10.1 and 8 of the Agreement on Agriculture. The DSB specified that the FSC subsidies should be withdrawn by 1 October 2000. On 12 October 2000, the DSB agreed to the request of the United States that the time-period for withdrawal of the subsidies be modified so as to expire on 1 November 2000 (*for a description of the Panel report see also Annual Report 2000, p. 73 and for a description of the Appellate Body report, see also Annual Report 2001, p. 80*).

On 15 November 2000, with a view to implementing the rulings and recommendations of the DSB, the United States enacted the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (the ETI Act). Pursuant to the ETI Act, the provisions of the United States Internal Revenue Code relating to taxation of FSCs were repealed, except with respect to certain transactions carried out by existing FSCs. In addition, the ETI Act amended the Internal Revenue Code to permit the exclusion from taxation of a certain proportion of the “extraterritorial income” of United States “taxpayers” that is “qualifying foreign trade income”. “Extraterritorial income” may be earned only in transactions involving qualifying foreign trade property, or involving certain services provided in connection with such foreign trade property.

On 17 November 2000, the European Communities requested authorization from the DSB to suspend concessions and other obligations, as provided for in Article 22.2 of the DSU. The United States objected to the level of suspension proposed, and the matter was referred to arbitration, pursuant to Article 22.6 of the DSU. However, the parties agreed to defer this arbitration proceeding pending the outcome of the Article 21.5 proceeding. Following a request made by the European Communities, the DSB, at its meeting on

20 December 2000, referred the matter to the original panel, pursuant to Article 21.5 of the DSU (compliance panel), to determine the consistency of the ETI Act with United States' obligations under the SCM Agreement, the Agreement on Agriculture, and the GATT 1994.

The compliance Panel found that the ETI Act involved subsidies contingent upon export performance within the meaning of Article 3.1(a) of the SCM Agreement and that the United States had acted inconsistently with its obligations under Articles 3.2 of the SCM Agreement in maintaining such subsidies. The Panel also found that the Act involved export subsidies as defined in Article 1(e) of the Agreement on Agriculture and that, in maintaining such subsidies, the United States had acted inconsistently with its obligations under Articles 8 and 10.1 of the Agreement on Agriculture. In addition, according to the Panel, the ETI Act accorded less favourable treatment to imported products than to like products of United States origin and was, therefore, inconsistent with Article III:4 of the GATT 1994. The Panel also concluded that the United States has not fully withdrawn the FSC subsidies found, in the original proceedings, to be prohibited export subsidies under Article 3.1(a) of the SCM Agreement and, therefore, has failed to implement the recommendations and rulings of the DSB made pursuant to Article 4.7 of that Agreement. The Panel also declined to require that third parties be provided with *all* written submissions of the parties submitted prior to the single meeting of the Panel. On 15 October 2001, the United States notified its decision to appeal certain issues of law and legal interpretations developed by the Panel report.

The Appellate Body upheld the Panel's findings that the United States acted inconsistently with its obligations under the SCM Agreement, the Agreement on Agriculture, and the GATT 1994 through the ETI Act, a measure taken by the United States to implement the recommendations and rulings made by the DSB in the original proceedings in the *US-FSC* dispute. Specifically, the Appellate Body upheld findings that: (i) the ETI Act involved prohibited export subsidies under Article 3.1(a) of the SCM Agreement and that the United States had not demonstrated that the ETI Act was a measure to avoid the double taxation of foreign source income within the meaning of footnote 59 to the SCM Agreement; (ii) the ETI Act involved export subsidies inconsistent with Articles 3.3, 8 and 10.1 of the Agreement on Agriculture; (iii) the ETI Act was inconsistent with the United States' obligations under Article III:4 of the GATT 1994; and (iv) the United States had failed fully to implement the recommendations and rulings of the DSB made pursuant to Article 4.7 of the SCM Agreement in the original proceedings in *US-FSC* because it had not fully withdrawn the subsidies found in those proceedings to be prohibited export subsidies. With respect to third-party rights, the Appellate Body found that the Panel had erred in its interpretation of Article 10.3 of the DSU in declining to rule that *all* written submissions of the parties filed prior to the first meeting of the Panel must be provided to the third parties.

The report of the Appellate Body was circulated to WTO Members on 14 January 2002. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, at its meeting on 29 January 2002.

Thailand – Anti-dumping duties on angles, shapes and sections of iron or non-alloy steel and H-beams from Poland, complaint by Poland (WT/DS122)

At its meeting of 5 April 2001 the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Thailand brings its measures into conformity with its obligations under the Anti-Dumping Agreement (*for a description of the Panel and Appellate Body reports, see also Annual Report 2001, p. 97*).

Thailand informed the DSB that it was in the process of identifying the most suitable way to comply with the DSB's recommendations in this case and that it would need a reasonable period of time for implementation. Poland reiterated its position that in order to implement the DSB's recommendations in this case Thailand would have to revoke the duties currently in place. If not, Poland would seek recourse to Article 21.5 of the DSU. Poland was ready to enter into consultations with Thailand on a reasonable period of time for implementation. On 25 May 2001, the parties to the dispute informed the DSB that they had agreed that the reasonable period of time would be six months and 15 days and it therefore expired on 20 October 2001.

At the DSB meeting on 18 December 2001, Thailand announced that it had fully implemented the DSB's recommendations in the case on "Thailand – Anti-Dumping Duties on Angles, Shapes and Sections of Iron or Non-Alloy Steel and H-Beams from Poland". Poland said that it could not accept the way in which Thailand had implemented the DSB's recommendations because it had expected that the measures in question would be either rescinded or modified. In Poland's view, Thailand only changed the justification for the imposition of the measures. Poland reserved its rights under Article 21.5 of the DSU.

On 18 December 2001, Thailand and Poland concluded an Understanding with regard to possible proceedings under Article 21 and 22 of the DSU. Pursuant to the Understanding, in the event that Poland initiates proceedings under Articles 21.5 and 22 of the DSU, Poland agrees to initiate complete proceedings under Article 21.5 prior to any proceedings under

Article 22. On 21 January 2002, the parties informed the DSB that they have reached an agreement to the effect that the implementation of the recommendations of the DSB in this dispute should no longer remain on the agenda of the DSB.

Mexico – Anti-dumping investigation of high-fructose corn syrup (HFCS) from the United States, complaint by the United States (WT/DS132/RW)

At its meeting of 24 February 2000 the DSB adopted the Panel report recommending that Mexico bring its measure into conformity with its obligations under the Anti-Dumping Agreement (AD Agreement) (*for a description of the Panel and Appellate Body reports, see also Annual Report 2000, p. 75*).

Pursuant to Article 21.3 of the DSU, Mexico informed the DSB on 20 March 2000 that it was studying ways in which to implement the recommendations of the DSB. Mexico also indicated that it would need a reasonable period of time in order to implement the DSB recommendations. On 19 April 2000, the parties informed the DSB that they had agreed, pursuant to Article 21.3(b) of the DSU, on a reasonable period of time to be granted to Mexico to implement the recommendations of the DSB. That period expired on 22 September 2000. At the DSB meeting of 26 September 2000, Mexico stated that it had published on 20 September 2000 the final determination on the anti-dumping investigation of high-fructose corn syrup from the United States and had thereby complied with the DSB's recommendation. The United States stated that it would examine Mexico's final determination.

On 12 October 2000, the United States requested that the DSB refer the matter to the original panel, pursuant to Article 21.5 of the DSU, in order to establish whether Mexico had correctly implemented the DSB's recommendations. At its meeting of 23 October 2000, the DSB referred the matter to the original panel pursuant to Article 21.5 of the DSU. The European Communities, Jamaica and Mauritius reserved their third-party rights to participate in the Panel's proceedings. The United States and Mexico informed the DSB that they were discussing mutually agreeable procedures under Articles 21 and 22 of the DSU in relation to this matter. The compliance Panel circulated its report on 22 June 2001. The Panel considered that Mexico had failed to implement the recommendation of the original Panel and the DSU to bring its measure into conformity with its obligations under the AD Agreement. On 24 July 2001, Mexico appealed the compliance Panel report.

The Appellate Body found that the Panel had not erred in remaining silent, in its report, on certain issues relating to the proceedings and, in particular, in not addressing the lack of consultations between the parties prior to referral of the matter to the Article 21.5 Panel. The Appellate Body upheld the Panel's findings that Mexico's imposition of anti-dumping duties on high-fructose corn syrup was inconsistent with Articles 3.1, 3.4, 3.7(i) and 3.7 of the AD Agreement. The Appellate Body further held that the Panel had satisfied its duty, under Article 12.7 of the DSU, to provide a "basic rationale" for its findings, and that the Panel did not act inconsistently with the standard of review in Article 17.6(ii) of the AD Agreement.

The report of the Appellate Body was circulated to WTO Members on 22 October 2001. The DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, on 21 November 2001.

United States – Anti-dumping Act of 1916, complaints by the European Communities and Japan (WT/DS136 and WT/DS162)

At its meeting of 26 September 2000, the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, recommending that the United States bring the Anti-dumping Act of 1916 into conformity with its obligations under the Anti-Dumping (AD Agreement) (*for a description of the Panel and Appellate Body reports, see also Annual Report 2001, p. 82*).

At the DSB meeting of 23 October 2000, the United States stated that it was its intention to implement the DSB's recommendations and rulings. The United States also stated that it would require a reasonable period of time for implementation and that it would consult with the European Communities and Japan on this matter. On 17 November 2000, the European Communities and Japan requested that the reasonable period of time be determined by arbitration pursuant to Article 21.3(c) of the DSU. The arbitrator circulated his report on 28 February 2001. He determined that the reasonable period of time in this case was ten months and would thus expire on 26 July 2001. At its meeting on 24 July 2001, the DSB agreed to the United States proposal to extend the reasonable period of time until 31 December 2001 or the end of the current session of the United States Congress, whichever earlier. This extension had been agreed with the parties.

At the DSB meeting on 18 December 2001, the United States informed Members that on 23 July 2001 it had submitted proposed legislation to the United States Congress repealing the 1916 Act and terminating all pending actions under the Act. On 7 January 2002, on the

grounds that the United States had failed to bring its measures into conformity within the reasonable period of time, the European Communities and Japan requested authorization to suspend concessions pursuant to Article 22.2 of the DSU. Both Members proposed that the suspension of concessions took the form of an equivalent legislation to the Anti-dumping Act of 1916 against imports from the United States. On 17 January 2002, the United States objected to the levels of suspension of obligations proposed by the European Communities and Japan and requested the DSB to refer the matter to arbitration, in accordance with Article 22.6 of the DSU. The United States claimed that the principles and procedures of Article 22.3 had not been followed by the European Communities and Japan. At the DSB meeting on 18 January 2002, the matter was referred to arbitration. During the meeting, the parties indicated that they were still engaged in consultations and would be requesting the arbitrators, once appointed, to suspend their work with a view to exploring the possibility of finding a mutually satisfactory solution.

Canada – Certain measures affecting the automotive industry, complaints by Japan and the European Communities (WT/DS139/RW and WT/DS142/RW)

At its meeting of 19 June 2000, the DSB adopted the Appellate Body and the Panel report, as modified by the Appellate Body report, recommending that Canada bring the measure at issue in this dispute into conformity with its obligations under the GATT 1994, the GATS and the SCM Agreement (*for a description of the Panel and Appellate Body reports, see also Annual Report 2001, p. 84*).

Pursuant to Article 21.3 of the DSU, Canada informed the DSB on 19 July 2000 that it would comply with the recommendations and rulings of the DSB. On 4 August 2000, Japan and the European Communities requested, pursuant to Article 21.3(c) of the DSU, that the reasonable period of time be determined through binding arbitration. The arbitrator determined that the reasonable period of time for Canada to implement the recommendations and rulings of the DSB relating to Article I:1 and Article III:4 of the GATT 1994 and Article XVII of the GATS in this case is eight months from the date of adoption of the Appellate Body report and the Panel report, as modified by the Appellate Body report. The reasonable period of time would expire on 19 February 2001. At the DSB meeting of 12 March 2001, Canada stated that, as of 18 February 2001, it had complied with the DSB's recommendations.

European Communities – Anti-dumping duties on imports of cotton-type bed linen, complaint by India (WT/DS141)

At its meeting of 12 March 2001 the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report (*for a description of the Panel report, see also Annual Report 2001, p. 97; for a description of the Appellate Body report, see the section "Appellate Body and/or Panel reports adopted" above*).

At the DSB meeting of 5 April 2001, the European Communities announced its intention to implement the DSB's recommendations in this case and said that it would need a reasonable period of time in which to do so. India said that the European Communities could complete its implementation process within a very short period of time. On 26 April 2001, the parties to the dispute notified the DSB that they had mutually agreed that the reasonable period of time would be five months and two days, that is from 12 March 2001 until 14 August 2001.

The European Communities amended its Regulation imposing a definitive anti-dumping duty on imports of cotton-type bed linen originating in Egypt, India and Pakistan and suspending its application with regard to imports originating in India by the deadline of 14 August 2001. However, India, at the 23 August meeting of the DSB, made a statement whereby it expressed the view that the new European Communities Regulation did not bring the European Communities legislation into full compliance with the DSB's recommendations.

On 13 September 2001, India and the European Communities informed the DSB that they had reached an understanding regarding the procedures under Articles 21 and 22 of the DSU. This understanding foresaw that if on the basis of the results of proceedings under Article 21.5 that might be initiated by India, India decided to initiate proceedings under Article 22, the European Communities would not assert that India was precluded from doing so because its request had been made outside the 30 day time-period.

Argentina – Measures affecting the export of bovine hides and the import of finished leather, complaint by the European Communities (WT/DS155)

At its meeting of 16 February 2001 the DSB adopted the Panel report recommending that Argentina bring its measures into conformity with its obligations under GATT 1994 (*for a description of the Panel report, see also Annual Report 2001, p. 75*).

At the DSB meeting of 12 March 2001, Argentina stated its intention to implement the DSB's recommendations and indicated that it would need a reasonable period of time to do

so. On 14 May 2001, the European Communities requested that the reasonable period of time be determined through binding arbitration pursuant to Article 21.3(c). On 31 August 2001, the arbitrator circulated its award whereby the reasonable period of time was fixed at 12 months and 12 days from 16 February 2001. This period will therefore expire on 28 February 2002.

United States – Section 110(5) of the US Copyright Act, complaint by the European Communities (WT/DS160)

At its meeting of 27 July 2000, the DSB adopted the Panel report recommending that the United States bring subparagraph (B) of Section 110(5) of the United States Copyright Act into conformity with its obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) (*for a description of the Panel report, see also Annual Report 2001, p. 84*).

The United States informed the DSB on 24 August 2000 that it would implement the recommendations of the DSB. The United States proposed 15 months as a reasonable period of time within which to implement those recommendations. On 23 October 2000, the European Communities requested that the reasonable period of time for implementation be determined through binding arbitration as provided for in Article 21.3(c) DSU. In an award circulated on 15 January 2001, the arbitrator determined that the reasonable period for the United States to implement the DSB's recommendations would expire on 27 July 2001. At its meeting of 24 July 2001, the DSB agreed to the United States proposal to extend the reasonable period of time until 31 December 2001 or the end of the current session of the United States Congress, whichever earlier. This extension had been agreed with the European Communities.

On 23 July 2001, the United States and the European Communities notified the DSB of their agreement to pursue arbitration pursuant to Article 25.2 of the DSU in order to determine the level of nullification or impairment of benefits to the European Communities as result of Section 110(5)(B) of the United States Copyright Act. On 9 November 2001, the arbitrator determined that the level of European Communities benefits which were being nullified or impaired as a result of the operation of Section 110(5)(B) amounted to € 1,219,900 per year.

On 7 January 2002, on the grounds that the United States had failed to bring its measures into conformity within the reasonable period of time, the European Communities requested authorization to suspend concessions pursuant to Article 22.2 of the DSU. The European Communities proposed to suspend concessions under the TRIPS Agreement in order to permit the levying of a special fee from United States nationals in connection with border measures concerning copyright goods. On 17 January 2002, the United States objected to the level of suspension of obligations proposed by the European Communities and requested the DSB to refer the matter to arbitration, in accordance with Article 22.6 of the DSU. The United States claimed that the principles and procedures of Article 22.3 had not been followed. During the DSB meeting on 18 January 2002, the parties indicated, however, that they were engaged in constructive negotiations and were hopeful of finding a mutually satisfactory solution.

Korea – Measures affecting imports of fresh, chilled and frozen beef, complaints by the United States and Australia (WT/DS/161 and 169)

At its meeting of 10 January 2001, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report recommending that Korea bring its measures into conformity with its obligations under the Agreement on Agriculture and GATT 1994 (*for a description of the Panel and Appellate Body reports, see also Annual Report 2001, p. 77*).

At the DSB meeting of 2 February 2001, Korea announced that it had already implemented some elements of the DSB's recommendations and that in order to complete the process it would need a reasonable period of time. On 19 April 2001, the parties to the dispute notified the DSB that they had mutually agreed that the reasonable period of time would be eight months, and would thus expire on 10 September 2001. At the DSB meeting on 25 September 2001, Korea announced that it had implemented the DSB's recommendation by the deadline.

United States – Definitive safeguard measures on imports of wheat gluten, complaint by the European Communities (WT/DS166)

At its meeting of 19 January 2001, the DSB adopted the report of the Appellate Body, and the report of the Panel, as modified by the Appellate Body recommending that the United States bring its measures into conformity with its obligations under the Agreement on Safeguards (*for a description of the Panel and Appellate Body reports, see also Annual Report 2001, p. 76*).

At the DSB meeting of 16 February 2001, the United States announced that it intended to implement the recommendations and rulings contained in the Panel and Appellate Body reports. On 20 March 2001, the European Communities requested that the reasonable period of time for implementation be determined by binding arbitration pursuant to Article 21.3(c) DSU. On 10 April 2001, the parties to the dispute notified the DSB that they had mutually agreed that the reasonable period of time would be four months and 14 days, that is from 19 January 2001 to 2 June 2001.

Canada – Term of patent protection, complaint by the United States (WT/DS170)

At its meeting on 12 October 2000 the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report requiring Canada to bring its measures into conformity with its obligations under the Agreement for Trade-Related Aspects of Intellectual Property Rights (*for a description of the Panel and Appellate Body reports, see also Annual Report 2001, p. 81*).

At the DSB meeting of 23 October 2000, Canada stated that it was its intention to implement the DSB's recommendations and rulings. Canada said that it would require a reasonable period of time for implementation and that it would consult with the United States on this matter. On 15 December 2000, the United States requested that the reasonable period of time for implementation by Canada be determined by binding arbitration pursuant to Article 21.3(c) of the DSU. The arbitrator circulated his report on 28 February 2001. He decided that the reasonable period of time in this case would be ten months and would thus expire on 12 August 2001.

United States – Safeguard measures on import of fresh, chilled or frozen lamb meat, complaints by New Zealand and Australia (WT/DS177 and WT/DS178)

At its meeting on 16 May 2001, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body recommending that the United States bring its measures into conformity with its obligations under the Agreement on Safeguards and the GATT 1994 (*for a more detailed description concerning the Panel report, see also the Annual Report 2001, p. 98; for a more detailed description of the Appellate Body report see section on "Appellate Body and/or Panel reports adopted" above*).

At the DSB meeting of 20 June 2001, the United States recalled that on 14 June 2001 it had submitted in writing to the DSB its intentions with respect to the implementation in this case and said that it intended to implement the DSB's recommendations in a manner that would respect its WTO obligations. The United States further stated that it would need a reasonable period of time for implementation and, for that reason, it would enter into discussions with the complaining parties. On 27 September 2001, the United States informed the DSB of its decision to implement the recommendations of the DSB by ending the safeguard measure effective on 15 November 2001. On 28 September 2001, Australia and New Zealand agreed that the reasonable period of time for implementation would expire on 15 November 2001.

United States – Anti-dumping measures on stainless steel plate in coils and stainless sheet and strip from Korea, complaint by Korea (WT/DS179)

At its meeting of 1 February 2001 the report of the Panel was adopted by the DSB recommending that the United States bring its measures into conformity with the requirements of the Anti-Dumping Agreement (*for a more detailed description of the Panel report, see also Annual Report 2001, p. 76*).

At the DSB meeting of 1 March 2001, the United States stated its intention to implement the DSB's recommendations and indicated that it would need a reasonable period of time to do so. On 26 April 2001, the parties to the dispute notified the DSB that they had mutually agreed that the reasonable period of time would be seven months and would thus expire on 1 September 2001. At the DSB's meeting of 10 September 2001, the United States announced that it had implemented the DSB's recommendation on 1 September 2001.

United States – Anti-dumping measures on certain hot-rolled steel products from Japan, complaint by Japan (WT/DS184)

At its meeting of 23 August 2001 the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report recommending that the United States bring its measures into conformity with its obligations under the Anti-Dumping Agreement (*for a more detailed description of the Panel and Appellate Body reports see the section on "Appellate Body and/or panel reports adopted" above*).

On 20 November 2001, Japan requested that the reasonable period of time for implementation of the DSB's recommendations be determined by binding arbitration under Article 21.3(c) of the DSU. Pending the appointment of the arbitrator, Japan and the United

States agreed to extend the time-period under that provision. They agreed that the award of the arbitrator be made no later than 19 February 2002.

Argentina – Definitive anti-dumping measures on imports of ceramic floor tiles from Italy, complaint by the European Communities (WT/DS189)

At its meeting on 5 November 2001, the DSB adopted the Panel Report recommending that Argentina bring its measures into conformity with its obligations under the Anti-Dumping Agreement (*for a more detailed description of the Panel report, see the section on “Appellate Body and/or panel reports adopted” above*).

On 20 December 2001, the European Communities and Argentina informed the DSB that they had mutually agreed a reasonable period of time of five months to implement the recommendations and rulings of the DSB, i.e. from 5 November 2001 until 5 April 2002.

United States – Transitional safeguard measure on combed cotton yarn from Pakistan, complaint by Pakistan (WT/DS192)

At its meeting of 5 November 2001, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report recommending that the United States bring its measures into conformity with its obligations under the Agreement on Textiles and Clothing (*for a more detailed description of the Panel and Appellate Body reports, see the section on “Appellate Body and/or panel reports adopted” above*).

At the DSB meeting of 21 November 2001, the United States declared that on 8 November 2001 the Committee for the Implementation of the Textile Agreement had directed the United States Customs Services to eliminate the limit on imports of combed cotton yarn from Pakistan. The United States indicated that, through this action, effective as from 9 November 2001, it had implemented the DSB’s recommendations.

Panel reports pending before the Appellate Body as of 1 February 2002

United States – Definitive safeguard measures on imports of circular welded carbon quality line pipe from Korea, complaint by Korea (WT/DS202)

This dispute concerns the United States’ imposition of a definitive safeguard measure on imports of circular welded carbon quality line pipe. On 13 June 2000, Korea requested consultations with the United States in respect of concerns regarding the definitive safeguard measure imposed by the United States on imports of circular welded carbon quality line pipe (line pipe). Korea noted that on 18 February 2000 the United States proclaimed a definitive safeguard measure on imports of line pipe (subheadings 7306.10.10 and 7306.10.50 of the Harmonized Tariff Schedule of the United States). In that proclamation, the United States announced that the proposed date of introduction of the measure was 1 March 2000 and that the measure was expected to remain in effect for three years and one day. Korea considered that the United States procedures and determinations that led to the imposition of the safeguard measure as well as the measure itself contravened various provisions contained in the Safeguards Agreement and the GATT 1994. In particular, Korea considered that the measure was inconsistent with United States obligations under Articles 2, 3, 4, 5, 11 and 12 of the Safeguards Agreement; and Articles I, XIII and XIX of the GATT 1994. Further to Korea’s request, the DSB established a panel at its meeting of 23 October 2000. Australia, Canada, European Communities, Japan and Mexico reserved their third-party rights.

On 29 October 2001, the Panel circulated its report to the Members. The Panel found that the United States imposed its safeguard measure inconsistently with the GATT 1994 and the Agreement on Safeguards (i) by applying the measure without respecting traditional trade patterns; (ii) by applying the measure without fixing the total amount of imports permitted at the lower tariff rate; (iii) by failing to include in its published report a finding or reasoned conclusion demonstrating either (a) that increased imports have caused serious injury, or (b) that increased imports are threatening to cause serious injury; (iv) by failing to establish a causal link between the increased imports and the serious injury, or threat thereof; (v) by applying the measure to developing countries whose imports do not exceed the individual and collective thresholds; (vi) by failing to demonstrate the existence of unforeseen developments; (vii) by failing to provide an adequate opportunity for prior consultations with Members having a substantial interest as exporters of line pipe; and (viii) by not fulfilling its obligation to endeavour to maintain a substantially equivalent level of concessions and other obligations. All other claims by Korea were rejected by the Panel. The Panel also declined Korea’s request for the Panel to find that the United States safeguard measure should be lifted immediately and the United States International Trade Commission safeguard investigation on line pipe terminated.

On 6 November 2001, the United States notified its decision to appeal certain findings of law and legal interpretations contained in the Panel Report. However, on 13 November 2001, it withdrew its notice of appeal. Later, on 19 November 2001, the United States notified its decision to re-file its appeal to the Appellate Body. On 18 January 2002, the Appellate Body informed the DSB that there would be a delay in the circulation of the report. Accordingly, the Appellate Body indicated that the report would be circulated to the Members no later than 15 February 2002.

India – Measures affecting the automotive sector, complaints by the European Communities and the United States (WT/DS146 and WT/DS175)

This dispute concerns certain measures affecting the automotive sector applied by India. The European Communities stated that the measures include the documents entitled "Export and Import Policy, 1997-2002", "ITC (HS Classification) Export and Import Policy 1997-2002" ("Classification"), and "Public Notice No. 60 (PN/97-02) of 12 December 1997, Export and Import Policy April 1997-March 2002", and any other legislative or administrative provision implemented or consolidated by these policies, as well as Memorandums of Understanding (MoUs) signed by the Indian Government with certain manufacturers of automobiles. The European Communities alleged violations of Articles III and XI of GATT 1994, and Article 2 of the Trade-Related Investment Measures Agreement. On 12 October 2000, the European Communities requested the establishment of a panel. At its meeting of 17 November 2000, the DSB established a panel and decided that the panel already established under WT/DS175 (see above) would also examine the claims of the European Communities, in accordance with Article 9.1 of the DSU. Japan reserved its third-party rights.

The Panel concluded that India had acted inconsistently with its obligations under Article III:4 of the GATT 1994 by imposing on automotive manufacturers an obligation to use a certain proportion of local parts and components in the manufacture of cars and automotive vehicles ("indigenization" condition). In addition, the Panel found that India had acted inconsistently with its obligations under Article XI of the GATT 1994 by imposing on automotive manufacturers an obligation to balance any importation of certain kits and components with exports of equivalent value ("trade balancing" condition); and that moreover India had acted inconsistently with its obligations under Article III:4 of the GATT 1994 by imposing, in the context of the trade balancing condition, an obligation to offset the amount of any purchases of previously imported restricted kits and components on the Indian market, by exports of equivalent value.

On 31 January 2002, India appealed the above Panel report. In particular, India seeks review of the following Panel's conclusion on the grounds that they are in error and based upon erroneous findings on issues of law and related legal interpretations: (i) that Articles 11 and 19.1 of the DSU required it to address the question of whether the measures found to be inconsistent with Articles III:4 and XI:1 of the GATT had been brought into conformity with the GATT as a result of measures taken by India during the course of the proceedings, and (ii) that the enforcement of the export obligations that automobile manufacturers incurred until 1 April 2001 under India's former import licensing scheme is inconsistent with Articles III:4 and XI:1 of the GATT.

Panel reports circulated

Canada – Export credits and loan guarantees for regional aircraft, complaint by Brazil (WT/DS222)

This dispute concerns subsidies which are allegedly being granted to Canada's regional aircraft industry. Brazil's claims are that export credits (within the meaning of Item (k) of Annex I to the Agreement on Subsidies and Countervailing Measures (SCM Agreement)), including financing, loan guarantees, or interest rate support provided by or through the Export Development Corporation (EDC) – both Canada and Corporate Accounts thereunder – are being provided to facilitate the export of civil aircraft. Also being provided are export credits and guarantees (within the meaning of Item (j) of Annex I to the SCM Agreement), including loan guarantees, equity guarantees, residual value guarantees, and "first loss deficiency guarantees", provided by *Investissement Québec (IQ)*, a programme operated by the Province of Québec. Brazil takes the view that all of the above-mentioned measures are subsidies, within the meaning of Article 1 of the SCM Agreement, since they are financial contributions that confer a benefit. According to Brazil, they are also contingent, in law or in fact, upon export, and constitute, therefore, a violation of Article 3 of the SCM Agreement.

At its meeting of 12 March 2001, the DSB established a panel. Australia, the European Communities, India and the United States reserved their third-party rights.

On 28 January 2002, the Panel circulated its report to the Members. The Panel rejected Brazil's claims that the EDC Corporate Account, Canada Account and *Investissement Québec (IQ)* programmes "as such" constitute prohibited export subsidies contrary to Article 3.1(a)

of the SCM Agreement. They considered that it was not appropriate to make separate findings regarding the EDC Corporate Account, Canada Account and /Q programmes “as applied”. Where claims relating to specific transactions were concerned, the Panel rejected Brazil’s claim that the EDC Corporate Account financing to Kendell, Air Nostrum and Comair in December 1996, March 1997 and March 1998 constituted a prohibited export subsidy contrary to Article 3.1(a) of the SCM Agreement. In addition, the Panel rejected Brazil’s claim that /Q equity guarantees to ACA, Air Littoral, Midway, Mesa Air Group, Air Nostrum and Air Wisconsin constituted prohibited export subsidies contrary to Article 3.1(a) of the SCM Agreement; and finally, they also rejected Brazil’s claim that /Q loan guarantees to Mesa Air Group and Air Wisconsin constitute prohibited export subsidies contrary to Article 3.1(a) of the SCM Agreement.

The Panel upheld Brazil’s claim that the EDC Canada Account financing to Air Wisconsin, to Air Nostrum and to Comair in July 1996, August 1997, and February 1999 constituted a prohibited export subsidy contrary to Article 3.1(a) of the SCM Agreement.

The report of the Panel was circulated to WTO Members on 28 January 2002.

Panels established by the DSB

United States – Anti-dumping and countervailing measures on steel plate from India, complaint by India (WT/DS206)

This request for the establishment of a panel, dated 7 June 2001, concerns (i) the consistency of the United States legislation providing for use of facts available with the AD Agreement, (ii) the final determination of the United States Department of Commerce (USDOC) relying on facts available in the anti-dumping investigation of certain cut-to-length carbon quality steel plate products from India; and (iii) the alleged violation of Article 15 of the AD Agreement.

India alleged violations of Article VI of the GATT 1994; Articles 2.2, 2.4, 6.13, 6.6, 6.8, 9.3, and 15, and paragraphs 3, 5, and 7 of Annex II of the AD Agreement.

At its meeting on 24 July 2001 the DSB established a panel. Chile, the European Communities and Japan reserved their third-party rights.

Chile – Price band system and safeguard measures relating to certain agricultural products, complaint by Argentina (WT/DS207)

This request, dated 19 January 2001, concerns: (i) the price band system established by Law 18.525 (as subsequently amended by Law 18.591 and Law 19.546), as well as implementing regulations and complementary and/or amending provisions; and (ii) the provisional safeguard measures adopted on 19 November 1999 by Decree No. 339 of the Ministry of Economy and the definitive safeguard measures imposed on 20 January 2000 by Decree No. 9 of the Ministry of Economy on the importation of various products, including wheat, wheat flour and edible vegetal oils.

Argentina considers that these measures raise questions concerning the obligations of Chile under various agreements. According to Argentina, the provisions with which the measures relating to the said price band system are inconsistent, include, but are not limited to, the following: Article II of the GATT 1994, and Article 4 of the Agreement on Agriculture. According to Argentina, the provisions with which the safeguard measures are inconsistent, include, but are not limited to, the following: Articles 2, 3, 4, 5, 6 and 12 of the Safeguards Agreement, and Article XIX:1(a) of the GATT 1994.

At its meeting of 12 March 2001 the DSB established a panel. Australia, Brazil, Colombia, Costa Rica, the European Communities, Ecuador, El Salvador, Guatemala, Honduras, Japan, Nicaragua, Paraguay, the United States and Venezuela reserved their third-party rights.

Egypt – Definitive anti-dumping measures on steel rebar from Turkey, complaint by Turkey (WT/DS211)

This request dated 3 May 2001, concerns an anti-dumping investigation by the Egyptian Ministry of Trade and Supply with respect to imports of rebar from Turkey. The investigation was completed and the final report released on 21 October 1999. As a result of the investigation, anti-dumping duties were imposed, ranging from 22.63-61.00% ad valorem. Turkey considered that

Egypt made determinations of injury and dumping in that investigation without a proper establishment of the facts and based on an evaluation of the facts that was neither unbiased nor objective. In addition Turkey considers that during the investigation of material injury or threat thereof and the causal link, Egypt acted inconsistently with Articles 3.1, 3.2, 3.4, 3.5, 6.1 and 6.2 of the Anti-Dumping Agreement (AD Agreement). In addition Turkey states that during the investigation of sales at less than normal value, Egypt violated Article X:3 of the GATT 1994, as well as Articles 2.2, 2.4, 6.1, 6.2, 6.6, 6.7 and 6.8, and Annex II, Paragraphs 1, 3, 5, 6 and 7 and Annex I, Paragraph 7 of the AD Agreement.

The DSB established a panel at its meeting of 20 June 2001. Chile, the European Communities, Japan and the United States reserved their third-party rights.

United States – Countervailing measures concerning certain products from the European Communities, complaint by the European Communities (WT/DS212)

This request, dated 8 August 2001, concerns the continued application by the United States of countervailing duties on a number of products. In particular, the European Communities claimed that the continued application by the United States of countervailing duties is based on an irrefutable presumption that non-recurring subsidies granted to a former producer of goods, prior to a change of ownership, “pass through” to the current producer of the goods following the change of ownership. According to the European Communities, this is what the United States Department of Commerce (DOC) refers to as its “*change in ownership*” methodology. According to the European Communities, this approach was found by the Appellate Body in “*United States – Imposition of Countervailing duties on Certain Hot-Rolled Lead and Bismuth Carbon Steel Products Originating in the United Kingdom*” to be inconsistent with the Agreement on Subsidies and Countervailing Measures (SCM Agreement). In the light of these findings, the European Communities considered that the continued application of the “*change in ownership*” methodology, and the continued imposition of duties based on it, are in breach of Articles 10, 19 and 21 of the SCM Agreement, because there is no proper determination of a benefit to the producer of the goods under investigation, as required by Article 1.1(b) of the SCM Agreement.

The DSB established a panel at its meeting of 10 September 2001. Brazil, India and Mexico reserved their third-party rights.

United States – Countervailing duties on certain corrosion-resistant carbon steel flat products from Germany, complaint by the European Communities (WT/DS213)

This request, dated 8 August 2001, is in respect of countervailing duties imposed by the United States on imports of certain corrosion-resistant carbon steel flat products (corrosion resistant steel). This dispute relates, in particular, to the final results of a full sunset review of the above measure, carried out by the United States Department of Commerce (DOC). In this decision, the DOC found that revocation of the countervailing duty order would be likely to lead to continuation or recurrence of a countervailable subsidy. The European Communities considers that this finding is inconsistent with the obligations of the United States under the Agreement on Subsidies and Countervailing Measures and, in particular, is in breach of Articles 10, 11.9 and 21 (notably 21.3) thereof.

A panel was established by the DSB on 10 September 2001 further to the request of the European Communities. Japan and Norway reserved their third-party rights.

United States – Definitive safeguard measures on imports of steel wire rod and circular welded carbon quality line pipe, complaint by the European Communities (WT/DS214)

This request, dated 8 August 2001, concerns United States safeguard legislation and its application in two cases concerning the definitive safeguard measures imposed by the United States on imports of certain steel wire rod (wire rod) and certain circular welded carbon quality line pipe (line pipe). In particular, the European Communities considered that Sections 201 and 202 of the Trade Act of 1974 contain provisions relating to the determination of a causal link between increased imports and injury or threat thereof which prevented the United States from respecting Articles 4 and 5 of the Safeguards Agreement. In addition, the European Communities considers that Section 311 of the NAFTA Implementation Act contains provisions concerning imports originating in NAFTA countries which do not respect the requirement of parallelism between the imported products subject to the investigation and the imported products subject to the safeguard measure, contrary to Articles 2, 4 and 5 of the Safeguards Agreement. The European Communities claims that these provisions are in breach of the most-favoured-nation principle under Article I of the GATT 1994. According to the European Communities, these violations are confirmed by the application of the aforesaid United States provisions in two specific cases where the United States imposed definitive safeguard measures, (1) in the form of a tariff-rate quota on imports of wire rod effective as of 1 March 2000; and (2) in the form of an increase in duty on imports of line pipe effective as of 1 March 2000. In the European Communities’ view, in both the above-mentioned cases, the United States measures are in breach of the United States obligations under the provisions of GATT 1994 and of the Safeguards Agreement, in particular, but not necessarily exclusively, of: Article 2 of the Safeguards Agreement; Articles 3.1 and 3.2 of the Safeguards Agreement; Articles 4.1 and 4.2 of the Safeguards Agreement; Article 5.1 of the Safeguards Agreement; Article 8.1 of the Safeguards

Agreement; Articles 12.2, 12.3 and 12.11 of the Safeguards Agreement; Article I:1 of GATT 1994 and Article XIX:1 of GATT 1994.

Further to the request of the European Communities, the DSB established a panel at its meeting of 10 September 2001. Argentina, Canada, Japan, Korea and Mexico reserved their third-party rights.

United States – Continued Dumping and Subsidy Offset Act of 2000, joint complaint by Australia, Brazil, Chile, European Communities, India, Indonesia, Japan, Korea and Thailand (WT/DS217)

On 21 December 2000, all mentioned Members (complainants) requested consultations with the United States concerning the amendment to the Tariff Act of 1930 signed on 28 October 2000 with the title of “Continued Dumping and Subsidy Offset Act of 2000” (the Act) usually referred to as “the Byrd Amendment”. According to the complainants the Act mandates the United States customs authorities to distribute on an annual basis the duties assessed pursuant to a countervailing duty order, an anti-dumping order or a finding under the Anti-dumping Act of 1921 to the petitioners or interested parties who supported the petition, for their expenditure incurred with respect to “manufacturing facilities, equipment, acquisition of technology, acquisition of raw material or other inputs”. In the view of the complainants, the Act leaves no discretion to the competent authorities, and, therefore, constitutes mandatory legislation. According to the complainants, these “offsets” constitute a specific action against dumping and subsidization which is not contemplated in the GATT, the Anti-Dumping Agreement (AD Agreement) or the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Allegedly, the “offsets” would provide a strong incentive to the domestic producers to file or support petitions for anti-dumping or anti-subsidy measures, thereby distorting the application of the standing requirements provided for in the AD Agreement and the SCM Agreement. The Act would make it more difficult for exporters subject to an anti-dumping or countervailing duty order to secure an undertaking with the competent authorities, since the affected domestic producers will have a vested interest in opposing such undertakings in favour of the collection of anti-dumping or countervailing duties. In the view of the complainants, this is not a reasonable and impartial administration of the United States laws and regulations implementing the provisions of the AD Agreement and the Agreement on Subsidies and Countervailing Measures regarding standing determinations and undertakings.

For the above reasons, the complainants consider that the Act is inconsistent with the obligations of the United States under several provisions of the GATT, the AD Agreement, the SCM Agreement, and the WTO Agreement.

The DSB established a panel at its meeting on 23 August 2001. Argentina, Canada, Costa Rica, Israel, Norway, Mexico and Hong Kong, China reserved their third-party rights.

Further to Canada and Mexico’s request to establish a panel on a similar matter, the DSB, at its meeting of 10 September 2001, established a single panel pursuant to paragraphs 1 and 2 of Article 9 of the DSU. This panel would therefore examine not only Canada and Mexico’s claims (see WT/DS234 below) but also those previously brought by Australia, Brazil, Chile, European Communities, India, Indonesia, Japan, Korea and Thailand.

United States – Section 129(c)(1) of the Uruguay Round Agreements Act, complaint by Canada (WT/DS221)

This request, dated 12 July 2001, concerns Section 129(c)(1) of the Uruguay Round Agreements Act (the URAA) and the Statement of Administrative Action accompanying the URAA. In Canada’s view, in a situation in which the DSB has ruled that the United States has, in an anti-dumping or countervailing duty proceeding, acted inconsistently with United States obligations under the Anti-Dumping Agreement (AD Agreement) or Agreement on Subsidies and Countervailing Measures (SCM Agreement), the United States law prohibits the United States from complying fully with the DSB ruling. Under United States law, determinations whether to levy anti-dumping or countervailing duties are made after the imports occur. With regard to imports that occurred prior to a date on which the United States directs compliance with the DSB ruling, the measures require United States authorities to disregard the DSB ruling in making such determinations, even where the determination whether to levy anti-dumping or countervailing duties is made after the date fixed by the DSB for compliance. In such circumstances, in Canada’s view, determinations by the United States to levy anti-dumping or countervailing duties would be inconsistent with its obligations under the AD or SCM Agreements. Canada considers that these measures are inconsistent with United States obligations under Article 21.3 of the DSU, in the context of Articles 3.1, 3.2, 3.7 and 21.1 of the DSU; Article VI of the GATT 1994; Articles 10 and note 36, 19.2, 19.4 and note 51, 21.1, 32.1, 32.2, 32.3, and 32.5 of the SCM Agreement; Articles 1, 9.3, 11.1, 18.1-4 and note 12 of the AD Agreement; and Article XVI:4 of the WTO Agreement.

The DSB established a panel at its meeting of 23 August 2001. Chile, European Communities, India and Japan reserved their third-party rights.

European Communities – Trade description of sardines, complaint by Peru (WT/DS231)

This request, dated 7 June 2001, is in respect of Regulation (EEC) 2136/89 which, according to Peru, prevents Peruvian exporters from continuing to use the trade description “sardines” for their products. Peru submitted that, according to the relevant Codex Alimentarius standards (STAN 94-1981 rev. 1995), the species “*sardinops sagax sagax*” is listed among those species which can be traded as “sardines”. Peru, therefore, considered that the above Regulation constitutes an unjustifiable barrier to trade, and, hence, in breach of Articles 2 and 12 of the TBT Agreement and Article XI:1 of GATT 1994. In addition, Peru argues that the Regulation is inconsistent with the principle of non-discrimination, and, hence, in breach of Articles I and III of GATT 1994.

Further to Peru’s request, the DSB established a panel at its meeting on 24 July 2001. Canada, Chile, Colombia, Ecuador, Venezuela and the United States reserved their third-party rights.

United States – Continued Dumping and Subsidy Offset Act of 2000, complaint by Canada and Mexico (WT/DS234)

This request, dated 10 August 2001, concerns the amendment to the *Tariff Act of 1930* signed into law by the President on October 28, 2000, entitled the “*Continued Dumping and Subsidy Offset Act of 2000*” (the Act), usually referred to as the Byrd Amendment.

Canada and Mexico claim that the express purpose of the Act is to remedy the “continued dumping or subsidization of import products after the issuance of anti-dumping orders or findings or countervailing duty orders”. With that objective, the Act requires the United States customs authorities to distribute, on an annual basis, the duties assessed pursuant to a countervailing duty order, an anti-dumping order or a finding under the Anti-Dumping Act of 1921 to the “affected domestic producers” for their “qualifying expenses”. The “affected domestic producers” are the petitioners or interested parties who supported the petition. “Qualifying expenses” include the expenditure incurred with respect to “manufacturing facilities, equipment, acquisition of technology, acquisition of raw material or other inputs.” According to Canada and Mexico, the “offsets” constitute a specific action against dumping and subsidization which is not contemplated in the GATT, the Anti-Dumping Agreement (AD Agreement) or the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Furthermore, Canada and Mexico consider that the “offsets” paid under the Act constitute specific subsidies within the meaning of Article 1 of the SCM Agreement, which may cause “adverse effects” to their interests, in the sense of Article 5 of the SCM Agreement in the form of nullification and impairment of benefits accruing directly or indirectly to Canada and Mexico and serious prejudice in the sense of Article 6 of the SCM Agreement.

For these reasons, Canada and Mexico allege that the Act appears to be inconsistent with the obligations of the United States under the Marrakesh Agreement establishing the WTO, as well as the GATT, the AD Agreement and the SCM Agreement.

At its meeting of 10 September 2001, the DSB established a single panel pursuant to paragraphs 1 and 2 of Article 9 of the DSU to examine not only Canada and Mexico’s claims but also those previously brought by Australia, Brazil, Chile, European Communities, India, Indonesia, Japan, Korea and Thailand (see WT/DS217 above). In this regard, the countries who had reserved third-party rights to participate in the Panel established on 23 August 2001 were considered to be third-parties in the single Panel established at the 10 September meeting. Australia, Brazil, the European Communities, India, Indonesia, Japan, Korea and Thailand also reserved their third-party rights to this Panel.

United States – Preliminary determinations with respect to certain softwood lumber from Canada, complaint by Canada (WT/DS236)

This request, dated 25 October 2001, concerns preliminary countervailing duty determination and the preliminary critical circumstances determination made by the United States Department of Commerce on 9 August 2001, with respect to certain softwood lumber from Canada. This request also concerns United States measures on company-specific expedited reviews and administrative reviews. In particular as far as the preliminary countervailing duty determination is concerned, Canada considers this determination to be inconsistent with United States obligations under Articles 1, 2, 10, 14, 17.1, 17.5, 19.4 and 32.1 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and Article VI(3) of GATT 1994. With respect to the preliminary critical circumstances determination, Canada considers this determination to be inconsistent with Articles 17.1, 17.3, 17.4, 19.4 and 20.6 of the SCM Agreement. As regards United States measures on company-specific expedited reviews and administrative reviews, Canada considers that these

measures, *inter alia*, fail to provide for company-specific expedited reviews or administrative reviews in countervailing duty cases in which the investigation was conducted on an aggregate or country-wide basis, and that mandate that a single country-wide duty rate calculated in an administrative review supersedes all individual rates previously determined in the countervailing duty proceeding. Canada alleges these measures are inconsistent with United States obligations under Article VI:3 of the GATT 1994 and Articles 10, 19.3, 19.4, 21.1, 21.2 and 32.1 of the SCM Agreement. Canada also considers that the United States has failed to ensure that its laws and regulations are in conformity with its WTO obligations as required by Article 32.5 of the SCM Agreement and Article XVI:4 of the WTO Agreement.

At its meeting on 5 December 2001, the DSB established a panel. The European Communities and India reserved their third-party rights to participate in the panel proceedings.

Argentina – Definitive safeguard measure on imports of preserved peaches, complaint by Chile (WT/DS238)

This request, dated 6 December 2001, relates to a definitive safeguard measure which Argentina applies on imports of peaches preserved in water containing added sweetening matter, including syrup, preserved in any other form or in water. According to Chile, Argentina's definitive safeguard measure are inconsistent with Articles 2, 4, 5 and 12 of the Agreement on Safeguards, and Article XIX:1 of GATT 1994. In its view, the definitive safeguard measure does not comply with the relevant WTO rules and seriously affects the competitiveness of Chilean peaches in the Argentine market. In particular, Chile considers that Argentina failed to respect the requirements of Article XIX:1 of GATT 1994 as regards the existence of "unforeseen developments" and of an increase of imports. Chile was of the opinion that the conclusions derived from the investigation carried out by the Government of Argentina do not support a finding of injury to the domestic industry or threat of injury. Chile also claims that the investigating authority did not take into account the existence of other factors when attributing the injury allegedly suffered by the domestic industry exclusively to an alleged increase of imports. In addition, Chile considers that the level of the definitive safeguard measure is so high that it is equivalent to an import prohibition.

At the DSB meeting on 18 January 2002, a panel was established. Immediately after the establishment, Chile stated that it would not, for the moment, proceed with the appointment of panelists, as it was still hoping to reach a mutually satisfactory solution with Argentina. The European Communities, Paraguay and the United States reserved their third-party rights to participate in the Panel's proceedings.

Mutually agreed solutions

Denmark – Measures affecting the enforcement of intellectual property rights, complaint by the United States (WT/DS83)

This request concerns Denmark's alleged failure to make provisional measures available in the context of civil proceedings involving intellectual property rights. The United States contended that this failure violates Denmark's obligations under Articles 50, 63 and 65 of the Agreement for Trade-Related Aspects of Intellectual Property Rights. On 7 June 2001, the parties to the dispute notified to the DSB a mutually satisfactory solution to the matter.

European Communities – Enforcement of intellectual property rights for motion pictures and television programmes, complaint by the United States (WT/DS124)

This request concerns an alleged lack of enforcement of intellectual property rights in Greece. The United States claims that a significant number of TV stations in Greece regularly broadcast copyrighted motion pictures and television programmes without the authorization of copyright owners. The United States contends that effective remedies against copyright infringement do not appear to be provided or enforced in Greece in respect of these broadcasts. The United States alleges a violation of Articles 41 and 61 of the TRIPS Agreement. On 20 March 2001, the parties to the dispute notified a mutually satisfactory solution to the matter to the DSB.

Greece – Enforcement of intellectual property rights for motion pictures and television programmes, complaint by the United States (WT/DS125)

This request is in respect of the same measures raised against the European Communities above (DS124). On 20 March 2001, the parties to the dispute notified a mutually satisfactory solution on the matter to the DSB.

Romania – Measures on minimum import prices, complaint by the United States (WT/DS198)

This dispute is in respect of Romania's use of minimum import prices for customs valuation purposes. The measures at issue were the Customs Code of 1997 (L141/1997), the

Ministry of Finance General Customs Directive (Ordinance No. 5, 4 August 1998), and other related statutes and regulations. The United States asserted that, pursuant to these measures, Romania had established arbitrary minimum and maximum import prices for such products as meat, eggs, fruits and vegetables, clothing, footwear, and certain distilled spirits. The United States further asserted that Romania had instituted burdensome procedures for investigating import prices when the c.i.f. value falls below the minimum import price. The United States considered that Romania's measures were inconsistent with its obligations under Articles 1 through 7, and 12 of the Customs Valuation Agreement; general notes 1, 2 and 4 of Annex 1 of the Customs Valuation Agreement; Articles II, X, and XI of the GATT 1994; Article 4.2 of the Agreement on Agriculture; and Articles 2 and 7 of the Agreement on Textiles and Clothing.

On 26 September 2001, the United States and Romania informed the DSB that they had reached a mutually satisfactory solution pursuant to Article 3.6 of the DSU.

Brazil – Measures affecting patent protection, complaint by the United States (WT/DS199)

On 30 May 2000, the United States requested consultations with Brazil in respect of those provisions of Brazil's 1996 industrial property law (Law No. 9,279 of 14 May 1996; effective May 1997) and other related measures, which establish a "local working" requirement for the enjoyability of exclusive patent rights. The United States asserted that the "local working" requirement can only be satisfied by the local production – and not the importation – of the patented subject-matter. More specifically, the United States noted that Brazil's "local working" requirement stipulates that a patent shall be subject to compulsory licensing if the subject-matter of the patent is not "worked" in the territory of Brazil. The United States further noted that Brazil explicitly defines "failure to be worked" as "failure to manufacture or incomplete manufacture of the product" or "failure to make full use of the patented process". The United States considered that such a requirement was inconsistent with Brazil's obligations under Articles 27 and 28 of the TRIPS Agreement, and Article III of the GATT 1994.

At its meeting of 1 February 2001, the DSB established a panel. Cuba, the Dominican Republic, Honduras, India and Japan reserved their third-party rights. On 5 July 2001, the parties to the dispute notified to the DSB a mutually satisfactory solution on the matter.

Belgium – Administration of measures establishing customs duties for rice, complaint by the United States (WT/DS210)

This dispute concerns the administration by Belgium of laws and regulations establishing the customs duties applicable to rice imported from the United States. The United States considered that Belgium's measures appeared to be inconsistent with the following specific provisions of the identified agreements: Articles I, II, VII, VIII, X and XI of the GATT 1994; Articles 1-6, 7, 10, 14, 16 and Annex I of the Customs Valuation Agreement; Articles 2, 3, 5, 6, 7 and 9 of the Agreement on Technical Barriers to Trade; Article 4 of the Agreement on Agriculture. Belgium's measures also appeared, in the view of the United States, to nullify or impair the benefits accruing to the United States directly or indirectly under the cited agreements.

The DSB established a panel at its meeting of 12 March 2001. India and Japan reserved their third-party rights. On 26 July 2001, the United States requested the Panel, pursuant to Article 12.12 of the DSU, to suspend its work until 30 September 2001 in light of on-going consultations between the United States and the European Communities. On 27 September, the United States requested a further suspension of the Panel from 1 to 9 October 2001. On 9 October, the United States requested to further suspend the work of the Panel until 1 November 2001. On 1 November, the United States requested to further suspend the work of the Panel until 16 November 2001. On 19 November 2001, the United States requested the Panel to suspend its work until 30 November 2001. On 18 December 2001, the United States and the European Communities informed the DSB that they had reached a mutually agreed solution pursuant to Article 3.6 of the DSU.

Slovakia – Safeguard measure on imports of sugar, complaint by Poland (WT/DS235)

This dispute is in respect of quantitative restrictions imposed by Slovakia on imports of sugar (tariff heading 1701). The imposition of the measure in question was notified to the Committee on Safeguards and circulated in document G/SG/N/10/SVK/1. Poland considered that this safeguard measure had been imposed in a manner inconsistent with Slovakia's obligations under the Safeguards Agreement. According to Poland, it appeared that Slovak authorities acted inconsistently with various provisions of the Safeguards Agreement, namely, Article 3.1, Article 4.2(b), Article 5.2(a), Article 7.4, Article 12.1(b), Article 12.1(c) and Article 12.3. Poland considered that the investigation and the safeguard measure imposed

had nullified or impaired the benefits accruing to Poland directly or indirectly under the Safeguards Agreement.

On 11 January 2002, the parties notified the DSB that they have reached a mutually agreed solution within the meaning of Article 3.6 of the DSU. Accordingly, Slovakia agreed to a progressive increase of the level of its quota for imports of sugar from Poland between 2002 and 2004, and Poland agreed to remove its quantitative restriction on imports of butter and margarine. Both parties agreed to implement the above by 1 January 2002.

Panel proceedings suspended

Chile – Measures affecting the transit and importation of swordfish, complaint by the European Communities (WT/DS193)

This dispute concerns the prohibition on unloading of swordfish in Chilean ports established on the basis of Article 165 of the Chilean Fishery Law (Ley General de Pesca y Acuicultura), as consolidated by the Supreme Decree 430 of 28 September 1991, and extended by Decree 598 of 15 October 1999. The European Communities considered that, as a result, Chile makes transit through its ports impossible for swordfish. The European Communities claimed that the above-mentioned measures are inconsistent with the GATT 1994, and in particular Articles V and XI thereof. At its meeting of 12 December 2000, the DSB established a panel further to the request of the European Communities, Australia, Canada, Ecuador, India, New Zealand, Norway, Iceland and the United States reserved their third-party rights. On 23 March 2001, the parties to the dispute informed the Director-General of the WTO that they agreed to suspend the process for the constitution of the panel.

European Communities – Anti-dumping duties on malleable cast iron tube or pipe fittings from Brazil, complaint by Brazil (WT/DS219)

This dispute concerns definitive anti-dumping duties imposed by Council Regulation (EC) No. 1784/2000 concerning imports of malleable cast iron tube or pipe fittings originating, *inter alia*, in Brazil. Brazil considered that the establishment by the European Communities of the facts was not proper and that its evaluation of these facts was not unbiased and objective, both at the provisional and definitive stage, particularly in relation to the initiation and conduct of the investigation (including the evaluation, findings and determination of dumping, injury and causal link between them). Brazil also challenged the evaluation and findings made in relation to the “community interest”. In sum, Brazil considered that the EC had infringed Article VI of GATT 1994 and Articles 1, 2, 3, 4.5, 6, 7, 9, 11, 12 and 15 of the Anti-dumping Agreement. Further to Brazil’s request, the DSB established a panel at its meeting of 24 July 2001. Chile, Japan, Mexico and the United States reserved their third-party rights.

On 15 January 2002, both parties requested the Panel to suspend its work until 1 March 2002 with a view to reaching a mutually agreed solution. The Panel agreed to the request.

Panel requests withdrawn

Peru – Taxes on cigarettes, complaint by Chile (WT/DS227)

This dispute concerns the Peruvian Supreme Decree No. 158-99-EF of 25 September 1999 modifying appendices III and IV of the General Sales Tax and Selective Consumption Tax Law, which identify the goods subject to the selective consumption tax. Article 1B of the said Supreme Decree amends the tax applied to cigarettes made of dark tobacco, standard cigarettes made of bright tobacco and premium cigarettes made of bright tobacco, setting a different specific tax for each one of these categories of cigarettes ranging from S/0.025 to S/0.100 per unit. In Chile’s view, this situation, which is damaging to Chilean cigarette exports to Peru, could constitute a violation of the GATT 1994 – in particular, but not necessarily exclusively, of Article III.2 of the GATT 1994 – and of repeated Appellate Body jurisprudence in this area.

At its meeting of 24 June 2001, the DSB established a Panel further to Chile’s request. On 12 July 2001, Chile announced its intention to withdraw the complaint on the grounds that the contested measure, i.e. the specific selective consumption tax system applied to cigarettes by Peru, had been amended on 30 June 2001 with the publication of Supreme Decree No. 128-2001 of the Ministry of the Economy and Finance of Peru, which entered into force on 1 July 2001. As from that date, cigarettes are subject to the Peruvian common selective consumption tax system at a rate of 100%, regardless of their origin, price, type or quality of tobacco and/or the number of sales markets. This amendment in the tax regime applicable to cigarettes was the result of a ruling of the Constitutional Court of Peru on 19 June 2001.

Romania – Import prohibition on wheat and wheat flour, complaint by Hungary (WT/DS240)

This dispute relates to Romania's Joint Decree of the Ministry of Agriculture, Food Industry and Forestry No. 119069 (16.07.2001), Ministry of Family and Health No. 495 (18.07.2001) and the National Consumer Protection Authority No. 1/3687 (19.07.2001) prohibiting the import of wheat and wheat flour which does not meet certain quality standards. In

Table IV.7

New requests for consultations in 2001¹

Dispute	Complainant	Date of Request
United States – Countervailing measures concerning certain products from the European Communities (WT/DS212)	European Communities	1 February 2001
United States – Countervailing duties on certain corrosion-resistant carbon steel flat products from Germany (WT/DS213)	European Communities	5 February 2001
Chile – Price band system and safeguard measures relating to certain agricultural products (WT/DS220)	Guatemala	5 January 2001
United States – Section 129(c)(1) of the Uruguay Round Agreements Act (WT/DS221)	Canada	17 January 2001
Canada – Export credits and loan guarantees for regional aircraft (WT/DS222)	Brazil	22 January 2001
European Communities – Tariff-rate quota on corn gluten feed from the United States (WT/DS223)	United States	25 January 2001
United States – US Patents Code (WT/DS224)	Brazil	31 January 2001
United States – Anti-dumping duties on seamless pipe from Italy (WT/DS225)	European Communities	5 February 2001
Chile – Provisional safeguard measure on mixtures of edible oils (WT/DS226)	Argentina	19 February 2001
Peru – Taxes on cigarettes (WT/DS227)	Chile	1 March 2001
Brazil – Anti-dumping duties on jute bags from India (WT/DS229)	India	9 April 2001
Chile – Safeguard measures and modification of schedules regarding sugar (WT/DS230)	Colombia	17 April 2001
European Communities – Trade description of sardines (WT/DS231)	Peru	9 April 2001
Mexico – Measures affecting the import of matches (WT/DS232)	Chile	17 May 2001
Argentina – Measures affecting the import of pharmaceutical products (WT/DS233)	India	25 May 2001
United States – Continued Dumping and Subsidy Offset Act of 2000 (WT/DS234)	Canada and Mexico	21 May 2001
Slovakia – Safeguard measure on imports of sugar (WT/DS235)	Poland	11 July 2001
United States – Preliminary determinations with respect to certain softwood lumber from Canada (WT/DS236)	Canada	21 August 2001
Turkey – Certain import procedures for fresh fruits (WT/DS237)	Ecuador	31 August 2001
Argentina – Definitive safeguard measure on imports of preserved peaches (WT/DS238)	Chile	14 September 2001
United States – Anti-dumping duties on silicon metal from Brazil (WT/DS239)	Brazil	18 September 2001
Romania – Import prohibition on wheat and wheat flour (WT/DS240)	Hungary	18 October 2001
Argentina – Definitive anti-dumping duties on poultry from Brazil (WT/DS241)	Brazil	7 November 2001
European Communities – Generalized system of preferences (WT/DS242)	Thailand	7 December 2001

¹ These cases appear in order of date requested. More information on these requests can be found on the WTO website. In some of these cases panels were established, see relevant section.

particular, Hungary claimed that the import prohibition has been imposed in a manner inconsistent with Romania's obligations under Article XI:1 of the GATT 1994, and that the introduction of the above-mentioned quality requirements is in breach of Article III:4 of the GATT 1994 because domestically produced products are not subject to the same quality requirements.

On 30 October 2001, Hungary requested consultations with Romania according to the urgency procedure provided in Article 4.8 of the DSU. On 27 November 2001, Hungary requested the establishment of a panel. At its meeting on 10 December 2001, the DSB deferred the establishment of the panel. On 10 December 2001, Hungary requested the holding of a special meeting of the DSB in order to establish a panel. On 20 December 2001, further to the abrogation by Romania of its legislation regarding the quality requirements for imported wheat and wheat flour, Hungary withdrew its request.

Composition of the Appellate Body

On 25 September 2001, the DSB decided to appoint Mr. Baptista (Brazil), Mr. J. Lockhart (Australia) and Mr. G. Sacerdoti (European Communities) to serve on the Appellate Body to replace Mr. Ehlermann (European Communities), Mr. F. Feliciano (the Philippines) and Mr. Lacarte-Muró (Uruguay) following the expiration of their terms of office.

VIII. Trade Policy Review Mechanism

The objectives of the Trade Policy Review Mechanism (TPRM), as established in Annex 3 of the Marrakesh Agreement, are to contribute to improved adherence by all Members of the WTO to its rules, disciplines and commitments, and thus to the smoother functioning of the multilateral trading system. The Trade Policy Reviews aim to achieve greater transparency in, and understanding of, the trade policies and practices of Members. The Mechanism enables the regular collective appreciation and evaluation of the full range of individual Members' trade policies and practices in all areas covered by the WTO Agreements, and their impact on the functioning of the multilateral trading system. Reviews take place against the background of the wider economic and developmental needs, policies and objectives of the Member concerned, as well as the external trading environment. They are not intended to serve as a basis for the enforcement of obligations, for dispute settlement procedures, or to impose new policy commitments.

Reviews are conducted in the Trade Policy Review Body (TPRB), a full-membership body of equal ranking to the General Council and the Dispute Settlement Body. During 2000, the TPRB was chaired by Ambassador Pekka Huhtaniemi (Finland).

Under the TPRM, the four largest trading entities (the European Union (EU), the United States, Japan and Canada – the "Quad") are reviewed every two years; the next 16 largest trading partners every four years; and the remaining WTO Members every six years, with a longer interval envisaged for least-developed countries. It has been agreed that these intervals may, if necessary, be applied with a flexibility of six months' extension; and that every second review of the "Quad" countries should be an interim review, while remaining comprehensive in scope.

By the end of 2001, a total of 150 reviews had been conducted, covering 84 WTO Members (counting EU-15 as one), with Canada and the United States having been reviewed six times; the EU and Japan, five times; ten Members (Australia; Brazil; Indonesia; Hong Kong, China; the Republic of Korea; Malaysia; Norway; Singapore; Switzerland; and Thailand), three times and 30 Members, twice. During 2001, the TPRB carried out reviews of 20 Members: Antigua and Barbuda; Brunei Darussalam; Cameroon; Costa Rica; Czech Republic; Dominica; Gabon; Ghana; Grenada; Macau, China; Madagascar; Malaysia; Mauritius; Mozambique; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Slovak Republic; Uganda; United States. The Chairperson's concluding remarks for these reviews are included in Annex II. The programme for the year 2002 includes 16 reviews, including the EU and Japan, each for the sixth time.

Over the past few years, greater focus has been placed on reviews of least-developed countries (LDCs), as encouraged by the November 1997 High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development. By the end of 2001, TPR reviews had covered 14 of the 30 LDCs that are WTO Members.

As required in Annex 3 of the Marrakesh Agreement establishing the Mechanism, the TPRB undertook in 1999 an appraisal of the operation of the Trade Policy Review Mechanism. Overall, Members found that the TPRM was functioning effectively and that its mission and objectives remained important. The results of the Appraisal were presented to the Third Ministerial Conference in Seattle.

The TPRB is also responsible for carrying out the Annual Overview of developments in the international trading environment which have an impact on the multilateral trading system, on the basis of an Annual Report by the Director-General.

Substantial progress has continued to be made in enhancing awareness of the TPRM. Documents distributed for reviews are available to all delegations of WTO Members in electronic format through the Secretariat's Document Management System. Press briefings are held regularly by the Chair or the Director of the Trade Policies Review Division and in some cases by the Member under review. The Summary Observations of the Secretariat Report, the WTO press release, the Concluding Remarks by the Chair and TPR Reports are available immediately on the WTO website. TPR reports are published on behalf of the WTO by Bernan Associates. This commercial arrangement aims to ensure a wide and efficient distribution of the reports. A CD-ROM of all Trade Policy Reviews is also made available by Bernan Associates.

IX. Committee on Balance-of-Payments Restrictions

During 2001, the Committee continued consultations with Bangladesh on a comprehensive phase-out plan for the removal of the remaining trade restrictions it maintained for balance-of-payments purposes under Article XVIII:B, pending consideration by the Government on whether to seek justification for certain of these restrictions under other WTO provisions. Pakistan notified the Committee that it had completed ahead of schedule its planned phase-out of the restrictions it maintains for balance-of-payments purposes under Article XVIII:B.

X. Committee on Regional Trade Agreements

The upward trend continues

In 2001, 19 new regional trade agreements (RTAs) were notified to the WTO, increasing the total number of agreements notified by Members and in force to 159.¹³ Most WTO Members were parties to at least one RTA, and many to two or more; only China; Hong Kong, China; Japan; Macau, China; and Mongolia had not notified any agreement by the end of the year. Though less involved in regional trade preference, Asian countries have been shifting their long-standing policy of multilateral-only trade liberalization to initiate negotiations on several RTAs. In 2001, the trend was clearly towards increased cross-regional trade negotiations, and towards negotiations of RTAs involving only two parties.

In the western hemisphere, the goal of a Free-Trade Area of the Americas (FTAA), encompassing 34 countries of the continent, remained in place with firm deadlines for the conclusion of the negotiations and for its entry into force being set at the Third Summit of the Heads of State in April. The NAFTA entered its last stage of implementation. Canada concluded an agreement with Costa Rica in April, continued negotiations with the EFTA, launched free trade negotiations with the Central America Four (El Salvador, Guatemala, Honduras, and Nicaragua) and with Singapore, and has been exploring the possibility of such negotiations with the CARICOM. The United States focused in 2001 on negotiating bilateral agreements with Chile and Singapore. In Central and Latin America, most notable was the development, by Chile and Mexico, of their already dense network of bilateral RTAs, both at the regional and extra-regional level. Mexico concluded RTAs with the Northern Triangle (El Salvador, Guatemala, Honduras) and with Chile, signed cross-regional trade agreements with EFTA and Israel, launched negotiations with Singapore and Japan, and has been considering the feasibility of such negotiations with MERCOSUR and the Republic of Korea. Chile concluded an agreement with the CACM and has been holding RTA negotiations with the United States, the EU and the Republic of Korea. As for MERCOSUR, negotiations with the Andean Community and the EU continued in 2001, and there have been preliminary contacts aiming at the negotiation of a MERCOSUR-SADC agreement. The 15-Member CARICOM, while pursuing their efforts to complete a single market and a common external tariff, launched discussions with Canada in January towards RTA negotiations; in December 2001, their RTA with the Dominican Republic provisionally entered into force in all States, except Guyana and Suriname (which are yet to complete the ratification procedures).

In Europe, the EU, as part of its enlargement strategy to the east, has been considering institutional changes, including the establishment of a financial framework, to accommodate the widening of the Union to the candidate countries with whom it has been pursuing accession negotiations. The intra-European network of RTAs increased further in 2001.

¹³ Included in this number are notifications made under GATT Article XXIV, GATS Article V, the Enabling Clause, as well as accession to existing RTAs; see WT/REG/W/44 for a complete list of RTAs notified to the GATT/WTO.

Additional agreements now link some CEFTA countries and Baltic States (such as the Hungary-Estonia RTA, which entered into force in March 2001). The process has also extended to South-Eastern Europe, in particular the countries of the former Yugoslavia, within the framework of the Stability Pact initiative launched in 1999. As part of this process, the former Yugoslav Republic of Macedonia signed agreements with the EU, the EFTA States and Turkey, and Croatia initialled an agreement with EU in May 2001.

In the Euro-Mediterranean region, both the EU and EFTA States have continued the negotiation of second-generation bilateral RTAs based on reciprocal exchange of preferences with partners in the Mediterranean and North Africa, with the objective of establishing an "Euro-Med" free-trade area by 2010. The EU signed an agreement with Egypt in June 2001, and concluded RTA negotiations with Algeria in December.¹⁴ The EU is also engaged in discussions with GCC countries on the negotiation of a possible RTA.¹⁵

In the Middle East, GCC countries have been working towards the establishment of a common external tariff by 2005. They also participate (together with Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, and Tunisia) in the effort launched by the Arab League to establish an Arab Free Trade Area by 2007.

In Central Asia, the regional structures pertaining to the Soviet era have been replaced by RTAs among the countries of the former USSR, as well as with their neighbours. In addition to the CIS free trade agreement and a customs union agreement (between the Kyrgyz Republic, the Russian Federation, Belarus, and Kazakhstan), a large number of bilateral agreements have also been concluded. In 2001, Georgia alone notified to the WTO RTAs with Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Ukraine, and the Russian Federation.

In Asia-Pacific, 2001 was a threshold year with respect to RTA activity, both among countries in the region and between them and other parts of the world; some countries clearly shifted their long-standing policy of MFN-only trade liberalization to actively consider the regional option. Japan finalized RTA negotiations with Singapore, launched negotiations with Mexico, and formed a study group to consider the feasibility of an RTA with the Republic of Korea. Likewise, the Republic of Korea started negotiations with Chile and has been exploring the possibility of negotiations with Mexico, while conducting feasibility studies on RTAs with Japan, Thailand and New Zealand. The members of ASEAN moved towards their objective of achieving a free-trade area by 2005; most tariffs will already be cut to 0-5% by 2002. Singapore is forging links with a number of its trading partners: in 2001, it concluded an RTA with New Zealand (in force since January 2001), and it held negotiations on RTAs with Australia, Canada, EFTA States, Japan, Mexico and the United States. Similarly, Thailand, another member of ASEAN, has been exploring prospects for negotiating bilateral RTAs with Australia, Croatia, the Czech Republic and the Republic of Korea. New Zealand has agreed to launch negotiations with Hong Kong, China; New Zealand's CER partner, Australia, is considering RTA negotiations with the United States. The most notable development in the region, however, has been the agreement between ASEAN members and China, to initiate RTA negotiations. Japan and the Republic of Korea are also exploring the possibility of similar negotiations with ASEAN.

In Africa, the regional integration process gained depth. In western Africa, countries are working at the completion of the WAEMU and the CEMAC; also, certain members of the ECOWAS agreed to establish a common external tariff by the end of 2001, but progress has been uneven.¹⁶ COMESA members advanced further in the creation of a free-trade area grouping 20 countries in eastern and southern Africa; some of the countries were able to enforce it in 2001. Also, despite difficulties mainly due to overlapping membership with other RTAs, the parties to SADC have been working towards their objective of establishing a free-trade area by 2004. Continent-wide integration initiatives remain in place with the African Economic Community (AEC)¹⁷, aiming towards the setting up of an African Economic and Monetary Union by 2028. South Africa, has been active at the cross-regional level, in addition to its efforts towards Southern Africa economic integration, with the conclusion of an RTA with the EU, and by exploring the possibility of establishing an RTA with the United States. At the same time, the African Heads of State, meeting at the Extraordinary OAU Summit in March, declared the establishment of the African Union, with the ultimate goal of completing the economic integration of Africa.

The WTO-RTAs relationship: to be reviewed

Developments in 2001 showed that the trend towards the negotiation of RTAs by WTO Members, which took off in the 1990s, is enduring. Prospects for the near future signal a further broadening of the scope of RTAs, with the inclusion of trade policy mechanisms in addition to tariff preferences. Their geographical reach is also expanding.¹⁸ Against this trend, the global trading system looks more and more multi-tiered, with a variety of less than global trade initiatives engaged in preferential trade liberalization and policy negotiations, in parallel to the efforts pursued within the MFN framework.

¹⁴ A similar process, based on the negotiation of reciprocal economic partnership agreements, is envisaged for ACP countries, to replace the existing ACP-EU Cotonou Agreement.

¹⁵ The EU and the EFTA States were also actively engaged in 2001 in the negotiation of agreements with various countries in the western hemisphere.

¹⁶ The countries concerned are Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria, and Togo.

¹⁷ SADC, COMESA, ECOWAS, CEEAC and the Arab Maghreb Union, have been designated as pillars of the AEC.

¹⁸ RTAs are increasingly concluded among geographically non-contiguous countries. The term "regional" may soon become an incongruity to describe the plethora of cross-regional preferential agreements linking countries around the globe.

¹⁹ In addition, a broad duty-free product coverage in RTAs is the exception as opposed to the rule, as the domestic forces that resist trade liberalization at the multilateral level are just as likely to resist it at the regional level. Furthermore, inconsistencies in the rules and procedures adopted by RTAs may not only act as a barrier to trade, but could also greatly complicate future efforts to develop a consistent set of multilateral rules and procedures governing countries' trade-related policies. The result could be "regulatory gridlock", distortion of regional markets and severe implementation problems, especially when overlapping grids of RTAs are becoming more frequent.

²⁰ The 1979 Decision of the GATT Council on Differential and More Favourable Treatment (Enabling Clause) governs the conclusion of preferential arrangements among developing countries (trade in goods only).

²¹ The CRTA was established in 1996, in particular (a) to oversee, under a single framework, all regional trade agreements, and (b) to consider the implications of such agreements and regional initiatives for the multilateral trading system and the relationship between them.

²² As of December 2001, the Committee had 17 RTAs under active consideration ("factual examination"), and 23 in the waiting list. "Factual examination" had been completed for 82 RTAs, whose draft examination reports were in various stages of consultation and finalization.

The regional option has become an attractive tool for virtually all WTO Members for managing their trade policies alongside multilateral trade negotiations, seemingly confirming some of those arguments advanced in favour of RTAs. Thus, for instance, such agreements are deemed to accelerate and deepen trade liberalization on a bilateral or plurilateral basis. There is also a general feeling that complex policy issues of commercial significance in economic relations (notably services, investment, intellectual property protection, cooperation on competition policy, technical standards and government procurement) can better be managed amongst a limited circle of "friends". These motivations act as an incentive to regulate on such issues through RTAs, even if it is generally recognized that RTAs are a second-best option to MFN trade liberalization.¹⁹

The GATT founders, and now the WTO, acknowledged that well-structured regional initiatives can contribute to the development of the multilateral trading system. Thus, from the start, Members have been allowed to further the market access they have bound in the GATT/WTO by concluding RTAs, albeit subject to a certain number of criteria contained in GATT Article XXIV, for agreements in trade in goods, and in GATS Article V, for agreement in the area of trade in services.²⁰ The criteria are fundamentally three: (a) transparency, (b) commitment to deep intra-region trade liberalization, and (c) neutrality *vis-à-vis* non-parties' trade. The task of verifying the compliance of the RTAs notified by Members with these provisions is entrusted to the Committee on Regional Trade Agreement (CRTA).²¹ This Body, however, has enjoyed no success so far in assessing the consistency of the more than 100 RTAs notified to the WTO,²² due to various political and legal difficulties, most of which inherited from the GATT years. One problem derives from the possible links between any CRTA consistency judgement and the dispute settlement process. Also, there are long-standing controversies about the interpretation of the WTO provisions against which RTAs are assessed, and institutional problems arising from either the absence of WTO rules (e.g., on preferential rules of origin), or from troublesome discrepancies between existing WTO rules and those contained in some RTAs.

This situation has highlighted several areas requiring action. The conformity of regional trade initiatives with the basic message of deeper liberalization underlying the relevant WTO provisions is consistently put into question. The rising number of RTAs is also increasing the risk of incoherent trade policy regulations being implemented through these special regimes. And, lastly, detailed WTO rules and procedures applicable to RTAs are often considered inadequate to steer RTAs concluded by Members and, *a fortiori*, those announced for the coming years.

Against this background, WTO Members, meeting at the Fourth Ministerial Conference in Doha, while recognizing that RTAs can play an important role in promoting trade liberalization and in fostering economic development, also stressed the need for a harmonious relationship between the multilateral and regional processes. On this basis, Ministers agreed to launch negotiations aimed at clarifying and improving the disciplines and procedures under the existing WTO provisions applying to RTAs, by taking due account of the developmental aspects of these agreements.

XI. Committee on Trade and Development

Topics dealt with in the Committee on Trade and Development (CTD) in the course of 2001 included special and differential treatment in favour of developing countries; technical cooperation and training; the development dimension of electronic commerce; technology, trade and development; notifications regarding market access for least-developed countries; the Generalized System of Preferences (GSP); notifications under the Enabling Clause; preparations for the International Conference on Financing for Development; and the Work Programme of the Committee. The CTD also took note of the Annual Report of the Joint Advisory Group on the International Trade Centre (ITC) (UNCTAD/WTO).

The CTD held five formal sessions during the period, on 27 October 2000 (continued on 8 November 2000), 16 February 2001, 9 April 2001, 22 May 2001 and 8 October 2001. The minutes of these meetings are contained in documents WT/COMTD/M/31-35. A number of informal meetings were organized as well. Two seminars were held under the auspices of the CTD on the subjects of "Technology, Trade and Development" (14 February 2001) and "Government Facilitation of E-commerce for Development" (14 June 2001). The Chairman reported on these seminars to the subsequent meetings of the CTD and these reports are annexed to the minutes of those meetings²³. The 32nd Session was chaired by Ambassador Ransford Smith (Jamaica), and at that Session, Ambassador Nathan Irumba (Uganda) was elected Chairperson of the CTD. Ambassador Irumba chaired the subsequent sessions of the Committee in 2001.

²³ WT/COMTD/32 and WT/COMTD/M/35.

The CTD continued its review of the application of the special provisions for differential and more favourable treatment of developing countries in the WTO Agreements. For the 34th Session, the Secretariat had prepared document WT/COMTD/W/85, which aimed to reflect the state of discussions on special and differential treatment according to written proposals made and discussions held in various other WTO bodies. The Chairman of the General Council, in a letter dated 2 August 2001, requested the CTD “to review all special and differential treatment provisions in the WTO Agreements and report to the General Council by 30 September 2001 on how they could be operationalized and further enhanced”. The Chairman of the CTD held informal consultations in response to that request, and to assist delegations, the Secretariat updated an earlier document. This document (WT/COMTD/W/77/Rev. 1) was given a first formal discussion at the 35th Session. However, the Committee could not reach full agreement by the 30 September 2001 deadline and the Chairman reported on the work carried out in document WT/GC/52. After the Doha Ministerial Conference, the CTD agreed to a process for the work it had been mandated to carry out, which is contained in WT/COMTD/36.

A draft Secretariat paper entitled “A Strategy for Technical Assistance in the WTO” was transformed into a working document for the 32nd Session (WT/COMTD/W/78). The Committee noted document WT/COMTD/W/78/Rev. 1, which had been revised following oral and written comments. At its 34th Session the Committee took note of a follow-up report²⁴ to the Three-Year Plan (2001-2003) for Technical Cooperation. At that Session, the Committee also took note of a report on training which contained the results of a review of the objectives for the trade policy courses in order to ensure that such objectives could be effectively measured²⁵ and a Secretariat note on Trade Policy Courses in 2000²⁶. Following a reorganization of the Technical Cooperation Division and the creation of the Training Institute, a new Strategy for WTO Technical Cooperation²⁷, a Coordinated WTO Plan for Technical Assistance Activities²⁸ and a note on Future Activities of the WTO Training Institute²⁹ were discussed at the 35th Session.

As requested by Members, a seminar on “Government Facilitation of E-commerce for Development” was held under the auspices of the CTD on 14 June 2001. The seminar comprised four sessions on regulation and deregulation, promotion of modern information and communication technologies, education and information, and government coordination. The presentations and the questions focused on ways in which governments (and international organizations) could facilitate e-commerce, how these in turn impact on development and the preconditions for success. The Chairman presented a report on the seminar, on his own responsibility, to the 35th Session of the CTD. The proceedings of the seminar fed into the Committee’s consideration of the issue of electronic commerce, as part of the overall WTO Work Programme. At the 34th Session, Members were asked what type of work they wished the CTD to carry out on electronic commerce as compared to the topics they preferred to treat in the context of the General Council. A programme of work on e-commerce in the CTD was agreed to at the 35th Session of the Committee (WT/COMTD/35). At the 36th Session there were two presentations, one country experience presented by a representative of Panama and a presentation by a representative of the UNCTAD “E-commerce and Development Report 2001”. The delegation of Cuba presented a communication entitled “Need for Unrestricted Global Electronic Commerce”³⁰ to the 34th Session of the CTD. The Committee took note of that communication.

Following a suggestion by the delegation of Zambia³¹ for the CTD to carry out work on technology-related issues, a seminar on “Technology, Trade and Development” was held under the auspices of the CTD on 14 February 2001. It was addressed by speakers from Geneva-based delegations, capitals, universities, other intergovernmental organizations and the WTO Secretariat. The participants recognized the high quality of the interventions and of the debate. It was widely recognized that technology is a key driver in the trade and development process, and that in the last two decades, the highest growth rates have been recorded in industries, goods and services exhibiting high technology content. However, there were great disparities in the degree to which developing countries have been able to benefit from technologies. Foreign investment could help transfer technology to developing countries, but developing countries have also benefitted to varying extents from foreign investment. The upgrading of domestic technological capabilities also required governments to create a suitable environment and adopt appropriate policies. Issues with regard to the opportunities and challenges of the WTO Agreements in that respect were also raised. The Chairman of the CTD reported, on his own responsibility, to the 32nd Session of the CTD.

Notifications of market access for least-developed countries are currently made following two different procedures. Measures taken under the Generalized System of Preferences (GSP) are sent to the CTD under the provisions of the Enabling Clause, while measures taken under the 1999 waiver³² are notified to the Council for Trade in Goods (CTG). The Chairmen of the CTD and the CTG held consultations on how to unify the consideration of market

²⁴ WT/COMTD/W/84.

²⁵ WT/COMTD/W/86.

²⁶ WT/COMTD/W/82.

²⁷ WT/COMTD/W/90.

²⁸ WT/COMTD/W/90/Add. 1.

²⁹ WT/COMTD/W/89 and Corr. 1.

³⁰ WT/COMTD/W/87.

³¹ WT/COMTD/W/67.

³² WT/L/304 of 15 June 1999.

access announcements in favour of LDCs in one forum. Following those consultations the CTD agreed, *ad referendum*, to refer notifications of market access measures for LDCs to the Sub-Committee on LDCs for substantial examination and reporting back.³³ The CTG agreed to a corresponding procedure.³⁴

At its 32nd Session, the CTD had before it two notifications regarding the GSP. The delegation of Canada had notified a modification of its GSP scheme in favour of LDCs³⁵ which had entered into force on 1 September 2000, and the delegation of Norway had made a notification on its entire GSP scheme as currently applied³⁶. The representative of the United States informed the 32nd Session that her delegation had notified additional GSP preferences for more than 1,800 product lines for Africa, including a number of LDCs. It related to all designated African countries under the African Growth and Opportunity Act with respect to the GSP section. The US notification³⁷ was taken note of at the 34th Session. For its 32nd Session, the CTD had also received a communication from Japan concerning a "Proposed Reform of its GSP Scheme in Favour of Least-Developed Countries" (Documents WT/COMTD/29 and WT/LDC/SWG/IF/12). The actual notification (WT/COMTD/N/2/Add. 10) was before the 34th Session of the Committee. At the 35th Session the CTD had before it a notification by the European Communities regarding its "Everything But Arms" initiative in favour of LDCs³⁸.

At the request of some Members the Secretariat presented a study entitled "The Generalized System of Preferences: A Preliminary Analysis of the GSP schemes in the Quad" (WT/COMTD/W/93) to the 35th Session. The aim of the study was to provide an introduction to the functioning of the GSP, including the preferences provided by major developed countries and the benefits drawn by developing countries. This document was discussed at the 35th and 36th Sessions.

At the 32nd Session the Committee heard a formal presentation of the notification regarding the membership of Cameroon, the Central African Republic, the Congo, Gabon, Equatorial Guinea and Chad in the Economic and Monetary Community of Central Africa (CEMAC) (WT/COMTD/N/13) and the corresponding treaty (WT/COMTD/24). At its 35th Session the CTD had before it a notification regarding aspects of the Treaty of the West African Economic Union (WT/COMTD/N/11/Add. 2).

An informal meeting was held on 9 April 2001 between the Bureau of the Preparatory Committee for the International Conference on Financing for Development and Members of the Committee. The WTO Membership contribution which is contained in document WT/COMTD/30 was presented to the 3 and 4 May 2001 meeting of the Preparatory Committee by the Director of the Development Division. He reported to the Committee at its 34th Session at which time delegations were also given the opportunity to express views they considered were not satisfactorily reflected in the agreed document. At its 35th Session, the CTD was informed by the Secretariat, of developments in the preparatory process for the UN International Conference on Financing for Development. Ruth Jacoby, Ambassador at the Permanent Mission of Sweden to the UN in New York, and one of the Co-Chairs of the Bureau to the Preparatory Committee, attended the 36th Session of the CTD and discussed preparations for the Conference. At the 36th Session, the Committee adopted its 2002 Work Programme, on the understanding that it was without prejudice to any additional work that may result from the work programme to be established following the Fourth Ministerial Conference and that additional seminars on development topics could be considered during the course of 2002.

On the issue of observership, the CTD awaited the completion of the General Council's work on the subject; and in the meantime continued to grant ad-hoc observer status to a number of intergovernmental organizations. Requests from the Common Fund for Commodities, the Gulf Organization for Industrial Consulting, the League of Arab States, the Organisation Internationale de la Francophonie and the Organization of Petroleum Exporting Countries were still pending.

Sub-Committee on Least-Developed Countries

The Sub-Committee on Least-Developed Countries is a subsidiary body to the Committee on Trade and Development with the mandate of giving special attention to issues of particular importance to the least-developed countries (LDCs). Four meetings of the Sub-Committee were held in 2001, with Ambassador Benedikt Jónsson (Iceland) chairing the first meeting of the year and Ambassador Simon Fuller (United Kingdom) chairing the remainder. The principal themes addressed by the Sub-Committee included: the follow-up to the High-Level Meeting on Integrated Initiatives for Least-Developed Countries' (LDCs) Trade Development; market access for products originating in LDCs; LDCs' Accession to the WTO; Trade Policy Reviews of LDCs; the Third United Nations Conference on Least-Developed Countries (LDC-III); LDCs' Preparations for the Fourth WTO Ministerial Conference; and WTO Technical Cooperation for LDCs.³⁹

³³ WT/COMTD/M/32.

³⁴ G/C/M/47.

³⁵ WT/COMTD/N/15.

³⁶ WT/COMTD/N/6/Add. 2.

³⁷ WT/COMTD/N/1/Add. 3.

³⁸ WT/COMTD/N/4/Add. 2.

³⁹ See documents WT/COMTD/LDC/M/23 to 26 for a full report of the meetings.

Follow-up to the High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development

The Sub-Committee continued its work on this standing Agenda Item, with focus on the Integrated Framework for trade-related technical assistance to LDCs (IF), and in particular, the review of the IF. With the adoption of the proposal for an IF Pilot Scheme⁴⁰, new arrangements for strengthening the IF were agreed to. As part of the new arrangements, the Sub-Committee noted the reports by the Chairman of the IF Steering Committee (IFSC) on its meetings held on 15 March 2001, 3 May 2001 and 12 October 2001. The Sub-Committee was briefed by the Secretariat on the implementation of the IF Pilot Scheme and the meetings of the Inter-Agency Working Group (IAWG). The Secretariat also reported on the Joint IF Seminar held at the WTO, on 29-30 January 2001, on the "Policy Relevance of Mainstreaming Trade into Country Development Strategies: Perspectives of LDCs". The Sub-Committee noted the Report by the Director-General for the Fourth WTO Ministerial Conference on the Follow-up to the High-Level Meeting.⁴¹

Market Access

The Sub-Committee considered and presented as part of its contribution to the Third United Nations Conference for LDCs, a survey of the current market access opportunities for LDCs.⁴² Significant improvements in market access for LDCs were notified to the WTO and discussed in the Sub-Committee. For periodic monitoring, the Sub-Committee noted the importance of notifications of existing measures or improvements in market access for LDCs.

LDCs' Accession to the WTO

The Sub-Committee considered a Status Report on LDCs' Accession to the WTO. In light of the comments received from Members, the paper was revised and submitted to the Third United Nations Conference for LDCs, as part of the WTO Sub-Committee's contribution to the Conference.⁴³

Trade Policy Reviews of LDCs

The Sub-Committee was briefed by the Secretariat on the focussed attention and new approach in operation for preparing the Trade Policy Reviews (TPRs) of LDCs. Members welcomed the new approach to prepare TPRs for LDCs.⁴⁴

The Third United Nations Conference on Least-Developed Countries (LDC-III)

The Sub-Committee agreed to contributions submitted to the LDC-III Conference in six areas: (i) a Report by the Director-General on the implementation of the IF (WT/LDC/SWG/IF/17/Rev. 1); (ii) a Report on mainstreaming (WT/LDC/SWG/IF/15/Rev. 1); (iii) a survey of market access opportunities for LDCs (WT/LDC/SWG/IF/14/Rev. 1 and Add. 1); (iv) a status report on LDCs' accession to the WTO (WT/LDC/SWG/IF/11/Rev. 2); (v) a Report by the Director-General on the institutional integration of LDCs into the multilateral trading system (WT/LDC/SWG/IF/16/Rev. 1); and, (vi) Food Safety and Quality, Standards and Technical Regulations (WT/LDC/SWG/IF/10).

The Sub-Committee invited UNCTAD, the Executive Secretary of the Conference, to provide a briefing on the results⁴⁵ of the LDC-III Conference. The Sub-Committee also considered follow-up to WTO contributions at the Conference. The Sub-Committee agreed to continue discussions on follow-up work incorporating the results of the Trade commitments at LDC-III, in a manner consistent with the mandate of the WTO.

LDCs Preparations for the Fourth WTO Ministerial Conference

The Sub-Committee was briefed by LDC Members on the results and outcome of the meeting of LDC Ministers held in Zanzibar, Tanzania, on 24 July 2001. The Secretariat also briefed Members on the arrangements and support provided to LDCs to facilitate their participation at the Fourth WTO Ministerial Conference, in Doha.⁴⁶

WTO Technical Cooperation for LDCs

The Sub-Committee was briefed by the Secretariat on the Reorganization of WTO Technical Assistance. Members were also informed of the Joint WIPO-WTO Technical Cooperation Agreement for LDCs.⁴⁷ Participants of the Fourth Short Trade Policy Course for LDCs, participated at the 25th Session of the Sub-Committee. Members welcomed their participation and made specific proposals for the future programming of these courses.

⁴⁰ WT/LDC/SWG/IF/13 adopted. at the 23rd Session of the Sub-Committee.

⁴¹ WT/COMTD/LDC/W/22.

⁴² WT/LDC/SWG/IF/14/Rev. 1 and Add. 1.

⁴³ WT/LDC/SWG/IF/11/Rev. 2.

⁴⁴ WT/COMTD/LDC/M/23 and WT/COMTD/LDC/M/24.

⁴⁵ WT/COMTD/LDC/9 and WT/LDC/COMTD/10.

⁴⁶ WT/COMTD/LDC/M/26.

⁴⁷ WT/COMTD/LDC/M/25.

XII. Committee on Trade and Environment

The WTO Committee on Trade and Environment's mandate and terms of reference are set out in the Marrakesh Ministerial Decision on Trade and Environment of April 1994. The CTE has a two-fold mandate: "to identify the relationship between trade measures and environmental measures in order to promote sustainable development"; and "to make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required, compatible with the open, equitable and non-discriminatory nature of the system". This broad-based mandate covers goods, services, and intellectual property rights.

With the aim of making international trade and environmental policies mutually supportive, the CTE's work programme was initially set out in the following ten items:

- Item 1: the relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements;
- Item 2: the relationship between environmental policies relevant to trade and environmental measures with significant trade effects and the provisions of the multilateral trading system;
- Item 3: the relationship between the provisions of the multilateral trading system and:
(a) charges and taxes for environmental purposes; and (b) requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling;
- Item 4: the provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes and environmental measures and requirements which have significant trade effects;
- Item 5: the relationship between the dispute settlement mechanisms in the multilateral trading system and those found in multilateral environmental agreements;
- Item 6: the effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions;
- Item 7: the issue of exports of domestically prohibited goods;
- Item 8: the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights;
- Item 9: the work programme envisaged in the Decision on Trade in Services and the Environment;
- Item 10: input to the relevant bodies in respect of appropriate arrangements for relations with intergovernmental and non-governmental organizations referred to in Article V of the WTO.

In 2001 the CTE continued its analysis of all of the above items based on a "cluster approach" under the themes of market access and the linkages between the multilateral environment and trade agendas. Discussions took place under the chair of Ambassador Yolande Biké of Gabon, followed by the Chair of Ambassador Alejandro Jar of Chile.

The CTE held three meetings in 2001. At a meeting held on 13-14 February, Members discussed those items of the work programme relevant to the theme of market access (items 2, 3, 4 and 6). The focus of the meeting held on 27-28 June was on those items related to the multilateral environmental and trade agendas, including items 1 & 5, 7 and 8. On 27 June, the CTE held an Information Session with the Secretariats of Multilateral Environmental Agreements (MEAs) to enhance understanding of the compliance and dispute settlement provisions in MEAs and the WTO. Members noted the important contribution of MEA Information Sessions to increasing mutual understanding of the relationship between the WTO and MEAs, particularly through identifying synergies between the WTO, UNEP and MEAs. These Sessions also provide an excellent opportunity to forge practical institutional links between the WTO, UNEP and MEA Secretariats. The 4 October meeting addressed items 9 and 10, as well as both thematic clusters.

At the October meeting the CTE adopted its annual report to the General Council (WT/CTE/6) and, pending the outcome of the Fourth WTO Ministerial Conference and the future work programme of the WTO, agreed to hold three meetings in 2002 (21-22 March, 12-13 June and 9-10 October) to continue to deepen its analysis of all items on its work programme based on the thematic clusters.

The Doha Ministerial Declaration, adopted at the Fourth WTO Ministerial Conference in Qatar in November 2001, launches new negotiations on trade and environment. In order to enhance the mutual supportiveness of trade and environment, it calls for negotiations on (i) the relationship between existing WTO rules and specific trade obligations set out in MEAs, stating that these negotiations shall be limited to the applicability of WTO rules to parties to an MEA; (ii) procedures for regular information exchange between MEA Secretariats and the

relevant WTO committees, and the criteria for granting observer status; and (iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. The focus of the negotiations, therefore, is on achieving greater policy coherence between WTO rules and MEAs, and on liberalizing trade in environmental goods and services. Addressed in a separate part of the Doha Ministerial Declaration is also the issue of fisheries subsidies. The Declaration calls on members "to clarify and improve WTO disciplines on fisheries subsidies."

With respect to the regular work of the CTE, the Ministers instruct the Committee, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to the following issues: (i) the effects of environmental measures on market access, especially in relation to developing countries, in particular the LDCs, and those situations where the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development; (ii) the relevant provisions of the agreement on TRIPS; and (iii) labelling requirements for environmental purposes.

Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations. The outcome of this work as well as the negotiations carried out under paragraph 31(i) and (ii) of the Doha Declaration shall be compatible with the open and non-discriminatory nature of the multilateral trading system, shall not add to or diminish the rights and obligations of Members under existing WTO agreements, in particular the Agreement on the Application of Sanitary and Phytosanitary Measures, nor alter the balance of these rights and obligations, and will take into account the needs of developing and least-developed countries.

In the Doha Declaration, Ministers recognize the importance of technical assistance and capacity-building in the field of trade and the environment to developing countries, in particular the LDCs, and encourage the sharing of expertise and experience with Members wishing to perform national environmental reviews. A report is to be prepared on these activities for the Fifth Session.

Ministers also set out that the Committee on Trade and Development and the Committee on Trade and Environment shall, within their respective mandates, each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected.

Also in 2001, as part of continued technical assistance in the trade and environment area, the Secretariat organized a regional seminar on trade and environment for government officials from developing and least-developed countries in Thailand in March 2001. The objective of regional seminars is to raise awareness on the linkages between trade, environment and sustainable development and to enhance the dialogue between policy-makers from Ministries of both trade and environment in developing and least-developed WTO Member governments.

More detailed information on CTE meetings is contained in the WTO *Trade and Environment Bulletin*. The list of documents circulated in the CTE since 1995 is contained in WT/CTE/INF/4. Reports of the CTE and the *Trade and Environment Bulletins* are available from the WTO Secretariat and can be accessed through the trade and environment pages of the WTO website at: <http://www.wto.org>.

XIII. Plurilateral Agreements

Agreement on Government Procurement

The following WTO Members are Parties to the plurilateral Agreement on Government Procurement of 1994: Canada; the European Community and its 15 member States; Hong Kong, China; Iceland; Israel; Japan; the Republic of Korea; Liechtenstein; the Kingdom of the Netherlands with respect to Aruba; Norway; Singapore; Switzerland; and the United States. Twenty-one WTO Members have observer status: Albania, Argentina, Australia, Bulgaria, Chile, China, Cameroon, Colombia, Croatia, the Czech Republic, Estonia, Georgia, Jordan, the Kyrgyz Republic, Latvia, Lithuania, Moldova, Mongolia, Oman, Panama, Poland, the Slovak Republic, Slovenia, Chinese Taipei and Turkey. Three intergovernmental organizations, the IMF, the ITC and the OECD, also have observer status. Albania, Bulgaria, Estonia, Jordan, the Kyrgyz Republic, Latvia, Moldova, Panama, Chinese Taipei and Slovenia are currently negotiating their accession to the Agreement.

The Committee completed, in 2001, the reviews of national implementing legislation of Israel and Liechtenstein.

Since February 1997, the Committee has been carrying out work relating to negotiations provided for under Article XXIV:7 of the Agreement covering, in particular, the following elements: simplification and improvement of the Agreement, including, where appropriate, adaptation to advances in the area of information technology; expansion of the coverage of the Agreement; and elimination of discriminatory measures and practices which distort open procurement. Parties pursued actively their consultations in 2001 on the basis of an informal note reflecting the numerous draft texts proposed by various Parties relating to modifications to the Articles of the Agreement. An objective of the negotiations is the expansion of the membership of the Agreement by making it more accessible to non-Parties. WTO Members, not Parties to the Agreement, and other observer governments to Agreement have been invited to participate in the work.

Other matters considered by the Committee during the period have been: statistical reporting, the notification of threshold figures in national currencies and modifications to the Appendices to the Agreement.

Agreement on Trade in Civil Aircraft

This Agreement entered into force on 1 January 1980.

As of 1 February 2002, there were 30 Signatories to the Agreement: Bulgaria; Canada; Chinese Taipei; the European Communities; Austria; Belgium; Denmark; France; Germany; Greece; Ireland; Italy; Luxembourg; the Netherlands; Portugal; Spain; Sweden; the United Kingdom; Egypt; Estonia; Georgia; Japan; Latvia; Lithuania; Macau, China; Malta; Norway; Romania; Switzerland and the United States. Those WTO Members with observer status in the Committee are: Argentina; Australia; Bangladesh; Brazil; Cameroon; China; Colombia; the Czech Republic; Finland; Gabon; Ghana; Hungary; India; Indonesia; Israel; the Republic of Korea; Mauritius; Nigeria; Oman; Poland; Singapore; the Slovak Republic; Sri Lanka; Trinidad and Tobago; Tunisia and Turkey. The Russian Federation and Saudi Arabia are also observers, as well as the IMF and UNCTAD.

The Agreement eliminates all customs duties and other charges on imports of civil aircraft products and repairs, binds them at zero level, and requires the adoption or adaptation of end-use customs administration. The Agreement prohibits Signatories from requiring, or exerting pressure on, purchasers to procure civil aircraft from a particular source, and provides that purchasers of civil aircraft products should be free to select suppliers on the basis of commercial and technical factors only. The Agreement regulates Signatories' participation in, or support for, civil aircraft programmes, and prohibits Signatories from requiring or encouraging sub-national entities or non-governmental bodies to take actions inconsistent with its provisions. Although the Agreement is part of the WTO Agreement, it remains outside the WTO framework.

During the regular meetings of the Committee on Trade in Civil Aircraft in 2001, the Committee adopted, with effect from 6 June 2001, the *Protocol (2001) Amending the Annex to the Agreement on Trade in Civil Aircraft* and a decision on interim application of duty-free treatment to aircraft ground maintenance simulators. Considering that the *Protocol (2001)* had not yet been accepted by all Signatories, and that the terms of the Protocol give authority to the Committee to decide on the date for acceptance, Signatories adopted a decision to extend the date of acceptance of the *Protocol (2001)* indefinitely. The Committee again reverted to the status of the Agreement in the WTO framework, but Signatories remained unable to adopt the Draft Protocol (1999) Rectifying the Agreement on Trade in Civil Aircraft that was proposed by the Chairperson in April 1999. The Committee will again revert to this matter.

In 2001, the Committee also discussed, *inter alia*, "end-use" customs administration, including the proposal by one Signatory concerning the definition of "civil" vs. "military" aircraft based on initial certification; statistical reporting of trade data; certification in Europe of United States civil aircraft; matters relating to Article 3 of the Agreement, in particular, the status of implementation of ICAO stage 4 aircraft noise standards as it affects current regulations on the operation of stage 3-compliant aircraft, and the meaning of certain language in proposed legislation establishing a European Aviation Safety Agency (Articles 9 and 10); European government support for the development of large civil aircraft; Belgian aircraft industry supports through exchange rate mechanisms; and United States government support for large civil aircraft industry.

I. Technical cooperation

The year 2001 was a transition year in WTO technical assistance (TA). First in February 2001, the Director-General established a Technical Cooperation Audit Unit. This Unit is responsible for on-going monitoring and evaluation of all technical assistance provided by the WTO. Through this function, the Secretariat will ensure that the financial and human resources invested in WTO-administered technical assistance programmes are optimally utilized.

Second, in June 2001, certain changes were made in the organization of the Secretariat in order to improve efficiency, including the merger under new management of the Technical Cooperation Division and the Secretariat Working Group for Least-Developed Countries and the Integrated Framework. In addition, a Technical Assistance Management Committee (TAMC) was established under the chairmanship of the Deputy Director-General in charge of technical assistance to review issues of general interest relating to trade-related technical assistance. These changes underpinned the fact that the delivery of technical assistance activities is a Secretariat-wide function, not solely limited to the Technical Cooperation Division (TCD).

Third, in October 2001, a New Strategy for WTO Technical Cooperation: Technical Cooperation for Capacity Building, Growth and Integration (WT/COMTD/W/90) was submitted to the Committee on Trade and Development and subsequently endorsed by Ministers in para. 38 of the Doha Declaration. This New Strategy will be articulated in Annual Plans organized in six sections. Since the experience with the previous three-year plans was one of uneven implementation, due to increasing numbers of requests *off-plan* coming in during the year, it was decided to operate on a 12-month calendar basis and with *ad hoc* requests kept to a minimum.

Fourth, the Doha Ministerial Declaration, adopted on 14 November 2001, confirmed that technical cooperation and capacity-building are core elements of the development dimension of the multilateral trading system. Ministers established an extensive mandate and undertook a firm set of commitments on technical cooperation and capacity building to enable beneficiary countries to implement WTO rules and obligations, prepare them for effective participation in the work of the WTO, including for future negotiations and an extensive Work Programme, as well as enable them to draw on the benefits of the open, rules-based multilateral trading system.

Broadly, the guiding policy frameworks for technical cooperation and capacity building stemming from the Doha mandates, fall under eight areas. These are:

- **Mainstreaming and Integrated Framework.** Paragraph 38 of the Doha Ministerial Declaration instructs the Secretariat to conduct technical assistance activities, in coordination with other relevant agencies, in support of domestic efforts in developing countries and least-developed countries to formulate trade policies coherent with associated macroeconomic and regulatory policies. In paragraph 43, Ministers endorsed the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) as a viable model for LDCs' trade development. Activities were designed to respond to these mandates, such as Regional and Subregional Meetings bringing together Ministers of Finance and Ministers of Trade/Commerce to promote the mainstreaming concept and enhance awareness of its importance;

- **Implementation.** Paragraph 38 of the Doha Ministerial Declaration instructs the Secretariat to execute WTO technical assistance and capacity building activities designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of Membership. Attention shall also be accorded to small and vulnerable countries, as well as to Members and Observers without representation in Geneva;

- **Enhancing Negotiating Capacity.** Paragraph 41 of the Doha Ministerial Declaration reaffirms the specific commitments on technical cooperation reflected in various other paragraphs of the Declaration (paras. 16, 21, 24, 26, 27, 33, 42 and 43), in particular the Singapore issues and trade and environment. This relates to enhancing the negotiating capacity of developing and least-developed countries, as well as of low-income countries in transition;

- **Trade Policy Capacity-Building.** Paragraphs 38-41 of the Doha Ministerial Declaration relate, in general, to capacity building in the formulation and implementation of trade policy. This is one of the most pressing needs of developing and least-developed countries, and of low-income countries in transition;

- **Accession.** Paragraph 42 accords particular emphasis to the necessity to reflect in the WTO TA Plan, the priority that Ministers accord to countries in accession;

- **Technical Assistance for Non-Residents.** Twenty-three Members of the WTO do not have a mission in Geneva. They also have obligations and commitments under the rules, and also need to draw on the benefits and opportunities of the open, rules-based system.

Therefore the participation of these countries is indispensable to the credibility and legitimacy of the Multilateral Trading System;

- **Information Technology Tools.** Annex VIII of the New Strategy for WTO Technical Cooperation, endorsed by Ministers in paragraph 38 of the Ministerial Declaration, focuses on the sharing of information and capacity building through the use of information technology, in particular WTO Reference Centres for least-developed countries and developing countries; and,

- **Modernization and expansion of Technical Assistance Tools.** Even before the Fourth Ministerial Conference, a need to modernize technical cooperation tools and materials had been acknowledged. With the increased work programme and negotiating mandate emerging from the Doha Ministerial Declaration, as well as the Decision on Implementation-related Issues and Concerns, the Secretariat urgently requires a substantial investment, on a one-off basis, to modernize existing information technology materials and other TA tools, and to create new ones.

Last, but not least, pursuant to paragraph 40 of the Doha Ministerial Declaration, Members have established the Doha Development Agenda Global Trust Fund with a proposed core budget of CHF 15 million, in order to provide secure and predictable resources needed to implement the Doha mandates on technical cooperation and capacity building.

II. Training activities

In the period under review, the WTO Secretariat organized three regular Trade Policy Courses, one one-week Dispute Settlement Course and two one-day Induction Courses. The three regular Courses, two in English and one in French respectively, were held for developing and least-developed country officials who are involved in the formulation and implementation of trade policy, as well as for officials from economies in transition which are either WTO Members or Observers. Each regular Course lasts for twelve weeks and takes place at the WTO in Geneva. Course participants are financed by WTO fellowship awards covering expenses for the duration of the Course.

June 2001 saw the creation of the WTO Training Institute. In October, a Joint Consultative Board on WTO Training was established. In December, the WTO Members decided to finance three additional three-month courses, as well as to provide budget funds for some new activities. The mandate of the former Training Division was thus considerably expanded to consist henceforth of:

- continuing to offer three-month residential trade policy courses in the three working languages of the organization, but at the rate of six instead of three such courses per year;
- offering two short three-week courses for LDCs;
- offering periodic one-day WTO Induction courses for delegations, IGO Secretariat officials, and WTO staff and interns;
- offering three dispute settlement courses for all WTO Members;
- developing a range of new specialized courses for targeted participants;
- initiating a programme of distance-learning Internet-based courses on the WTO;
- organizing a training programme for trainers for developing-country officials; and
- further developing the network of relations with the academic world, in particular in curriculum development and provision of relevant documentation.

The institute began implementing its mandate as of June 2001. Several pilot projects were initiated and courses held since. The pace of introduction accelerated from early January 2002 and full implementation is expected to be in place as soon as all the infrastructure facilities and additional human resources become available later in 2002.

The general objective of all these activities is to build institutional capacity by widening the participants' understanding of trade policy matters, the multilateral trading system, international trade law and the functioning of the WTO. The knowledge acquired in various courses is expected to allow participants to improve the effectiveness of their work in their own administrations and to promote a more active participation of their countries in the work of the WTO.

III. Cooperation with other international organizations and relations with civil society

The WTO continued to develop an active work relationship with other international intergovernmental organizations interested in its activities. The relations established and reinforced over the years with relevant organizations in the United Nations system, the Bretton Woods organizations and other international and regional bodies, have ensured a greater

coherence through involvement, cooperation and coordination of an increasing number of trade-related activities. There is also a growing interest in WTO work. Representatives from 57 IGOs attended the Fourth WTO Ministerial Conference as observers. A list of organizations having observer status in one or more of the WTO bodies is laid out in Table IV.8a.

The WTO continued to strengthen its working relationship with the UN agencies, especially UNCTAD with the objective of furthering the development dimension of trade. The two organizations collaborate closely to advance the development dimension of trade liberalization within the framework of the multilateral system with a major focus on capacity building and technical assistance to developing countries and in particular least-developed and African countries. UNCTAD is a major partner in the Integrated Framework for Technical Assistance Programme (IF) and the Joint Integrated Technical Assistance Programme (JITAP). The WTO also actively participated in the major trade-related conferences organized by UNCTAD such as the Third United Nations Conference on Least-Developed Countries which took place in Brussels from 14 to 20 May 2001. WTO Staff have been involved in regional and inter-regional meetings sponsored by UNCTAD to prepare developing countries and LDCs for the 4th Ministerial Conference.

The WTO remains a key player in various activities organized by the UN agencies and other international intergovernmental organizations. It was actively involved in the preparatory process of the International Conference on Financing for Development held in Monterrey, Mexico, March 2002. It participated in a number of other meetings where trade-related matters were discussed.

ITC UNCTAD/WTO

The WTO as a parent body continued to work closely with the International Trade Centre (ITC) which plays a crucial role in trade-related technical cooperation and trade –related capacity building. The ITC is a major partner of the JITAP programme and the Integrated Framework for Technical Assistance, designed to improve the integration of least-developed countries. The ITC has a full range of activities, ranging from the design of trade development strategies for certain countries to programmes that aim at increasing the e-awareness, e-competency and e-trade capability of business entities in developing and least-developed countries.

Cooperation with the IMF and the World Bank

The WTO's cooperation with the IMF and the World Bank is based on the Marrakesh "Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Economic Policy-Making", and on the WTO's formal cooperation agreements with the IMF and the World Bank. It provides an opportunity to leverage the collective resources of the three institutions in areas where their activities converge, in particular in assisting developing and least-developed countries to take greater advantage of their involvement in international trade and their participation in the multilateral trading system

During 2001, the Director-General met several times with the Managing Director of the IMF and the President of the World Bank. Their discussions covered a range of trade-related and coherence issues, including preparations for the Doha Ministerial Conference, the importance of maintaining an open trading system, and ways in which the three institutions can cooperate more effectively in the provision of trade-related technical assistance, capacity building and training. Each of the three continued to emphasize the important contribution that trade makes to economic development and poverty reduction, and to stress the need for improved market access for developing-country exports, for on-going support for trade policy reform, and for enhanced assistance in trade-related capacity building.

Cooperation at the staff level extends to many areas of the WTO's work. Most prominent, in 2001, was the expansion of cooperation in the provision of training and trade-related technical assistance and capacity-building to developing and least-developed countries, *inter alia* through the Integrated Framework. Preparations have been made for cooperation in this area to intensify further still in the context of the mandate on enhanced technical assistance and capacity-building contained in the Doha Development Agenda. Also during 2001, there was close interaction between the staff of the three organizations in the areas of trade-related analysis and research and of trade policy surveillance, through the WTO's Trade Policy Review Mechanism in particular.

International intergovernmental organizations – Observer Status in the WTO

The guidelines on observer status for international organizations (WT/L/161, Annex 3) provide that requests for observer status from organizations shall not be considered for

meetings of the Budget Committee or the Dispute Settlement Body, therefore these bodies are not listed in Table IV.8. Also not listed are the Textiles Monitoring Body, which has no international intergovernmental organization observers, and the Accession Working Parties.

The International Trade Centre UNCTAD/WTO, as a joint subsidiary organ of the WTO and UNCTAD, is not required to formally submit a request for observer status in the WTO bodies and is invited as appropriate to attend meetings of those WTO bodies it wishes to attend (WT/GC/M/25, item 1). The ITC is therefore not listed in this table.

The IMF and World Bank have observer status in WTO bodies as provided for in their respective Agreements with the WTO (WT/L/195), and are not listed in this table.

An "X" indicates observer status; a "P" indicates that consideration of the request for observer status is pending.

Table IV.8a: Explanatory Note

The bodies listed in the Table IV.8 are, respectively, the General Council (GC); Trade Policy Review Body (TPRB); Council for Trade in Goods (CTG); Council for Trade in Services (CTS); Council for TRIPS (TRIPS); the Committees on Anti-Dumping Practices (ADP); Subsidies and Countervailing Measures (SCM); Safeguards (SG); Agriculture (AG); Sanitary and Phytosanitary Measures (SPS); Balance-of-Payments Restrictions (BOPS); Regional Trade Agreements (CRTA); Trade and Development (CTD); Trade and Environment (CTE); Market Access (MA); Import Licensing (LIC); Rules of Origin (RO); Technical Barriers to Trade (TBT); Trade-Related Investment Measures (TRIMs); Customs Valuation (VAL). Additional information concerning the observer status of the listed organizations in the GATT CONTRACTING PARTIES (GATT CPS), Council of Representatives (GATT CNCL) and Committee on Trade and Development (GATT CTD) is provided in the last three columns.

Table IV.8b: Explanatory Note

Table 1(B) provides information on observer status in the four bodies under the Council for Trade in Services, namely the Committees on Financial Services and Specific Commitments, and the Working Parties on GATS Rules and Domestic Regulation, as well as in the Working Groups on Transparency in Government Procurement, The Relationship between Trade and Investment and The Interaction between Trade and Competition Policy.

Table IV.8c: Explanatory Note

Information for the Committees under the Plurilateral Trade Agreements is provided in Table 1(C), namely the Committee on Government Procurement (GPA), the Committee on Trade in Civil Aircraft (TCA) and the Committee of Participants in the Expansion of Trade in Information Technology Products (ITA).

Table IV.8

International intergovernmental organizations

a. Observer Status in the WTO - See Explanatory Note)

		GC	TPRB	CTG	CTS	TRIPS	ADP	SCM	SG	AG	SPS	BOPS	CRTA	CTD	CTE	MA	LIC	RO	TBT	TRIMs	VAL	GATT CPS	GATT CNCL	GATT CTD	
UN bodies and specialized agencies:																									
UN	United Nations	X		X	X	X								X	X					X		X	X	X	
CBD	Convention on Biological Diversity					P				P					X										
CITES	Convention on International Trade in Endangered Species														X										
IPPC	FAO International Plant Protection Convention										X														
Codex	FAO/WHO Codex Alimentarius Commission										X								X						
FAO	Food & Agriculture Organization of the United Nations	X	X	X		X		X		X	X		X	X	X	X			X			X	X	X	

Table IV.8 (continued)

International intergovernmental organizations

a. Observer status in the WTO

		GC	TPRB	CTG	CTS	TRIPS	ADP	SCM	SG	AG	SPS	BOPS	CRTA	CTD	CTE	MA	LIC	RO	TBT	TRIMs	VAL	GATT CPS	GATT CNCL	GATT CTD
ITU ¹	International Telecommunication Union	P			X																			
UNAIDS	Joint United Nations Programmes on HIV/AIDS					²																		
CSD	United Nations Commission for Sustainable Development													X										
UNCTAD	United Nations Conference on Trade & Development	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
UNDP	United Nations Development Programme	P												X	X									
ECA	United Nations Economic Commission for Africa													X								X	X	X
ECE	United Nations Economic Commission for Europe			P										X					X			X	X	X
ECLAC	United Nations Economic Commission for Latin America & the Caribbean													X								X	X	X
ESCAP	United Nations Economic & Social Commission for Asia & the Pacific													X								X	X	X
UNESCO	United Nations Educational, Scientific and Cultural Organization					P																		
UNEP	United Nations Environment Programme	P				P								³	X									
UNFCCC	United Nations Framework Convention of Climate Change														X									
UNIDO	United Nations Industrial Development Organization	P												X	X				⁴			X		
WFP	United Nations World Food Programme									X														
WHO	World Health Organization	P			⁵	⁶					X				P				X					
WIPO	World Intellectual Property Organization	X				X								⁷	X							X	X	
Other organizations:																								
ACP	African, Caribbean & Pacific Group of States	P		P	P		⁸	⁸	⁸	P	⁹	X		X	X	X	P	X	¹⁰	P	X	X	X	
ARIPO	African Regional Industrial Property Organization					P																		
	ANDEAN Group													X								X	X	X
AMU	Arab Maghreb Union	P		P	P								P	⁹										
AMF	Arab Monetary Fund	P		P	P																	X	X	
ATFP	Arab Trade Financing Programm	P		P	P																			
APCC	Asian and Pacific Coconut Community									P	P													
BIPM	Bureau International des Poids et Mesures																		P					
CARICOM	Caribbean Community Secretariat													X								X	X	X

Table IV.8 (continued)

International intergovernmental organizations

a. Observer status in the WTO

		GC	TPRB	CTG	CTS	TRIPS	ADP	SCM	SG	AG	SPS	BOPS	CRTA	CTD	CTE	MA	LIC	RO	TBT	TRIMS	VAL	GATT CPS	GATT CNCL	GATT CTD
CEMAC	Central African Economic & Monetary Community													X								X		X
CFC	Common Fund for Commodities			P										P										X
COMESA	Common Market for Eastern and Southern Africa	P		P	P		P	P	P	P			P			P		P		P	P			
	Commonwealth Secretariat													X								X		X
CMA/WCA	Conderence of Ministers of Agriculture of West and Central Africa					P																		
GCC	Cooperation Council for the Arab States of the Gulf	P	P	P		P				P				X	P							X	X	X
ECOWAS	Economic Community of Western African States													¹¹										
ECO	Economic Cooperation Organization	P											P	¹¹										
EBRD	European Bank for Reconstruction & Development	P	X	P	P							X	P									X	X	
EFTA	European Free Trade Association	P	X	P	P	P					¹¹	X	X	X	X			X	¹²			X	X	X
GOIC	Gulf Organization for Industrial Consulting			P	P		P	P					P	P	P	P		P	P	P				
IADB	Inter-American Development Bank		P							P			P	X		X		X		P	X	X	X	X
IICA	Inter-American Institute for cooperation on Agriculture									P	¹³													
IAIGC	Inter-Arab Investment Guarantee Cooperation													¹³						P				
ICAO	International Civil Aviation Organization				¹⁴																			
ICCAT	International Commission for the Conservation of Atlantic Tuna														X									
IEC	International Electrotechnical Commission																		X					
IGC	International Grains Council			P						X				X										X
OIE	International Office of Epizootics										X								X					
OILM	International Organization of Legal Metrology																		¹⁵					
ISO	International Organization for Standardization										X				X				X					
IPGRI	International Plant Genetic Resources Institute					P									X									
ITCB	International Textiles and Clothing Bureau	P		X												X		X						
ITTO	International Tropical Timber Organization														P									
UPOV	International Union for the Protection of New Varieties of Plants					X																		
IVI	International Vaccine Institute					P																		
OIV	International Vine and Wine Office	P				P					P								P					
IDB	Islamic Development Bank	P		P	P	P							¹⁶	¹⁷						P				
SELA	Latin American Economic System	P		P	P	P				P	¹⁶		P	X	X	P				P		X	X	X

Table IV.8 (continued)

International intergovernmental organizations

a. Observer status in the WTO

		GC	TPRB	CTG	CTS	TRIPS	ADP	SCM	SG	AG	SPS	BOPS	CRTA	CTD	CTE	MA	LIC	RO	TBT	TRIMS	VAL	GATT CPS	GATT CNCL	GATT CTD
ALADI	Latin American Integration Association												¹⁶	X					¹⁸			X	X	X
LAS	League of Arab States	P		P	P								P	P	P							X		
OIF	Organisation Internationale de la Francophonie													P										
OAU	Organization of African Unity	P		P									P	¹⁶										
OAS	Organization of American States	P		P	P	P							X	X								X	X	X
OECD	Organization for Economic Cooperation & Development	X	X	X	P ¹⁹	X	²⁰	²⁰	²⁰	X	²¹	X	P	X	X			X	X	X		X	X	X
OIC	Organization of the Islamic Conference	P	P	P	P	P							P	²¹	P							X		
OPEC	Organization of the Petroleum Exporting Countries												P	P										
OIRSA	Regional International Organization for Plant Protection and Animal Health										²¹													
SIECA	Secretariat of the General Treaty on Central American Economic Integration	P		P	P	P								X								X	X	X
	South Centre	P		P	P	P				P				²¹										
SPF	South Pacific Forum	P								P				²²	X									
SEAFDEC	Southeast Asian Fisheries Development Centre																		²³					
SADC	Southern African Development Community				P	P							P	X										
UPU	Universal Postal Union					P							P	X										
WAEMU	Western African Economic & Monetary Union	P											P	²²		P								
WCO	World Customs Organization	P		X		X									X	X		X			X	X		
WTO	World Tourism Organization					²⁴																		

¹ The ITU Secretariat shall [also] be invited as an observer to meetings of relevant WTO bodies other than the Council for Trade in Services and the Ministerial Conference (excluding the Committee on Budget, Finance and Administration, Dispute Settlement Body, Appellate Body and Dispute Settlement Panels) where that body considers that matters of common interest to both organizations will be under discussion.

² Requested and granted observer status for the TRIPS 18-22 June 2001 and 19-20 September 2001 meetings when discussing IP and access to medicines only.

³ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

⁴ The Committee agreed to grant ad hoc observer status pending final agreement on the application of the guidelines for observer status for international intergovernmental organizations in the WTO.

⁵ The Council agreed to grant ad hoc observer status.

⁶ The Council agreed to grant ad hoc observer status on the understanding that the WTO would be given reciprocal opportunities to observe meetings of all functional bodies under the WHO, including those at the regional level, except when meetings are limited to Member governments only.

⁷ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

⁸ The Committee agreed to grant ad hoc observer status pending the outcome of the horizontal process.

⁹ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

¹⁰ The Committee agreed to grant ad hoc observer status pending further decisions.

¹¹ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

¹² The Committee agreed to grant ad hoc observer status pending further decisions.

¹³ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

¹⁴ The Council agreed to grant ad hoc observer status.

¹⁵ The Committee agreed to grant ad hoc observer status pending further decisions.

¹⁶ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

¹⁷ The Committee agreed to grant ad hoc observer status.

¹⁸ The Committee agreed to grant ad hoc observer status pending further decisions.

¹⁹ The Council had agreed to grant observer status to the OECD for its Special Sessions on Telecommunications Services on 25 June 1999.

²⁰ The Committee agreed to grant ad hoc observer status with access to restricted documents subject to objection to such access by a Member in particular cases.

²¹ The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

²² The Committee agreed to grant ad hoc observer status on a meeting-by-meeting basis.

²³ The Committee agreed to grant ad hoc observer status.

²⁴ The Council agreed to grant ad hoc observer status.

Table IV.8

International intergovernmental organizations*b. Observer Status in Certain other Bodies (See Explanatory Note)*

		Financial services	GATS rules	Domestic Regulation	Specific commitments	Working Group on Transparency in Government Procurement	Working Group on The Relationship between Trade and Investment	Working Group on The Interaction between Trade and Competition Policy
UN bodies and specialized agencies:								
UN	United Nations	X	X	X	X	¹		
UNCITRAL	United Nations Commission on International Trade Law					X		
UNCTAD	United Nations Conference on Trade and Development	X	X	X	X	X	X	X
ECLAC	United Nations Economic Commission for Latin America & the Caribbean							P
UNIDO	United Nations Industrial Development Organization						²	
Other Organizations:								
ACP	African, Caribbean & Pacific Group of States	X		X				
IAIS	International Association of Insurance Supervisors	P		P				
	Energy Charter Conference						P	
GOIC	Gulf Organization for Industrial Consulting						P	
SELA	Latin American Economic System					P ³	P	P ⁴
OAU	Organization of African Unity						P	
OAS	Organization of American States						P	
OECD	Organization for Economic Cooperation and Development	X	X	X	X	P ³	⁵	X
OIC	Organization of the Islamic Conference South Centre					P	P	P
UPU	Universal Postal Union				P		P	P

¹ The UNCITRAL, listed below, represents the UN.² The Working Group agreed to grant ad hoc observer status on a meeting-by-meeting basis.³ The Working Group had agreed to grant ad hoc observer status for its meetings of 3-4 November 1997 and 19-20 February 1998 only.⁴ The Working Group had agreed to grant ad hoc observer status for its meetings of 27-28 November 1997 and 11-13 March 1998 only.⁵ The Working Group agreed to grant ad hoc observer status on a meeting-by-meeting basis.

Table IV.8

International intergovernmental organizations*c. Observer Status in Committees under the Plurilateral Trade Agreements (See Explanatory Note)*

		GPA	TCA	ITA
UN bodies and specialized agencies:				
UNCTAD	United Nations Conference on Trade and Development		X	
Other Organizations:				
ACP	African, Caribbean and Pacific Group of States		P	
ICAP	Central American Institute of Public Administration	P		
COMESA	Common Market for Eastern and Southern Africa	P		
EFTA	European Free Trade Association	P		
	Inter-American Development Bank	P		
OECD	Organization for Economic Cooperation and Development	X		X
WCO	World Customs Organization			X ¹

¹ The Committee agreed to invite the WCO as an observer whenever the issues of HS classification and HS amendments were on the agenda.

Relations with non-governmental organizations/civil society

Although NGOs have been interested in the GATT since its inception in 1947, the period since the creation of the WTO has vividly demonstrated that the multilateral trading system is being scrutinized by public opinion like never before.

Relations with Non-Governmental Organizations (NGOs) are specified in Article V:2 of the Marrakesh Agreement and further clarified in a set of guidelines (WT/L/162) which were adopted by the General Council in July 1996 and which “recognizes the role NGOs can play to increase the awareness of the public in respect of WTO activities”. Relations with NGOs essentially focus on attendance at Ministerial Conferences, participation in issue-specific symposia, and the day-to-day contact between the WTO Secretariat and NGOs. The WTO Secretariat receives a large and increasing number of requests from NGOs from all over the world and Secretariat staff meet NGOs on a regular basis – both individually and as a part of NGO organized events.

Since the adoption of the 1996 guidelines, several steps have been taken to enhance the dialogue with civil society. The WTO Secretariat provides regular briefings for NGOs and has established a special NGO Section on the WTO website with specific information for civil society, e.g. announcements of registration deadlines for ministerial meetings and symposia. In addition, a monthly list of NGO position papers received by the Secretariat is compiled and circulated for the information of Members. Since April 2000 a monthly electronic news bulletin is available to NGOs, facilitating access to publicly available WTO information. It is open to all organizations and/or individuals, subscription requests should be sent by e-mail to the following address: ngobulletin@wto.org.

Ministerial Conferences

NGO attendance at WTO Ministerial Conferences is based on a basic set of registration procedures: (i) NGOs are allowed to attend the Plenary Sessions of the Conference and (ii) NGO applications to register are accepted by the WTO Secretariat on the basis of Article V:2, i.e. NGOs have to demonstrate that their activities are “concerned with matters related to those of the WTO”. Information on these procedures is posted on the WTO website, as was the case for Seattle and for the Fourth Ministerial Conference in Qatar.

Symposia

In March 1999, the WTO held two High-Level Symposia in Geneva, which represented an important step forward in WTO’s dialogue with civil society. They demonstrated that governments and civil society alike, can engage in open and constructive dialogue, and on issues where differences may exist, move towards identifying solutions.

Along the same lines, a symposium was held on 29 November 1999 in Seattle. The Seattle Symposium on International Trade Issues in the First Decades of the Next Century provided a further opportunity to enhance this dialogue. A wide range of important issues were discussed, such as the role of international trade in poverty elimination, the effects of globalization on developing countries, the integration of Least-Developed Countries into the multilateral trading system, increasing public concerns with the trading system, trade and sustainable development, and trade and technological development.

Annex I – Recent publications

The World Trade Organization’s publications are available in print or electronic versions, in English, French and Spanish. They cover legal texts and agreements, country and product studies, analytical economic data, special trade-related studies and histories of various trade negotiations and agreements. An increasing number of these publications are produced under co-publishing agreements with commercial publishers. Bernan Press can be contacted at 4611-F Assembly Drive, Lanham, MD 20706-4391, Toll Free: 1-800-274-4888. Kluwer Law International can be contacted at 675 Massachusetts Avenue, Cambridge, MA 02139, USA, tel. (617) 354-0140, fax (617) 354-8595, e-mail sales@kluwerlaw.com. Cambridge University Press can be contacted at Customer Services Dept., The Edinburgh Building, Cambridge CB2 2RU, UK, Tel: 44 1223 326083, Fax: 44 1223 325150, Email: directcustserve@cup.cam.ac.uk, <http://uk.cambridge.org>.

Listed below is a selection of some of our newest and most popular publications. For details on pricing, availability and on all other titles, contact WTO Publications or consult the complete listing on our website:

https://secure.vtx.ch/shop/boutiques/wto_index_boutique.html. Internet customers are now able to shop for WTO publications using our secure on-line bookshop. All major credit cards

are accepted and customers are provided with confirmation and a summary of the order within seconds.

Free publications

Three basic information brochures about the WTO are now available in English, French and Spanish, providing short introductions to the WTO, its agreements and how it works: "The WTO in brief" – a starting point for essential information about the WTO; "10 benefits of the WTO trading system" – the WTO and the trading system offer a range of benefits, some well-known, others not so obvious; and "10 common misunderstandings about the WTO" – criticisms of the WTO are often based on fundamental misunderstandings of the way the WTO works. These three brochures are complemented by "Trading into the Future" – a lengthier introduction to the WTO and its agreements. In 2001 the WTO brought out a brochure explaining the GATS entitled "GATS Fact and Fiction". All the above are available in English, French and Spanish.

Annual report of the Director-General, 2001

The report notes that trade has slowed and confidence is weak. A broad negotiating agenda is essential for continuing policy reform and trade liberalization; it would do much to build confidence and ensure that the WTO's trading system plays its full part in promoting recovery and growth.

A charge will be made for requests exceeding 25 copies of these publications.

The WTO website

The WTO website (www.wto.org) in English, French and Spanish offers access to over 11,000 pages of information that is updated on a daily basis. In addition, users can use the website to access "Documents online" which contains over 60,000 WTO working documents in English, French and Spanish. New documents are added daily. The site also hosts the WTO broadcasting service which enables users to view and hear highlights of key WTO events, some of which are broadcast live on the Internet. Over the past year the number of users accessing the site had continued increase, reaching an average of 200,000 users in a single month. The volume of information that is retrieved by users varies from 15 to 25 gigabytes per month (25 gigabytes is equivalent to about 15 million pages of text). The WTO also maintains a joint website with the World Bank (www.itd.org) focusing on trade and development.

WTO video – Solving trade disputes

How can trade disputes between governments end in harmony? WTO members have designed a system to help them solve their differences through the rule of law. When a government believes that another has violated WTO rules, or has acted in a way which deprives businesses of their trading benefits, it can lodge a complaint before the WTO. The video explains in simple terms how these disputes are resolved, illustrated through two concrete cases: When the two sides find an amicable solution: e.g. a dispute over sound recording copyright, involving the United States, European Union and Japan. When the case goes through the full litigation process: e.g. a dispute between Venezuela, Brazil and the United States over gasoline and environmental protection. The video also examines the possible future evolution of the dispute settlement system. It is a tool for information and for training, for governments, universities, lawyers, businessmen and for a wider public interested in widening their knowledge of the WTO.

Length: 30 minutes. In English, French and Spanish.

WTO Agreements Series

The WTO's agreements are the legal foundation for the international trading system that is used by the bulk of the world's trading nations. This series offers a set of handy reference booklets on selected agreements. Each volume contains the text of one agreement, an explanation designed to help the user understand the text, and in some cases supplementary material.

Volumes 1-4 are already available, the remaining volumes will be available over the coming months in English, French and Spanish.

The volumes in this series (the sequence follows their order of appearance in the WTO Agreement):

1. Agreement Establishing the WTO
2. GATT 1994 and 1947
3. Agriculture
4. Sanitary and Phytosanitary Measures
5. Textiles and Clothing
6. Technical Barriers to Trade
7. Trade-Related Investment Measures

8. Anti-dumping
9. Customs Valuation
10. Preshipment Inspection
11. Rules of Origin
12. Import Licensing Procedures
13. Subsidies and Countervailing Measures
14. Safeguards
15. Services
16. Trade-Related Intellectual Property Rights
17. Dispute Settlement
18. Trade Policy Reviews
19. Trade in Civil Aircraft
20. Government Procurement

Special Study No. 6 – Market Access: Unfinished Business. Post-Uruguay Round Inventory and Issues

This study has two closely related objectives: to evaluate post-Uruguay Round market access conditions and to contribute to a clarification of the stakes in the ongoing process of multilateral trade negotiations in the market access area. Section II discusses obstacles to trade in industrial products, focusing on tariffs. Section III addresses distortionary measures affecting trade in agricultural products and Section IV discusses the degree of market access guaranteed by commitments under the GATS, the relative importance of the different trading modes and the main obstacles to trade for specific services.

May 2001.

Special Study No. 5 – Trade, Income Disparity and Poverty

This study, which is based on two expert reports commissioned by the WTO Secretariat, aims to clarify the interface between trade, global income disparity, and poverty. Professor Dan Ben-David of Tel Aviv University, takes an in-depth look at the linkages between trade, economic growth, and income disparity among nations. Professor L Alan Winters of University of Sussex, discusses the various channels by which trade may affect the income opportunities of poor people. The publication also includes a non-technical overview of the two expert reports.

International Trade Statistics 2001

The WTO annual report International Trade Statistics 2001 provides comprehensive, comparable and up-to-date statistics on trade in merchandise and commercial services for an assessment of world trade flows by country, region and main product groups or service categories. Some 240 tables and charts are depicting trade developments from various perspectives and providing a number of long-term time series as additional information. Major trade developments are summarized and discussed in the first part of the report under Overview. This volume has been produced by a team of statisticians from the Statistics Division in collaboration with the Economic Research and Analysis Division. For 2001, the report gives detailed figures for merchandise and commercial services trade by region, by country and by product category.

WTO Computer Based Training

This is the first in a series of, trilingual, easy-to-use interactive guides to WTO Agreements on CD-ROM.

Each CD-ROM module is designed to guide the user through the complex WTO agreements in a simple step-by-step manner. This module, which covers the WTO Agreement on Textiles and Clothing, includes text, video and audio material and is complemented by a multiple-choice test to enable users to monitor their individual progress. The complete text of the Agreement is also included.

A module on sanitary and phytosanitary measures will be available during 2002.

Co-published with Kluwer Law International

Guide to the GATS

An Overview of Issues for Further Liberalization of Trade in Services.

This Guide provides an assessment of recent developments in major sectors of services trade. It also examines some of the issues governments will confront as they pursue the liberalization of services trade. The papers in the Guide consider the economic importance of particular services sectors, the ways in which they are regulated and traded, problems of definition and classification, the pattern of commitments under the GATS and they provide sources of further information. In many cases they suggest areas of further work, and some

identify prevalent forms of trade restriction or discrimination. The papers were written by specialists in the WTO Secretariat

Guide to the WTO and Developing Countries

Developing countries comprise two thirds off the WTO membership. In order to ensure equitable participation of these countries in the benefits of the global trading system, the GATT Uruguay Round Agreements that created the WTO, accorded special and differential treatment to developing countries. The provisions are covered in the guide and include: market access, dispute settlement, trade policy reviews, foreign direct investment, environment and labour issues and technical assistance. The guide also includes case studies on how WTO members are making progress in working with the obligations and the benefits of the WTO Agreements.

Trade, Development and the Environment

In recent years the relationships between trade and the environment, and trade and development, have become increasingly complex. The need to reconcile the competing demands of economic growth, economic development, and environmental protection has become central to the multilateral trade agenda. In this volume, various commentators debate the role of the WTO and other institutions in addressing these challenges. The book arises from the papers presented at two High Level Symposia hosted by the WTO in March 1999, on Trade and the Environment and Trade and Development.

The Internationalization of Financial Services

The internationalization of financial services is an important issue for the strengthening and liberalizing of financial systems in developing countries. There has been considerable support for the view that internationalization can assist countries in building financial systems that are more stable and efficient by introducing international standards and practices. At the same time, there have been concerns about the risks that internationalization may carry for some countries, particularly in the absence of adequate regulatory structures. The chapters in this book examine different aspects of this debate, the relative benefits and costs of internationalization, and together provide an insight into the diversity and significance of the effects of internationalization on domestic financial systems.

Co-published with Bernan Associates

Trade Policy Reviews series

The Trade Policy Review Mechanism was launched in 1989 to improve transparency by enabling GATT members collectively to examine the full range of trade policies and practices of individual members. This process has continued under the WTO in much the same format. The evaluation is conducted on the basis of two reports: one presented by the government of the country concerned, and the other prepared by the GATT/WTO Secretariat. The four largest traders – Canada, Japan, the United States and the EC (as a single entity) – are reviewed every two years. Other countries are reviewed every four or six years, depending on their relative importance in world trade.

CD-ROM: Trade Policy Review Series

The WTO Trade Policy Reviews are now also available on CD-ROM. The 1999 version contains member countries reviewed from 1995-1998, including the United States, Japan, the EU and Canada in English, as well as member countries reviewed between 1995-1997 in French and Spanish. Each CD-ROM contains these reports, with links, bookmarks, and search facilities, using Folio 4 software. A new, updated disk will be released every year to include the new reviews that have become available.

The 2000 edition containing member countries 1995-1999 in English and 1995-1998 in French and Spanish will be available shortly.

CD-ROM: GATT Basic Instruments and Selected Documents

The entire GATT Basic Instruments and Selected Documents (BISD) – 42 volumes in English, French and Spanish on one CD-ROM. This disk uses Folio 4 software turning the large library of documents into a highly accessible and useful tool for research. It also allows the user to conduct sophisticated research quickly and efficiently.

International Trade Statistics 2001 on CD-ROM

The WTO's 2001 trade statistics enables you to analyze international trade patterns between countries and regions, extract and export extensive trade statistics and graphics to spreadsheet or database through the technology of CD-ROM.

Areas covered include, trade by region, country or commodity data are compiled and presented by WTO's leading economic statisticians with great detail and reliability, charts, graphs and tables present the information in an easy-to-access, easy-to-read style.

Co-published with Cambridge University Press

Tariff Negotiations and Renegotiations under the GATT and the WTO – Procedures and Practices, Anwarul Hoda

The procedures and practices to implement the provisions relating to tariff negotiations and renegotiations have evolved considerably since the GATT was established in 1947. The provisions themselves have undergone some changes in the last 54 years. Professor Hoda reviews the evolution of these provisions and of the procedures adopted and practices followed by the contracting parties to GATT 1947 and the Members of the WTO. He offers some conclusions and recommendations. This new book will be of particular interest to negotiators including Geneva based delegations, members of government trade ministries, economists, and all academics who specialize in trade policy.

WTO Dispute Settlement Procedures – 2nd Edition

This volume contains a collection of the legal texts related to the settlement of disputes under the Agreement Establishing the World Trade Organization (WTO). To facilitate their use, the texts have been grouped by subject matter, and cross-references and a subject index have been added by the WTO Secretariat. These additions do not form part of the legal texts and therefore should not be used as sources of interpretation.

The Legal Texts – The Results of the Uruguay Round of Multilateral Trade negotiations

First published in 1994 by the GATT Secretariat and reprinted by the WTO in 1995, this title has now been reprinted by Cambridge University Press.

This book contains the legal texts of the agreements negotiated in the Uruguay Round, now the legal framework of the World Trade Organization. The agreements will govern world trade into the 21st century. They cover:

Goods: the updated General Agreement on Tariffs and Trade (GATT) that includes new rules on agriculture, textiles, anti-dumping, subsidies and countervailing measures, import licensing, rules of origin, standards, and pre-shipment inspection. (The original GATT text is also included in this volume);

Services: the General Agreement on Trade in Services (GATS);

Intellectual property: the Agreement on Trade-Related Intellectual Property Rights (TRIPS);

Disputes: the new dispute settlement mechanism;

The legal framework for the World Trade Organization.

ISBN 0521 78094 2 – Hardback

Price: SFr 150

ISBN 0521 78580 4 – Paperback

Price: SFr 62.50

French and Spanish versions are available from the WTO.

Dispute Settlement Reports

The *Dispute Settlement Reports* of the World Trade Organization (the "WTO") include panel and Appellate Body reports, as well as arbitration awards, in disputes concerning the rights and obligations of WTO Members under the provisions of the *Marrakesh Agreement Establishing the World Trade Organization*. The *Dispute Settlement Reports* are available in English, French and Spanish. 1996, 1 volume, 1997, 3 volumes, 1998, 9 volumes, 1999, 6 volumes.

Annex II – Trade Policy Review Body – Concluding remarks by the Chair of the Trade Policy Review Body

Mozambique

We have had a good and informative discussion of the trade policies of Mozambique. Members were very impressed by the excellent economic performance of Mozambique in recent years, attributing this to its economic reforms, including privatization of enterprises, the elimination of most export restrictions and of foreign exchange controls, and simplification of its customs tariff. Members observed with praise the fact that Mozambique's good performance often had come in the face of serious climatic difficulties. They also noted

that Mozambique had benefited from debt relief programmes, although some urged even greater relief. Members also commented favourably on Mozambique's efforts to attract foreign investment and urged that these efforts be strengthened and supported.

Members appreciated Mozambique's active participation in the multilateral trading system. They called on Mozambique to expand its commitments under the GATS and to make every effort to meet its WTO notification requirements. Some Members sought further information on Mozambique's experience with the Integrated Framework and on its technical assistance needs, and pledged a willingness to provide continued assistance, either individually or through various programmes. Some Members joined Mozambique in urging that the regular budget of the WTO be increased to address some of these needs better. Members also showed an interest in the role of regional and bilateral trade agreements in expanding Mozambique's trade, but called for greater transparency in those agreements.

Members encouraged Mozambique to strengthen its domestic process of trade policy coordination and to continue its reform process. Some Members suggested that Mozambique further reduce its border barriers to trade and increase the number of its tariff bindings. Members noted with some concern that Mozambique had not implemented the WTO provisions on customs valuation but welcomed its intention to apply the Agreement by 2003. Questions were raised about tariffs (including bindings and applied rates) and about other duties and charges (including import surcharges on products such as sugar). Members encouraged Mozambique to further progress in the implementation of its privatization programme.

Some Members noted the pending significant expansion of Mozambican exports in the mining and power sectors, and pointed out that Mozambican exports, almost limited to agricultural products, could be expanded if markets were more open in developed countries. There was also recognition that further expansion of Mozambican exports depended to a large extent on infrastructure developments and foreign investment. Some concern was expressed about its Government's intervention in the agriculture sector, mainly on products such as cashews and sugar, and for food security purposes.

Members also sought further clarification on a number of issues, including:

- pre- and post-shipment inspection;
- standards and other technical requirements;
- government procurement and eventual participation by Mozambique in the Plurilateral Agreement on Government Procurement;
- implementation of the TRIPS Agreement in January 2006;
- investment regime, including incentives provided in export processing zones and industrial zones;
- mining, including the MOZAL project;
- industrial strategy and development corridors; and
- structural reforms in the services sector, including financial services and telecommunications.

Members appreciated the responses provided by the delegation of Mozambique to most questions raised during the meeting.

In conclusion, it is my feeling that this Review has given the TPRB an excellent insight into the evolving trade policies and practices of one of the LDCs that is having the greatest success. Members were encouraged by Mozambique's economic performance. Members encouraged Mozambique to maintain both the pace and the direction of its reforms and urged that its bilateral and regional arrangements be WTO-consistent. In my personal capacity, I urge all Members to support Mozambique in its efforts. In this respect, we should pay particular attention to Mozambique's request to the Membership for technical assistance.

Madagascar

We have had a thorough and constructive discussion of the trade policies of Madagascar. Members were impressed by Madagascar's recent strong economic performance, which they attributed to the strengthening of its market-oriented reforms, including trade liberalization. Members commended Madagascar on its interim Poverty Reduction Strategy Paper (PRSP) and sought clarification on the mainstreaming of trade in the PRSP. They noted that Madagascar's debt relief under the HIPC initiative would further assist its macroeconomic situation. Some concern was expressed about the pace of the privatization process and about restrictions on land ownership, which were negatively affecting foreign direct investment, particularly in the tourism subsector. Members encouraged Madagascar to continue the reform process so as to allow it to fully benefit from its rich resource base and enormous potential.

Members appreciated Madagascar's active participation in the multilateral trading system. Some Members urged Madagascar to join them in their support for the launch of a

new round of multilateral trade negotiations. Members called upon Madagascar to improve commitments under the GATS, particularly in areas such as telecommunications, transportation and tourism, and to meet its WTO notification requirements. Members expressed hope that a revitalized Integrated Framework, in which Madagascar would be an early participant, would yield beneficial results in meeting Madagascar's technical assistance needs and its multilateral commitments. Members were supportive of Madagascar's initiatives towards regional and bilateral agreements to expand its trade, but urged Madagascar to ensure that such agreements remained consistent with the multilateral trading system.

Members urged Madagascar to strengthen its domestic process of trade policy coordination and were encouraged by Madagascar's intention to establish a national committee on WTO matters. Members commended Madagascar's reduction of import duties, although it was acknowledged that Madagascar might encounter problems of policy coherence given other recommendations to maximize revenue from import levies. Some concern was expressed about the high level and variety of additional import taxes. Suggestions were made that Madagascar increase the number of its tariff bindings on non-agricultural products. Members noted that Madagascar had just adopted the WTO provisions on customs valuation and enquired about implementation difficulties it might face. Questions were raised about preshipment inspection, quantitative restrictions on imports of products such as vanillin and precious stones, and about export promotion, including the export processing zone and export credit.

Members noted that Madagascar's economic performance had suffered somewhat because of its significant reliance on the agriculture sector which had faced serious climatic difficulties. In addition, some Members pointed out that Madagascar's agricultural exports could be expanded if markets were more open in developed countries. Noting that aquaculture was expanding rapidly in Madagascar, Members enquired about measures taken by Madagascar following the prohibition by foreign countries of some of its exports, mainly shrimp, on sanitary grounds. There was also recognition that Madagascar might further exploit non-reciprocal preferential treatment provided by developed countries to expand its exports if it improved its infrastructure and the competitiveness of its manufactured products, mainly textiles.

Members also sought further clarification on a number of issues, including:

- (i) government procurement and eventual participation by Madagascar in the Plurilateral Agreement on Government Procurement;
- (ii) adoption of new competition legislation;
- (iii) implementation of the TRIPS agreement in January 2006;
- (iv) legislative and structural reforms in the mining and energy sector; and
- (v) structural reforms in the services sector, especially in banking and insurance services.

Members appreciated the responses provided by the delegation of Madagascar to most questions raised during the meeting.

In conclusion, it is my view that this Review has given Members an opportunity to better understand the economic challenges facing Madagascar. Members were encouraged by Madagascar's economic performance and were optimistic about its economic prospects. Members encouraged Madagascar to maintain both the pace and the direction of its reforms, and urged that its bilateral and regional arrangements be WTO-consistent. In my personal capacity, I advocate that all Members support Madagascar in its efforts. In this respect, we should pay particular attention to Madagascar's request to the Membership for technical assistance.

Ghana

Our discussions have provided an open and informative second Trade Policy Review of Ghana at a critical time for the economy. Members were heartened by Ghana's commitment to trade and economic reform, reaffirmed by the incoming Government elected to office in December 2000. They acknowledged Ghana's active participation in the multilateral trading system and welcomed continued efforts to open its market by refraining from using non-tariff measures and relying on tariffs as the main instrument of protection. The central role to be played by trade, investment and the private sector in Ghana's economic restructuring and improving its international competitiveness was widely recognized, and Ghana was urged to pursue further liberalization.

While appreciating Ghana's efforts, the review highlighted the urgent need to restore macroeconomic stability through sound fiscal and monetary policies. The Ghanaian delegation referred to the incoming Government's commitments to immediately tackle the large deficits and balance the budget by end-1994. Members noted that adverse terms of trade were part of Ghana's international trading environment and that the most effective means of coping with such movements was to promote economic resilience through sound

economic management and diversification. This was essential if the Government's ambitious Vision 2020 objective of achieving middle-income status and of making Ghana a leading agri-based industrial country in Africa by 2010 were to succeed.

Members supported Ghana's principal trade policy objectives of export-led growth through broadening of the economy's export base and promoting a more competitive manufacturing sector. However, some Members questioned the use of direct incentives via generous income tax concessions to subsidize exports. Revitalization of the privatization programme, linked to greater liberalization of key infrastructural services financed from increased foreign investment, was also encouraged. In addition, Members welcomed efforts to improve customs administration to facilitate trade, such as the recent implementation of the transaction value in line with Ghana's WTO commitments and termination of preshipment inspection.

While members welcomed the Government's policy objective of reducing the average tariff to below 10% over the next three years, they questioned the recent imposition of the "special import tax" of 20% on many consumer goods. Members sought clarification on its role in protecting industries against unfair trading practices abroad and on proposed timing for its elimination. The Ghanaian delegation reaffirmed that it was a temporary measure to save foreign exchange on "non-essential" imports. The Government had recently reduced the coverage of the tax from about 7% to 5% of tariff lines and intended to further review the measure.

Members asked about Ghana's government procurement policies, including the 12.5% price preference afforded domestic suppliers, and eventual participation in the Government Procurement Agreement. Questions were also raised regarding its low level of tariff bindings on industrial products and the widespread use of tariff concessions and exemptions. The useful role played by having an independent statutory body to review economic and trade policies was also mentioned by some participants. Ghana's regional initiatives, including ECOWAS and within the African Economic Community, were also questioned. Members sought details on Ghana's sectoral policies, especially for cocoa where they supported efforts to liberalize production and marketing aimed at revitalizing the sector.

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

- WTO implementation and technical assistance needs,
- no anti-dumping, countervailing and safeguards legislation,
- protection of intellectual property and impending legislative changes; and
- development policies, including greater private sector participation, poverty reduction

and coherence between trade and developmental policies.

Members expressed their appreciation of the written and oral responses provided by the Ghanaian delegation and looked forward to receiving the additional material foreshadowed.

I feel that we have had a successful Trade Policy Review that has contributed greatly to improved transparency and understanding by Members of Ghana's trade and other economic policies, in the context of its difficult economic situation and immense developmental challenges. Many constructive suggestions were raised on how Ghana may proceed on its trade and economic reforms. Ghana has reiterated its strong commitment to the multilateral system and Members have expressed assurances of help through providing bilateral and multilateral technical assistance. I hope that Members will also be able to help Ghana's liberalization by extending open access to its exports, including in agriculture where its comparative advantage appears strongest.

Macao, China

This review has provided us with much greater insight into the trade policies, practices and measures of Macao, China. Members commended Macao, China for the fact that neither the Asian financial crisis, which erupted in 1997, nor its reversion to the People's Republic of China in 1999 has materially affected the Territory's liberal trade and trade-related policies. The trade and investment regime of Macao, China continues to be among the most open in the world. The Government's approach has long been to let free and open markets be the main determinant of the allocation of resources within the Territory and thus its economic development. This approach to economic policy is to continue into the foreseeable future under the Territory's Basic Law, which provides for "one country, two systems" and ensures the continuity of its long-standing free-trade tradition.

Members welcomed the continuing commitment of Macao, China to the primacy of the WTO, in which it had actively participated. They also expressed their appreciation of efforts by Macao, China to undertake economic and administrative reform. While the linked exchange rate system might have limited the scope for controlling the money supply, the system had maintained currency stability.

Members welcomed the free-port status of Macao, China, but observed that only some 24% of all tariff lines are bound. They encouraged Macao, China to increase tariff bindings so as to enhance the confidence of traders and investors.

Questions were raised about non-tariff measures, with attention being focused on the simplification of customs procedures and the import licensing regime. The use of sanitary and phytosanitary measures was also queried. Although Macao, China has no laws or regulations governing anti-dumping or countervailing actions, and no such action has been taken during the period under review, Members asked about the legal basis of any such measures that might be imposed in the future. While there is no legislation regarding safeguard measures, the Chief Executive is empowered nevertheless to prohibit, restrict, attach conditions to, or impose levies on goods whose admission into the Territory is "not advisable".

Members sought clarification on the use of tax incentives to encourage exports and to promote investment. The rationale for using a system for leasing government-owned land as a potential instrument of economic policy was also queried. Some Members expressed the view that industrial policy should not undermine the Territory's open trade policy, which has served the economy so well.

Members acknowledged that Macao, China has made important efforts to implement the TRIPS Agreement through the amendment of its laws; nonetheless, they urged it to take further steps to improve the enforcement of these laws. Members welcomed efforts by Macao, China to simplify its government procurement procedures and transparency, as well as its plans to become more involved in the Working Group on Transparency in Government Procurement.

Macao, China is a service-based economy and the authorities' objective is to develop the Territory into a regional services centre. However, Members expressed concern that the granting by the Government of exclusive rights to private companies could impair competition and thus hamper the economic development of Macao, China. At the same time, Members noted and welcomed the Territory's recent efforts to liberalize specific services (notably telecommunications). The paucity of commitments made by Macao, China in the services negotiations was also noted; Members requested Macao, China to expand its commitments under GATS in the ongoing services negotiations. With textiles and clothing continuing to be the key industrial activity and major contributor to merchandise exports, Macao, China also has incentives to promote the establishment of high-value-added industries; Members sought information on the nature and effect of these incentives.

Members also sought additional details on a number of other policies and measures, including:

- efforts to increase labour productivity;
- the status of the creation of a new customs service and the implementation of a computerized system for customs clearance;
- steps taken to encourage export diversification;
- efforts to reduce the trans-shipment of textiles and clothing and the possibility of denying export licences to companies convicted of illegal trans-shipment;
- clarification of the extent to which foreigners are allowed to participate in the provision of services; and
- criteria for the granting of licences for the establishment of financial institutions in Macao, China.

Members expressed their appreciation for the written and oral responses provided by the delegation of Macao, China to advance questions as well as those posed during the meeting.

To conclude, I feel that we should commend Macao, China for maintaining an open market throughout the Asian financial crisis. Despite the economic difficulties, Macao, China has consistently adhered to WTO principles and continued to support the multilateral trading system. Macao, China also expressed its willingness to offer more commitments in ongoing and future trade negotiations, noting that the needs and concerns of developing country Members should be taken into account. Finally, I am sure that the maintenance by Macao, China of one of the world's most liberal trade and investment regimes will undoubtedly contribute to the Territory's economic recovery and its future prosperity.

Costa Rica

Our discussions over the past two days have allowed us to come to a fuller understanding and appreciation of Costa Rica's trade policies and practices. This has been greatly helped by the openness and frankness of the delegation, led by Vice-Minister Llobet, and I am sure that we are all very grateful for their active participation. Members were all favourably impressed by Costa Rica's good economic performance in recent years. They noted that underlying this performance was Costa Rica's generally liberal trade regime, open investment environment and successful strategy to shift production towards

manufacturing, notably into export industries. Trade has also been an important element in this performance with the share of trade to GDP rising from 71% to 97% over the last decade. However, growth of per capita disposable income had not been as impressive as overall growth, suggesting the need to strengthen the linkages between domestic and export-oriented activities. Costa Rica has recognized the problem and is already taking steps in this direction.

Members complimented Costa Rica for its continued strong support for the multilateral trading system and for its active participation in the work of the WTO. Several Members welcomed Costa Rica's clear support for the launching of a new round of negotiations with a broad agenda. Members took note of Costa Rica's increased participation in preferential arrangements and highlighted the importance of ensuring that such participation is fully consistent with multilateral principles, so as to ensure the complementarity of multilateral and regional liberalization efforts and to avoid the marginalization of third countries.

Members commended Costa Rica for its success in providing a stable economic and institutional environment. However, some recent difficulties to reform and modernize important sectors, such as telecommunications, insurance and energy, raised concerns about Costa Rica's ability to keep up with technological and market developments.

Participants recognized that access to the Costa Rican market is generally liberal. Nevertheless, Members noted the persistence of access barriers in a few but important sectors, particularly in some services areas. Members also raised some concerns about the wide gap between applied and bound tariff rates, relatively high protection in the agricultural sector, price and marketing regulations, and remaining monopolies in telecommunications, insurance and energy distribution services. The Costa Rican delegation noted that legislative initiatives were in course to address some of these issues.

Specific questions were also asked regarding Costa Rica's:

- strong dependence of exports on a single producer of electronic components;
- export incentives mechanisms, including after they expire in 2003;
- schemes to encourage backward linkages between export-oriented activities and the domestic economy;
- differential treatment of national and imported alcoholic beverages;
- plans to further upgrade and improve customs procedures and administration;
- use of labelling and SPS measures;
- marketing of agricultural products, including sugar and coffee;
- administration of tariff quotas and special safeguards on a few agricultural products;
- plans to liberalize and reform the services sector, and access conditions to professional, air transport and financial services;
- GATS commitments;
- possible participation in the GPA; and
- protection of IPRs.

Members clearly appreciated the comprehensive responses provided by Costa Rica to questions addressed in writing and to the questions raised during the Review. I thank in particular the Costa Rican delegation for its dedication and hard work in providing written answers to the many questions posed by Members.

In conclusion, it is my clear impression that this Body appreciates Costa Rica's commitment to a strong rules-based multilateral trading system. Costa Rica is a prime example of how small WTO economies may benefit from trade liberalization and the multilateral trading system. Generally, Members see the Costa Rican trade and investment regime as open and transparent, but are also aware of remaining barriers. In this respect, several Members believed that liberalization should also extend to those sensitive service areas that to date lag the process of reform. This would bring these sectors – some of which, such as telecommunications, are vital for the infrastructure – in line with policies in other areas. This would complement Costa Rica's otherwise growth-supportive policies, to the benefit of both Costa Rica's economy and the multilateral trading system.

Brunei Darussalam

Members warmly welcomed the delegation from Brunei Darussalam to its first Trade Policy Review. This Review has allowed Members to come to a better understanding of Brunei's trade and trade-related policies and of the challenges it faces as it seeks to diversify its economy.

Brunei is a small relatively open economy whose prosperity is due mainly to its abundant petroleum and natural gas resources. However, the prospect of an eventual depletion of these resources has prompted the Government to pursue an active industrial policy in order to encourage economic diversification. But for the time being, efforts to foster economic diversification are complicated by a small and non-competitive private sector, which is partly attributable to the fact that remuneration in the public sector is higher than that in the

private sector. Members asked how the Government intends to improve the relative attractiveness of jobs in the private sector.

Members welcomed the fact that Brunei's trade and investment regime is relatively liberal – the average applied MFN tariff, for example, was only 3.1% in 2000. However, several aspects of the regime are characterized by a lack of transparency and therefore provide scope for administrative discretion, which could hamper the Government's efforts to diversify the economy. Some Members expressed concern that this lack of transparency, and thus public accountability, also seems to extend to the operations of certain government bodies, notably the Brunei Investment Agency and Semaun Holdings. In response, the Brunei delegation outlined steps being taken to improve the transparency of government policies and regulations, especially those pertaining to the investment regime. It added that Semaun Holdings, although under the Ministry of Industry and Primary Resources, nonetheless operates in accordance with normal commercial principles.

Members noted that Brunei had ratified the WTO Agreements but had yet to implement legislation to bring domestic laws into conformity with the obligations in these Agreements, except in the case of TRIPS; instead, WTO provisions have hitherto been implemented in "good faith" or on a "best efforts" basis. Members sought clarification of the Government's position and intentions in this regard. In response, the Brunei delegation indicated that the Government is in the process of incorporating these provisions into its national legislation. At the same time, Members commended Brunei's efforts to adhere to its WTO commitments despite the heavy burden placed on its limited institutional capacity, especially human resources. Several Members also welcomed Brunei's support for the launching of a new round of negotiations. Members warmly congratulated Brunei on its successful chairmanship of APEC in 2000.

Members noted that Brunei made GATS commitments in four out of 12 service sectors. They asked whether Brunei intends to make commitments in other sectors, such as transport and tourism, which it is trying to develop and where policies appear to be already relatively liberal, particularly as this could support the diversification effort. In response, the Brunei delegation stated that the Government intends to undertake progressive liberalization taking into account its national policy objectives and level of development.

Members also sought clarification of the relative roles of ASEAN and APEC on the one hand, and the WTO on the other, in promoting trade liberalization; they welcomed Brunei's assurance that regional arrangements would be complementary to the multilateral trading system.

Questions were raised about the wide gap between bound and applied tariffs, which impart a degree of uncertainty to the tariff in that it provides Brunei with considerable freedom to raise its tariffs, although Members recognized that Brunei had seldom, if ever, taken advantage of this freedom. They noted that, while small in number, Brunei's tariff peaks of as much as 200% could distort trade significantly. At the same time, Members welcomed Brunei's plans to convert the remaining small number of specific duties to *ad valorem* tariffs, thereby increasing the transparency of the customs tariff.

Members also sought details and clarification on a number of other policies and measures, including:

- customs valuation and rules of origin;
- temporary bans on construction products, which had not been notified to the WTO;
- regulations concerning food imports;
- government-to-government contracts in the case of rice;
- export measures;
- government procurement;
- taxation and incentives;
- progress on privatization;
- competition and regulatory issues (including price controls);
- measures to enforce intellectual property rights;
- level of support to agriculture;
- efforts to liberalize telecommunications services;
- financial services; and
- tourism.

Members expressed their appreciation for the written and oral responses provided by the delegation of Brunei Darussalam to advance questions as well as to those posed during the meeting.

In conclusion, I feel that we should congratulate Brunei Darussalam on maintaining a relatively open trade and investment regime. I think that we are all aware of certain difficulties Brunei faces in transparency and in implementation in terms of notifications and domestic legislation, but I also note that the delegation made Brunei's commitment to the WTO very clear. Generally, I think we understand that technical assistance in some areas might ease Brunei's implementation problems. I think that we also agree that a further

liberalization of the trade regime, including additional GATS commitments, could assist Brunei both in its efforts to diversify its economy and in its further integration into the multilateral system, to the benefit of us all.

OECS-WTO Members

We have had two days of frank and constructive discussion on the OECS-WTO Members' trade policies and practices. Jointly and individually, these Members made forceful presentations of the special challenges they face due to their small size and populations, diseconomies of scale, high infrastructure and social costs, and vulnerability to external shocks. As a result, and despite the number of Members attending the meeting itself, I am certain that all WTO Members will have gained a better appreciation of, and will no doubt pay greater attention to, the problems and difficulties of these economies. Members noted that, even given such difficulties, OECS-WTO countries had shown strong economic performance in recent years. However, the Members under review pointed to the still significant number of people living in poverty and the pressing need to address this problem.

Many WTO Members attributed much of the overall economic accomplishments of the OECS-WTO countries to their general openness and historical participation in international trade, a well educated labour force and stable, well-functioning institutions. WTO Members encouraged these countries to continue in their path to diversify their economies, particularly with a view to reducing their vulnerability. Some WTO Members considered that continued emphasis on developing the service sector offered the best growth opportunities, while other Members considered that agriculture would, and should, remain a key sector of the economies.

Members of this Body recognized the efforts made by OECS-WTO Members to further liberalize their economies, particularly through tariff reductions in the framework of their participation in CARICOM. Concerns were expressed, however, with respect to the persistence of quantitative restrictions, wide-spread import licensing requirements, and the use of safeguard measures. Members also noted that, although reduced, tariffs remained relatively high, but took the point that this was mainly for revenue purposes; some suggested that a more simplified tariff structure might be more appropriate. Some Members also suggested alternative revenue sources, with a Member proposing the adoption of a Value-Added Tax, the feasibility of which OECS countries are already studying. Members also invited OECS-WTO countries to lower their tariff bindings to rates closer to the currently applied rates, and thus improve the predictability of their import regimes.

Members were appreciative of the effort and progress made by OECS-WTO countries to meet their WTO notification requirements and bring their domestic legislation into line with WTO Agreements. Several Members also encouraged the countries under review to improve their commitments in the WTO with respect to services, putting them at a level comparable with their current, relatively liberal practices. Concerns were voiced with respect to the negative economic effects of being singled out as tax havens in other fora.

This Review has made clear the extent to which complying with WTO rules is constrained by limited human resources. In this regard, I believe this review has played an important role in helping OECS-WTO countries conduct their own internal reviews of the trade-related policies and practices they follow, and of the resources at their disposal to carry them out. Although, as a result, means might be found to make a more efficient use of those resources, including through ongoing initiatives for greater regional cooperation, the inescapable conclusion is that at this juncture the countries under review need the support of the international community to participate more effectively in the multilateral trading system. Acknowledging this, there were widespread expressions of support from Members for additional technical assistance to OECS-WTO countries. I hope the work undertaken throughout this review to identify the trade-related needs of these countries will lead to concrete steps to address these, including through a permanent presence in Geneva.

Several Members were understanding of the request by the OECS-WTO Members for special consideration for them, anchored in the principle of special and differential treatment granted in the WTO to developing countries. While noting the problem posed to OECS-WTO Members by the erosion of preferential margins, some Members expressed support for an early granting of the waiver from WTO rules for the Cotonou Agreement.

Specific questions were also asked the OECS-WTO Members on:

- compliance with WTO notification requirements;
- improvements to customs valuation and administration;
- import licensing procedures;
- use of quantitative restrictions;
- administration of price controls;
- binding of "other duties and charges" in the WTO;
- export assistance and promotion activities;

- harmonization of standards and standards bodies;
- the role of commodity boards;
- transparency in government procurement;
- protection of IPRs;
- investment incentive schemes, and their coverage; and
- legislation, access conditions and incentives in specific service sectors.

Apart from the questions addressed to the OECS-WTO Members as a group, specific questions were directed to individual OECS-WTO countries, including:

- to Antigua and Barbuda, on incentives schemes, free trade zones, imports of reconditioned vehicles, telecommunications and the functioning of the International Ship's Registry;
- to Dominica, also on incentives schemes;
- to Grenada, on tariff bindings and the application of the general consumption tax;
- to St. Kitts and Nevis, on labelling standards and the functioning of the International Ships Registry;
- to St. Lucia, on investment limitations in certain sectors; and
- to St. Vincent and the Grenadines, on incentives for non-hotel tourism activities.

Members appreciated the oral and written responses and explanations provided by the delegations of the OECS-WTO countries.

We look forward to receiving answers on still outstanding questions.

In conclusion, it is my sense that this Review has amply fulfilled its main objective of assessing in a collective manner the trade policies and practices of the OECS-WTO Members, particularly in the context of their development needs and objectives as well as of the external environment. The Members under review reaffirmed their full commitment to the multilateral trading system, and the presence of the six Ministers has been strong testimony to this. But we have also been made aware of the problems and difficulties hindering the fuller participation of the OECS-WTO Members in the system. Addressing these issues could be important for a greater participation of OECS-WTO Members in the multilateral trading system, which would not only help the Members reviewed take greater advantage of trading opportunities to foster growth and development, but also enrich and be of benefit to the system as a whole. In this respect, I am convinced the WTO offers the best framework in which these Members can participate as equal partners with larger economies in the global market.

Gabon

I noticed a warm atmosphere and a spirit of support for Gabon among the delegations present during the country's first Trade Policy Review, which I consider to have been particularly successful. All of us are considerably enlightened as to the situation in Gabon, the country's potential and the challenges lying ahead. We have had a very fruitful dialogue concerning the economic reform that Gabon has launched and the role of trade policy in that reform. The process was facilitated by the presence of a large and multidisciplinary delegation, skilfully led by Gabon's Trade Minister, Mr. Mabika.

In particular, we were able to appreciate the measures taken by the Government of Gabon to improve its integration into the multilateral trading system. The creation of a National Committee to oversee WTO matters from the capital was a decisive step. Many speakers acknowledged Gabon's action on behalf of the WTO in Africa as host for the Trade Ministers at the Libreville Conference last November.

We all agree that the health of the Gabonese economy depends heavily on the income from dwindling oil resources, and that diversification is therefore a must. Many of the questions raised by delegations concerned the strategy adopted by the authorities in the face of this challenge, notably in the areas of privatization and investment, in which Gabon had made progress. Many statements also raised the issue of the Government's support measures for its industrial development policy, including disciplined management of public finance, reform of the civil service, and continuation of the fight against corruption, supported by the Bretton Woods institutions. In this context, incentives, subsidies, and domestic tax reductions or exemptions for enterprises might lead to problems of consistency with Gabon's WTO commitments.

On the subject of the application of Gabon's trade policy instruments, which depend for the most part on the Economic and Monetary Community of Central Africa (CAEMEC), I pointed out the importance attributed by delegations to ensuring coherence between the regional and multilateral dimensions of that policy. One delegation expressed concern that the rates applied were above the bound rates in Gabon's schedule for 40% of the tariff lines. Mr. Mabika assured us that his Government was aware of the problem and that the Gabonese authorities intended to find a rapid solution through negotiations under Article XXVIII of the GATT 1994, in full conformity with the relevant rules. Once the authorities have

dealt with this problem, we will all be able to congratulate Gabon for its commitment, exceptional among the African countries, to the binding of all of its tariff lines at ceiling rates.

Other questions were also raised by certain delegations with respect to the implementation of the WTO Agreements, including the continued application of a surcharge initially scheduled to be eliminated half way through 2000. The Minister informed us of his firm intention to propose to the Government the abolition of this surcharge. Concerns were also expressed regarding VAT and excise tax reductions for locally-produced goods, as well as the implementation of the provisions of the Customs Valuation Agreement, the Anti-Dumping Agreement, the Agreement on Subsidies and Countervailing Measures, and the Agreement on Safeguards. The implementation of the TRIPS Agreement, which was delayed in Gabon pending the collective ratification of the Bangui Agreement, revised by members of the AIPO, was also a source of concern. I understood from Mr. Mabika's comments that the necessary ratifications were imminent and that the Bangui Agreement should enter into force within two months.

Regarding Gabon's sectoral policies, delegations focused above all on the problem of food security, the need for sustainable management of non-renewable natural resources (in particular fishery and forest resources) and the strengthening of competitiveness with a more efficient services sector, in which connection I understood that Gabon was urged to deepen its commitments under the GATS, particularly in the areas of telecommunications and financial services, as well as transport, in the context of the ongoing negotiations.

Mr. Mabika gave precise answers to these questions, and I would like to thank him for his cooperation. These answers, together with his statements, also address the question which, I would venture to say, underlies all others: how can a developing country like Gabon envisage full participation in the WTO multilateral trading system? Mr. Mabika spoke of an urgent need to deal with Gabon's enormous debt burden, a concern which, while not within the competence of the WTO, would undoubtedly be transmitted by the delegations present to their authorities. He also spoke of the urgent need in his country to build up the capacity of its human resources through technical assistance, an essential element in ensuring that the Gabonese were masters of their own development process.

Fortunately, as recognized by a number of speakers, technical assistance is an area in which WTO Member countries can act. These speakers urged Gabon to specify its needs in a programme which might then be adopted, which Mr. Mabika has done in full. Indeed, WTO Members shared Gabon's goal of integration into the global economy and the multilateral system, and were ready to provide concrete and significant support. It is here that there was a true convergence of views between the delegation of Gabon, the discussant, the Secretariat, and all Members present here today. I congratulate you and thank you for your participation.

Cameroon

I have a very strong feeling that the second review of Cameroon's trade policy has been a distinct success. We have all learned a great deal about Cameroon, and we have been able to familiarize ourselves more closely with its economic and trade situation. We have had a very productive dialogue regarding both its economic reforms and the part played in that process by its trade policy. We have also been able to appreciate the extent of the tasks which remain, in particular as regards good governance and the alleviation of poverty.

Members have congratulated the Government of Cameroon on the steps it has taken to improve its integration into the multilateral trading system. The existence of a National Technical Committee with responsibility for following up questions relating to the WTO has been welcomed as a positive contribution in this respect. Similarly, the information provided by the Cameroonian delegation concerning recent notifications was much appreciated, since it demonstrated the Government's firm intention to honour its commitments within the WTO. In this connection, the country's technical assistance and capacity-building requirements have been recognized, and several delegations clearly indicated their willingness to help.

Most speakers expressed satisfaction at the recovery of the Cameroonian economy, assisted by structural reforms and a favourable external environment. Members appreciated the efforts which Cameroon is making to introduce important institutional and economic reforms designed to improve its competitiveness and promote its closer integration into the world economy. Many of the questions posed by delegations concerned the strategy adopted by the authorities to carry forward the structural reforms, including in the areas of privatization, investment and promotion of the private sector. Some speakers also inquired about the measures that the Government is taking to support its agricultural, mining and industrial development policy. Delegations welcomed the fact that Cameroon had become an observer with respect to the plurilateral Agreement on Government Procurement and encouraged it to ensure greater transparency in that field.

Most speakers noted Cameroon's participation in the Central African Economic and Monetary Community (CEMAC). Cameroon was invited to assume a leadership role in the regional integration process. Some delegations drew attention to the low-level of participation of CEMAC countries in Cameroon's trade and asked for further information on how Cameroon had benefited from its participation in the CEMAC.

As far as Cameroon's sectoral policies are concerned, delegations focused mainly on the agricultural sector, the need for sustainable management of natural resources (in particular, forests), and the need for improved performance in the services sector. Some delegations stressed that liberalization of the services sector was an important part of the efforts to modernize the economy. Cameroon was accordingly invited to extend its commitments under GATS, particularly in the areas of telecommunications, financial services and transport, within the context of the negotiations in progress.

Specific questions were also posed on subjects such as:

- Customs procedures, the operation of the single-window facility; preshipment inspection;
- customs valuations; the Chairperson welcomed the entry into force of the WTO Agreement on Customs Valuation as of 1 July 2001;
- the level of the rate of customs duties applied; the coverage of tariff bindings and the level of bound rates;
- value added tax (VAT);
- the procedures for granting import licences;
- the protection of intellectual property and implementation of the TRIPS Agreement;
- the non-existence of an independent official body for evaluating economic and trade policies;
- the Investment Code; and
- limitations on market access for Cameroonian exports.

The written and oral replies given by the delegation of Cameroon to most of the questions posed did much to clarify Cameroon's trade policy and the measures currently in force. The delegation also promised to send more detailed replies to the questions left in abeyance.

In conclusion, it seems to me that we can all congratulate Cameroon on its continuing efforts to liberalize and further develop its economy. Members have recognized Cameroon's need to receive technical assistance to strengthen its human resource capacities, thereby enabling it to fulfil its obligations within the context of the WTO. This would also facilitate Cameroon's closer integration into the multilateral trading system and allow it to benefit from the advantages this would bring. Many speakers invited the Cameroon Government to draw up a list of its substantial technical assistance needs. They also invited it to press ahead with its structural reforms and its efforts to promote greater transparency in its legal and institutional systems. Speakers encouraged Cameroon to bind, within the framework of the WTO, not only all its tariff lines but also its liberalization measures in the services sector. These efforts were regarded as essential to give the liberalization of the economy greater credibility and to attract the foreign investment so necessary in Cameroon's current situation.

United States

We have had a successful sixth Review of the trade policies and practices of the United States. This Review has allowed Members to understand better the trade policies of the new US Administration, and to voice their views on how these policies might affect them. It is by fostering such exchanges that this Mechanism contributes to the smoother working of the multilateral trading system, rooted in the belief that cooperation in the field of trade is a condition for the well-being of, and peaceful relations among nations. These I believe were important considerations at a time when global economic difficulties and recent terrorist attacks loom large in our minds.

Members have again recognized the United States' crucial role in the global economy and as well, the vital contribution it makes to the WTO. The size of the US economy together with its generally liberal, pro-competitive trade policies have made the United States the world's largest single importing country, and a mainstay of world growth. Members were thus concerned about the slowdown in US economic activity, and encouraged the authorities to continue with the measures they were taking to address this; they urged the United States to resist any protectionist measures that might arise. Members also expressed strong interest in the new Administration's trade policy objectives, both in the context of the WTO and with respect to preferential trade negotiations; several welcomed the strong US support for a new round of multilateral trade negotiations. We have also noted that the Administration has placed enactment of Trade Promotion Authority at the top of its trade legislative agenda.

Members recognized that the United States has among the world's most open and transparent trade and investment regimes. Consonant with this, the average MFN US tariff is relatively low. However, a number of Members pointed to the persistence of tariff peaks and escalation in some sectors of particular interest to developing countries, such as agriculture and textiles and clothing; peaks were also present for motor vehicles and ships. They also noted the use of specific and compound rates, which increase tariff protection in times of falling prices. The size, administration and fill rates of tariff quotas were also of concern. Some Members noted that unilateral US trade preferences were in certain cases conditional on policy changes in the beneficiary countries.

The large and growing number of anti-dumping investigations was a point of considerable concern, and seen by many as potentially protectionist. It was noted that investigations without clear justifications result in harassment to exporters. Several Members expressed concern that the Byrd Amendment gives remedy that might not be appropriate under multilateral rules, and that it would lead to the proliferation of petitions for investigations.

The United States has made its public procurement subject to the disciplines of the GPA and was asked to submit the statistics required under the Agreement. Members also sought information on US plans to relax remaining purchasing restrictions, particularly those in the Buy American Act and similar legislation. Concerns were expressed about the impact of set-asides, and about sub-federal purchasing measures.

Widespread interest was expressed in US policies regarding standards and technical regulations, including mutual recognition agreements, the greater adoption of international standards, and the notification to WTO of sub-federal measures. Environment-related trade issues were also raised, including with respect to energy and fisheries subsidies and to trade in products issued from biotechnology.

On competition policy, the United States was encouraged to reduce the number of exemptions to its anti-trust laws, both at a Federal and State level. On intellectual property, the United States was urged to align its practices more closely with those of other Members, including by adopting the first-to-file system, eliminating trade restrictive aspects of the patent system, and streamlining the early publication system. Concern was expressed with respect to the WTO compatibility of Special 301 investigation provisions.

Sectoral policies and measures were the subject of many interventions. The United States is one of the world's largest producers and importers of food, but many Members noted that a range of measures assist the agri-food sector. Agriculture is the largest recipient of government outlays to the private sector, nearly tripling between 1997 and 2000 and with the increase exceeding the decline in agricultural output. Specific attention was given to US sugar and dairy policy, as well as to the use of export credits and food aid. Many participants considered US SPS requirements to be complex and lengthy.

In textiles and clothing, several Members pointed to the fact that although the United States was implementing the ATC as scheduled there had been a rather limited effective liberalization of trade. Some Members noted the expected effects of the recent Trade Development Act, including on third-country input suppliers. Members also noted the increased protection afforded to the steel industry through contingency measures, noting that these measures were not an alternative to the US industry improving its competitiveness.

Members commended the United States for its generally liberal services sector. However, many noted that access to the US maritime transport market continued to be severely restricted, and that in financial and professional services restrictions could arise at the state level. The extent of recent liberalization of US air transport services under bilateral open-skies agreements was also raised.

Other matters raised in the Review included:

- foreign investment regulations and remaining restrictions;
- the extent of US support for a multilateral investment agreement in the WTO;
- certain aspects of customs registration, documentation, procedures and fees, which were seen as unnecessarily increasing costs for traders;
- taxation issues, including of foreign professionals, electronic commerce and of exports;
- measures, notably under the Section 301 family of laws designed, among other things, to open markets for US exporters; and
- trade restrictions for foreign policy reasons, in some cases involving extra-territoriality.

Members appreciated the oral and written responses and explanations provided by the US delegation, and look forward to receiving answers on outstanding questions.

In conclusion, it is my strong sense that the readiness of the United States, of Ambassador Deily and her delegation, to undertake this Review at this particularly difficult time underlines a strong commitment to this Mechanism and the WTO. This adds poignancy to the US position that the WTO is an integral part of the US domestic economic agenda. We have had, I believe, a frank and constructive discussion of US trade policies, and of the

challenges posed by the changing external environment, notably a slowing global economy. I welcome the fact that the United States is as ready as ever to engage trading partners in finding ways to meet those challenges. The United States maintains, I think we all agree, one of the world's most open trade regimes, but in certain areas some of its features give rise to significant concerns on the part of other WTO Members. Addressing these would be to the benefit of us all, and certainly the multilateral system.

Czech Republic

This Review, the second of the Czech Republic's trade policies and practices, has been a real success. Through an open and informative discussion with the Czech delegation, we have all been able to gain a better understanding of the trade and trade-related policies and practices in place, and a fuller appreciation of their impact on the multilateral trading system. We have had a very productive dialogue on recent economic reform in the Czech Republic, and the role that trade liberalization played. The Czech economy was viewed by most Members as now being a functioning market economy. Members were able to obtain useful information about recent and planned changes in trade measures, in particular with regard to the ongoing negotiations for accession to the European Union.

Members congratulated the Czech Government for its continued support of, and active role in, the WTO. The Czech Republic has undertaken important commitments in the multilateral system, and has expanded on them since the previous Review of its trade policies in 1996. Members appreciated the Czech Republic's overall commitment to liberal trade and investment policies. Many Members also welcomed the Czech support for launching an expanded negotiating agenda at the 4th Ministerial Conference.

All delegations welcomed the Czech economic recovery, assisted by structural change encompassing domestic reform and trade and investment liberalization. Some Members noted that the fiscal situation was fragile and that a further deterioration could pose a threat to macroeconomic stability. Members appreciated the efforts made by the Czech Republic in adapting its institutional and economic environment to the requirements of a modern market-oriented economy. Members acknowledged the impressive results of the Czech transition process, including the ongoing privatization of state-owned enterprises, which has played a significant role in attracting foreign investment. Members noted the importance the authorities placed on investment promotion, and on related plans to move forward on restructuring and privatization.

Many Members noted that preparations for EU accession provided a strong anchor to the reform process. In this sense, they commented favourably on the Czech priority target of accession to the EU, which would create the opportunity for further reform as the Czech Republic increasingly harmonized its policies with EU requirements. Some Members raised concerns about the real impact on trade opportunities for non-EU countries, in particular for agricultural goods, resulting from accession. The relatively large number of preferential trade agreements to which the Czech Republic is party was noted, as was the fact that this resulted in a small share of its trade being conducted on an MFN basis. Members appreciated the close Czech economic and trade relations with the Slovak Republic, while recognizing that this did not imply common external positions in all areas. Members also took note of the Czech determination to ensure consistency between its regional trade objectives and its participation in, and ambitions for, the multilateral trading system.

Members appreciated that the Czech tariff regime is transparent and predictable, and that average rates were relatively low. Nevertheless, some Members noted that Czech preferential rates were well below MFN levels. Members invited the Czech Republic to reduce the gap between preferential and MFN tariffs. They also commented on the wide tariff disparities, including tariff peaks, tariff escalation, and the use of concessions and exemptions. The advantages of simplifying the tariff structure by reducing the high number of different MFN and preferential rates was highlighted. Members welcomed the fact that only relatively few non-tariff barriers existed.

On sectoral policies, Members focused mainly on agriculture and services. Some noted that the average tariff on agriculture is relatively high compared with that on non-agricultural goods. Clarification was sought on the existing system of assistance to the agriculture sector. A number of Members asked about the envisaged evolution of agricultural policies, in particular given the prospects for accession to the EU. Members welcomed the fact that competition in the banking sector had increased in recent years, and referred to measures to improve the efficiency of the banking sector. They sought information on plans for further privatization in the telecommunication sector.

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

- customs procedures;
- non-automatic import licensing;
- technical regulations and standards, and conformity testing procedures;

- contingency measures;
- government procurement;
- export policy and assistance;
- free-trade zones;
- protection of intellectual property rights, and enforcement;
- investment regime and incentives;
- the overall system of state aid, including specific aid to economically depressed regions;
- public enterprise restructuring and further privatization plans;
- bankruptcy legislation and practice;
- commercial courts system, and transparency of the legal framework; and
- technical assistance experience in the context of transition economies.

The Czech delegation gave written and oral replies to questions posed, and undertook to send more detailed replies to some of them. The replies helped clarify and bring a better understanding of the Czech trade and trade policy measures currently in force.

In conclusion, I think we can all congratulate the Czech Republic for its continuing efforts to liberalize its economy and its further integration into the multilateral system, something that is already well under way. Members were very appreciative of the Czech Republic's successful economic transformation, and for the success in overcoming the 1997-99 recession. Current policies have resulted in a transparent, predictable, and open trade regime, which has proven to be an important factor behind the increase in trade and investment, and has sustained GDP growth. Members encouraged the Czech Republic to continue on this path. Members also encouraged the Czech Republic to preserve its active interest in the multilateral trading system and to consolidate in the multilateral framework its regional liberalization measures. This would benefit not only the Czech long-term economic interest but also the overall multilateral trading system. The Czech Republic, being a relatively small country dependent on export markets, has much to gain from full participation in the multilateral trading system.

Mauritius

We have had open and fruitful discussions on Mauritius' trade policies and practices. This second Trade Policy Review of Mauritius has been thorough and comprehensive; this was made possible by the full engagement of the Mauritian delegation, led by Minister Cuttaree, and by the active involvement of many Members. Members were impressed by the sustained strong growth of Mauritius' economy over the past two decades. This performance was attributed to sound macroeconomic policies and preferential market access. Noting that despite its economic success, and political and social stability, Mauritius had attracted less foreign direct investment (FDI) than other developing countries, Members queried its failure to attract higher levels of FDI. Clarification was sought about further steps to take up challenges faced by the economy, including labour market rigidities, and high production costs.

Members appreciated Mauritius' active participation in the multilateral trading system. There was also recognition of the constraints facing Mauritius due to it being a small developing country located on a remote group of islands, and of the need for assistance to enhance its integration into the multilateral trading system. Members were supportive of Mauritius' initiatives towards regional and bilateral agreements to expand its trade, and its position on regionalism as a building block towards multilateralism. However, some concern was expressed about Mauritius' participation in various overlapping regional agreements. Members commended Mauritius on its efforts to adjust to erosion of preferential margins due to multilateral trade liberalization and increasing participation of developed countries in regional and bilateral agreements, and sought information on the importance of preferential market access for the Mauritian economy.

Noting that customs duties accounted for about 50% of Mauritius' tax revenue, Members enquired about its plans to reduce its reliance on border taxes. They encouraged Mauritius to further liberalize its trade regime through simplification of its tariff structure, dismantling of non-tariff measures on imports and exports, and elimination of differing tariffs and excise duties. Suggestions were made that Mauritius narrow the gap between bound and applied rates, and increase the coverage of its tariff bindings on non-agricultural products.

Some Members joined Mauritius in its support for the multifunctionality of agriculture while some others viewed this concept as an excuse for barriers to trade, and urged Mauritius to liberalize its agriculture sector. Members pointed out that the textile, clothing, and sugar industries, the main sources of earnings from merchandise exports, were highly protected, and enquired about Mauritius' plans to further liberalize these industries and diversify its exports away from these products. Clarification was sought about Mauritius' plans for future structural reforms in its services sector and for further commitments under the GATS, particularly in areas such as tourism, telecommunications, and financial services.

Members also sought further clarification on, *inter alia*:

- business environment;
- elimination of elements of duality in the economy through transformation from export – to outward-orientation;
- incentive schemes, including export subsidies and credit, and duty and tax concessions;
- state-trading enterprises and implementation of the privatization programme;
- government procurement and eventual participation by Mauritius in the Plurilateral Agreement on Government Procurement;
- adoption of legislation on competition and on contingency trade remedies; and
- revision and adoption of legislation to comply with obligations under the WTO Agreement on TRIPS.

Members appreciated the responses provided by the delegation of Mauritius during the meeting, and look forward to later replies to some questions.

In conclusion, this Review has given Members an opportunity to better understand the challenges facing Mauritius. Members commended Mauritius on its transformation from a mono-crop, to a relatively diversified economy with four pillars, and appreciated its steps to adjust to changes in the international environment. Members encouraged Mauritius to further liberalize and diversify its economy. In my personal capacity, I advocate that all Members support Mauritius in its efforts by securing market access for its products and assisting it to meet adjustment costs and improve competitiveness.

Slovak Republic

We have had an open and very informative discussion of the trade policies and practices of the Slovak Republic. Members appreciated the opportunity to gain a much better understanding of the Slovak Republic's trade-related policies, especially at a time when substantial reforms were being made. Our improved understanding has been very much helped by the frankness and contribution of the Slovak delegation, and I thank them for that.

Members commended the Slovak Republic's impressive progress in transforming to a market economy, with trade and investment liberalization as major features of this process. It is now seen as a functioning market economy, becoming increasingly integrated into the world economy. The Slovak Republic has substantially increased its multilateral commitments in the WTO during the review period.

Members noted the gains in macro stabilization, including fiscal consolidation, since the late 1990s. Although unemployment remains high, the economy is beginning to recover, and prospects are promising. Members noted that despite past economic difficulties, the Government has not resorted to protectionist measures nor trade remedies, and indeed it has taken further steps to liberalize its trade regime.

Structural reform has been revitalised. The Slovak Republic's overall legislative and institutional framework is being strengthened, including important commercial changes, such as to the bankruptcy procedures. Members generally agreed that many of these positive outcomes are linked to Slovakia's EU accession plans, and referred to the substantial achievements in these negotiations thus far. Members also supported the active and more transparent privatization programme covering key sectors, such as telecommunications and banking.

Members agreed that the Slovak Republic plays a full role in the WTO but some wondered how the Slovak Republic would balance its regional arrangements with its multilateral commitments, and advised that regional integration should not detract from its multilateral liberalization, including in agriculture. Some members were concerned about the possible negative impact of Slovakia's regional integration on third countries, noting that most of its trade was non-MFN due to a relatively large number of preferential trade agreements. They urged the Slovak Republic to continue pursuing multilateral liberalization to narrow the gap between preferential and MFN tariffs.

Members commented favourably on overall low tariffs, although noting that transparency could be improved by further rationalization, such as reducing tariff escalation and removing duty exemptions as well as higher seasonal duties on certain agricultural products. Members welcomed the fact that the import surcharge, maintained for balance-of-payments reasons, had been terminated on schedule from 2001. The Slovak Republic also has relatively few non-tariff barriers.

Several Members appreciated the special non-trade concerns confronting the Slovak Republic on agriculture. However, some urged the Slovak Republic to extend its liberalisation efforts to agriculture, which receives relatively high tariff and other assistance. Several delegations noted that Slovakia's agricultural assistance as measured by the OECD had increased substantially since 1996. They questioned the use by the Slovak Republic of food self-sufficiency policies based on agricultural assistance to achieve food security.

Members were impressed with the developments towards liberalization of the services sector. Key sectors, such as banking, insurance, telecommunications and transport, had been deregulated and exposed to greater competition, including from foreign sources. Privatization no longer excludes sensitive state-owned monopolies. Members encouraged Slovak Republic to continue with its privatization efforts.

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

- efforts to stem corruption and improve governance;
- the system of state aid and its control;
- use of investment incentives;
- changes in intellectual property protection and efforts to improve enforcement;
- government procurement procedures;
- standards and efforts at regional and international harmonization, and the self certification scheme for manufacturers,
- improving the operation of commercial courts;
- role of the Antimonopoly Office;
- under-utilisation of tariff quotas on agricultural products;
- issues related to imports of GMO food; and
- improving the coverage and benefits of the GSP scheme.

Written and oral replies by the Slovak delegation helped clarify the issues raised by Members, and contributed to their improved understanding of the country's current trade policies and measures. The Slovak Republic also undertook to send additional information on some matters.

In conclusion, this successful Review has highlighted on-going liberalization was a means of improving economic efficiency and of further integrating the Slovak Republic into the world economy. The Slovak Republic's commitment to the multilateral trading system is well recognized. Along with Members, I encourage the Slovak Republic to continue to pursue such open policies. We all welcome the Slovak Republic's strong support to the WTO as well as its role in Doha for further multilateral trade negotiations. Liberalization on all fronts would continue to benefit the Slovak Republic, and help alleviate any adverse effects of its regional trade arrangements on other Members.

Malaysia

This TPRB Review of Malaysia had seen a frank and very informative exchange of views, stimulated both by the full and open engagement of the Malaysian delegation, and Members' active involvement in the discussion. This exchange has contributed to a much better understanding by Members, and thus their collective evaluation, of Malaysia's trade and trade-related policies. The outcome, I believe, has been a highly successful third Review of Malaysia's trade policies, practices and measures.

Members welcomed and were impressed by Malaysia's rapid growth and its remarkably quick and strong recovery from the 1997 Asian financial crisis. Members attributed this impressive economic performance to sound macroeconomic policies, structural reforms, especially in the corporate and financial sectors, and fast growth in exports. Some Members wondered about the timing and effectiveness of Malaysia's capital and exchange control measures, implemented in the wake of the Asian crisis and the pegging of the ringitt to the US dollar, measures that Malaysia saw as appropriate for stabilizing markets and building confidence. Members expressed the hope that "temporary" liberalization measures introduced during the review period would be made "permanent". Members also sought Malaysia's views on the need to diversify its exports, nearly half of which involve electronics.

Members commended Malaysia for its strong support for and commitment to the multilateral trading system, and expressed their hope that it would actively participate in the Doha Development Agenda. As regards Malaysia's pursuit of trade liberalization in regional fora, particularly ASEAN, some Members noted that the gap between MFN and preferential tariff rates applied to imports from ASEAN countries constituted a potential source of trade diversion, although Malaysia did not believe that this had actually happened.

Members expressed their appreciation for Malaysia's relative openness to trade and foreign direct investment and its continued liberalization efforts in these areas. In particular, Members commended Malaysia for its efforts to reduce tariffs, simplify the tariff structure, and abolish all local-content requirements (except those for the automotive sector). At the same time, concerns were raised over the fact that about one third of Malaysia's tariff lines are unbound and the widening gap between bound rates and applied MFN rates, which had permitted Malaysia to increase tariff protection for certain products, thereby raising the simple average of MFN tariffs during the review period. Malaysia noted that this widening gap between bound and applied MFN tariff rates is the consequence of unilateral tariff reductions and that the import-weighted tariff average has declined; some other Members felt that such a gap provides developing nations with a degree of flexibility in undertaking

trade liberalization and other economic reforms. Members also urged Malaysia to reduce the scope of its non-automatic licensing system. It was noted that state-owned enterprises continue to play an important role in Malaysia's economy and that the authorities might need measures to assure a pro-competitive climate in the sectors where such enterprises are prevalent. Some Members encouraged Malaysia to accede to the Agreement on Government Procurement.

On sectoral issues, Members noted the contrast between the openness and economic performance of the electronics and automotive industries; the much more open electronics industry had performed much better than the automotive industry, which is protected by high tariffs and non-tariff measures, including import licensing. Members urged Malaysia to bring forward the abolition of local-content requirements for motor vehicles. Moreover, Members encouraged Malaysia to continue its liberalization of the services sector, particularly financial services and telecommunications.

In addition, Members sought further clarification on, *inter alia*:

- the possibility of an ASEAN–China free-trade agreement;
- effectiveness of investment guarantee agreements;
- greater use of *ad valorem* import duties;
- measures affecting exports;
- further progress in competition policy;
- transparency in government procurement;
- enforcement of intellectual property rights;
- standards and licensing concerning various agricultural products; and
- recognition of qualifications in education and legal services.

Members expressed their appreciation of the responses provided by the delegation of Malaysia during the meeting, and looked forward to later replies to some questions.

In conclusion, this Review has provided Members with a much better understanding of Malaysia's trade and trade-related policies and of their role in fostering Malaysia's economic development and helping it to cope with shocks, such as the Asian financial crisis. Malaysia's recovery has apparently been greatly facilitated by Members' adherence to the principles of the multilateral trading system and thus their willingness to keep their economies open to Malaysia's exports. Members encouraged Malaysia to further liberalize and diversify its economy. In this context, I, along with Members, look forward to Malaysia's continued support for future efforts to liberalize the multilateral trading system.

Uganda

We have had a very interesting exchange of views during this second Trade Policy Review of Uganda. This was facilitated by the presence of a large Ugandan delegation, headed by Professor Rugumayo, Minister of Tourism, Trade and Industry. Members commented positively on the impressive growth of the Ugandan economy in recent years, aided by structural reforms and a strong macroeconomic performance, which resulted in Uganda's early inclusion in the HIPC Initiative. Various government programmes put emphasis on poverty alleviation, diversification, and promotion of the private sector. However, high production costs, declining terms of trade, climatic conditions, non-tariff barriers in export markets and appreciation of the Uganda shilling have negatively affected its economic performance, its export competitiveness in particular.

Members observed the seriousness with which Uganda had pursued its privatization agenda, but noted a slowing in recent years. It was pointed out that, by speeding up the process for the remaining entities, and by addressing governance and security problems, and regulatory and institutional weaknesses, Uganda might further facilitate trade and attract investment. Members were encouraged by Uganda's assurances and actions in this respect. Some Members noted, however, that issues of governance should be treated prudently in the TPRs.

Members commended Uganda on its active participation in the Multilateral Trading System. They called on Uganda to provide notification concerning its use of WTO-compatible customs valuation procedures, and to join the Information Technology Agreement, in the context of the Government's clear emphasis on the economic importance of information technology industries. They queried about Uganda's trade-related priorities, and urged that inter-Ministerial coordination and coherence be improved in this respect. Members noted Uganda's expectations and experience that non-reciprocal preferential treatment and its regional arrangements were a spur to liberalization, particularly through the active participation of the private sector. Concerns were expressed about overlapping membership of regional agreements in which Uganda participated, and the likely increases that might result from the adoption of common external tariffs under the agreements.

Members expressed their appreciation of Uganda's commitment and continued efforts to liberalize its trade regime. They commended Uganda for the simplification of its tariff

structure through the reduction of the number of bands to three and of the maximum rate to 15%. Members encouraged Uganda to narrow the gap between bound and applied rates, and to increase the coverage of its tariff bindings on non-agricultural products. Concerns were expressed about the WTO compatibility of the import licence commission and the withholding tax, while Uganda had bound other duties and charges at zero. Members noted Uganda's commitment to developing a capability to create a set of standards, although the effort had been hampered by financial constraints, and made suggestions for streamlining standardization in Uganda.

Members pointed out the heavy dependence of Uganda's economy on agriculture, particularly coffee. Although recent reforms had emphasized diversification and modernization of agriculture, much more needed to be done in this area. In manufacturing, low capacity utilization and high production costs had meant that few of Uganda's manufactured goods were competitive. In services, Members encouraged Uganda to speed up the liberalization reforms and to improve its commitments under the GATS.

Members also sought further clarification on, *inter alia*:

- customs procedures;
- export bans and controls and their rationale;
- incentives and export financing;
- contingency trade remedies;
- public procurement regime;
- competition policy; and
- intellectual property protection.

Members appreciated the responses provided by the delegation of Uganda during the meeting, and looked forward to later replies to some questions.

In conclusion, as a result of this Review, Members have better understood developments in Uganda's trade policies and practices since 1995. Members commended Uganda for the introduction of a social dimension in its economic reforms. However, they urged that trade policies and practices be further mainstreamed in Uganda's poverty alleviation strategy. Members encouraged Uganda to pursue its reforms and further integrate its economy into the multilateral trading system. Several Members urged that the Ugandan authorities provide additional resources to their Mission in Geneva to allow it to fully pursue the interests of Uganda, particularly so that it could play an active role on the Doha Development Agenda. Some Members indicated their willingness to provide Uganda with trade-related technical assistance. In my personal capacity, I advocate that all Members support Uganda in its efforts by providing market access for its products, and assistance for trade-related capacity building and improving competitiveness; in that respect it is fundamental to ensure full and active implementation of the Integrated Framework for Uganda.

Chapter Five

ORGANIZATION, SECRETARIAT AND BUDGET

The organization

The World Trade Organization came into being in 1995, as the successor to the General Agreement on Tariffs and Trade (GATT), which had been established (1947) in the wake of the Second World War. The WTO's main objective is the establishment of rules for Members' trade policy which help international trade to expand with a view to raising living standards. These rules foster non-discrimination, transparency and predictability in the conduct of trade policy. The WTO is pursuing this objective by:

- Administering trade agreements;
- Acting as a forum for trade negotiations;
- Settling trade disputes;
- Reviewing national trade policies;
- Assisting developing countries in trade policy issues, through technical assistance and training programmes; and
- Cooperating with other international organizations.

The WTO has 144 Members, accounting for 90% of world trade. Members are mostly governments but can also be customs territories. Nearly 30 applicants are negotiating to become Members of the WTO. Decisions in the WTO are made by the entire membership, typically by consensus.

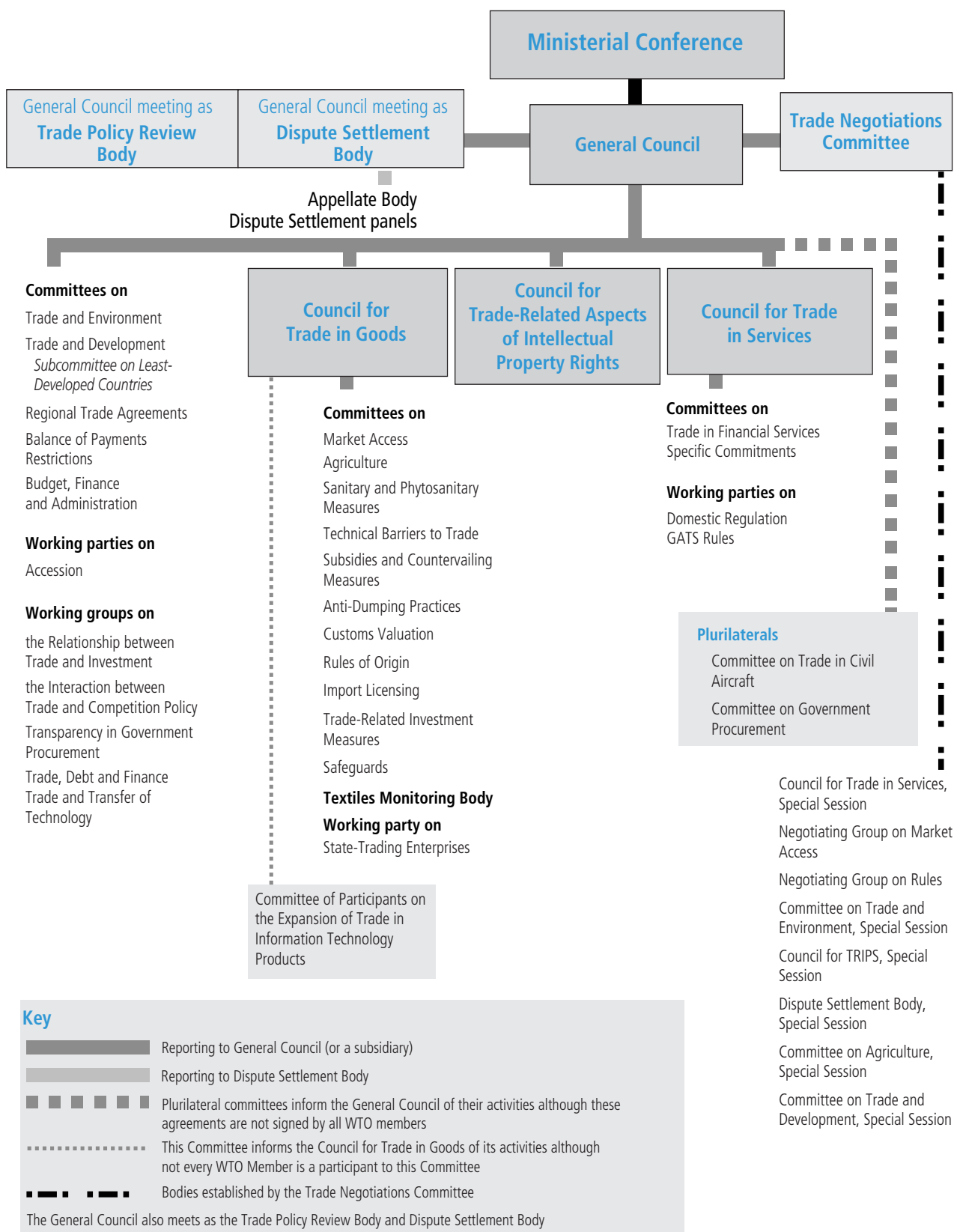
The WTO's top level decision-making body is the Ministerial Conference, which meets at least once every two years. In the intervals between sessions of the Ministerial Conference, the highest-level WTO decision-making body is the General Council where Members are usually represented by ambassadors or heads of delegations. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. At the next level, the Goods Council, Services Council and Trade-Related Aspects of Intellectual Property (TRIPS) Council report to the General Council.

Numerous specialized committees, working groups and working parties deal with the individual agreements and other important areas such as the environment, development, membership applications, regional trade agreements, trade and investment, trade and competition policy and transparency in government procurement. Electronic commerce is being studied by various councils and committees.

A Trade Negotiations Committee (TNC) was set up by the Doha Declaration at the fourth WTO Ministerial Conference. The Declaration provides the mandate for negotiations in the TNC and its subsidiaries on a range of subjects. The TNC operates under the authority of the General Council.

WTO structure

All WTO members may participate in all councils, committees, etc, except Appellate Body, Dispute Settlement panels, Textiles Monitoring Body, and plurilateral committees.



The WTO Secretariat, with offices only in Geneva, has 560 regular staff and is headed by a Director-General. Since decisions are taken by Members only, the Secretariat has no decision-making powers. Its main duties are to supply technical and professional support for the various councils and committees, to provide technical assistance for developing countries, to monitor and analyze developments in world trade, to provide information to the public and the media and to organize the ministerial conferences. The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become Members of the WTO.

The Secretariat staff of 560 includes individuals representing about 60 nationalities. The professional staff is composed mostly of economists, lawyers and others with a specialization in international trade policy. There is also a substantial number of personnel working in support services, including informatics, finance, human resources and language services. The total staff complement is composed almost equally of men and women. The working languages of the WTO are English, French and Spanish.

The Appellate Body was established by the Understanding on Rules and Procedures Governing the Settlement of Disputes to consider appeals to decisions by Dispute Settlement panels. The Appellate Body has its own Secretariat. The seven-member Appellate Body consists of individuals with recognized standing in the fields of law and international trade. They are appointed to a four-year term, and may be reappointed once.

Table V.1

Distribution of staff positions within the WTO's various divisions 2002

Division	Regular staff	Directors	Senior Management	Total
Senior Management	5	1	5	11
Office of the Director-General	10	2		12
Accessions Division	7.4	1		8.4
Administration & General Services Division	86.1	1		87.1
Agriculture & Commodities Division	15	1		16
Council and TNC Division	10.5	1		11.5
Development & Economic Research Division	14.5	1		15.5
External Relations Division	8	1		9
Informatics Division	16.5	1		17.5
Information & Media Relations Division	18.5	1		19.5
Intellectual Property Division	12.5	1		13.5
Language Services & Documentation Division	137	1		138
Legal Affairs Division	15.5	1		16.5
Market Access Division	13	1		14
Rules Division	15	1		16
Statistics Division	26.5	1		27.5
Technical Co-operation	17	1		18
Technical Cooperation Audit		1		1
Textiles Division	3.5	1		4.5
Textiles Monitoring Body	1		1	2
Trade & Environment Division	10	1		11
Trade & Finance Division	6	1		7
Trade in Services Division	14	1		15
Trade Information Centre	9	1		10
Trade Policies Review Division	33.5	1		34.5
WTO Training Institute	10	1		11
Appellate Body	12	1		13
Total	527	27	6	560

WTO Secretariat Organization Chart

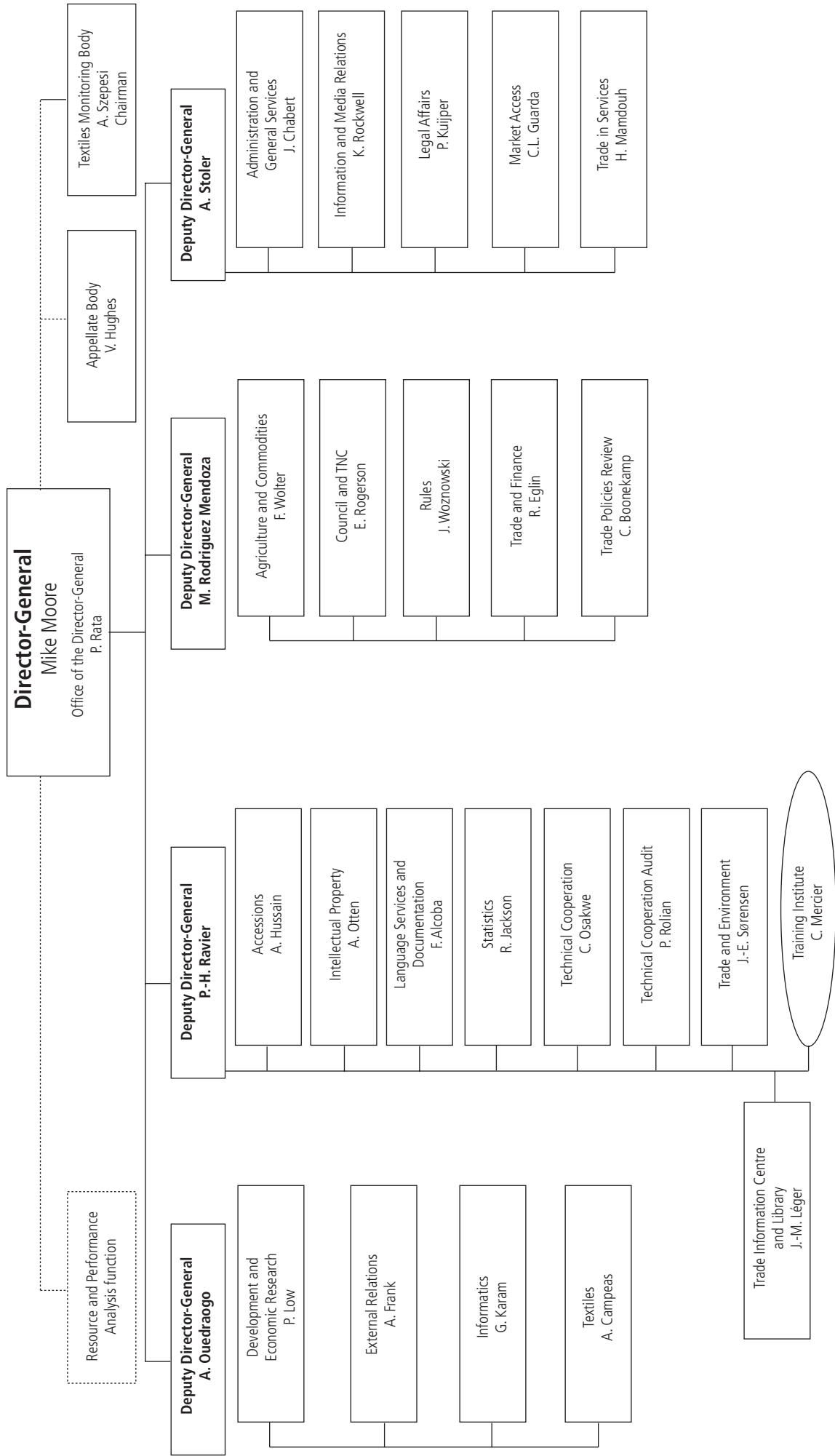


Table V.2

Table of regular staff by nationality

Country	M	F	Total
Argentina	5	4	9
Australia	5.5	4.5	10
Austria	1	1.5	2.5
Barbados		1	1
Belgium	4	1	5
Benin	1		1
Bolivia	1	2	3
Brazil		1.5	1.5
Burkina Faso	1		1
Canada	18	10	28
Chile	3	3	6
Colombia	6		6
Congo	1		1
Costa Rica		1	1
Côte d'Ivoire	1		1
Cuba		1	1
Denmark	1	1	2
Egypt	3	2	5
Estonia		1	1
Ethiopia	1		1
Finland	3	1	4
France	73.5	71	144.5
Germany	8	6	14
Ghana	1		1
Greece	2	2	4
Honduras		1	1
Hong Kong, China		1	1
Hungary	2		2
India	7	5	12
Indonesia	1		1
Ireland	2	11	13
Italy	9	5	14
Japan	2	1	3
Lebanon	1		1
Malawi	1		1
Malaysia	1	1	2
Mauritius	2		2
Mexico	3		3
Morocco		1	1
Netherlands	6	2	8
New Zealand	4	1	5
Nigeria	1		1
Norway	3		3
Paraguay		1	1
Peru	4	4	8
Philippines	2	3	5
Poland	3	1	4
Portugal	2		2
Republic of Korea	2		2
Romania	1	2	3
Senegal	1		1
South Africa	1		1
Spain	17.5	21	38.5
Sri Lanka	2	2	4
Sweden	1	4	5
Switzerland	13	16	29
Thailand	1	1	2
Tunisia	3	1	4
Turkey	1	2	2
United Kingdom	18	59.5	77.5
United States	7	16	23
Uruguay	5	2	7
Venezuela	3	2	5
Zambia		1	1
Zimbabwe		1	1
Sub-total 2001	272.5	283	555.5

The WTO Secretariat is organized into Divisions with functional, information and liaison and support roles. Divisions are normally headed by a Director who reports to a Deputy Director-General or directly to the Director-General.

Functional divisions

Accessions Division

The work of the division is to facilitate the negotiations between WTO Members and states and entities requesting accession to the WTO by encouraging their integration into the multilateral trading system through the effective liberalization of their trade regimes in goods and services; and to act as a focal point in widening the scope and geographical coverage of the WTO. There are at present 28 Accession working parties in operation.

Agriculture and Commodities Division

The division handles all matters related to the ongoing negotiations on agriculture. Furthermore, the Division provides support in the implementation of the existing WTO rules and commitments on agriculture, including by ensuring that the process for multilaterally reviewing these commitments by the Committee on Agriculture is organized and conducted in an efficient manner. The work of the division is to facilitate implementation of the Agreement on the Application of Sanitary and Phytosanitary Measures, including by servicing the SPS Committee. Other activities of the division include support for the implementation of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries; dealing with matters related to trade in fisheries and forestry products as well as natural resource-based products; providing services for dispute settlement in the area of agriculture and SPS; providing technical assistance in all areas under its purview; and cooperation with other international organizations and the private sector.

Council and Trade Negotiations Committee Division

The division was formed on 1 January 2002 by merging the existing Ministerial Sessions and General Council Divisions, with a view to achieving cost and efficiency savings by combining the related functions of servicing the Trade Negotiations Committee and the General Council. The division also has the responsibility of servicing the WTO Ministerial Conference and the Dispute Settlement Body.

The division has a continuous workload involving frequent meetings at both formal and informal levels, providing support to the Chairpersons of the bodies it services as well as to the Director-General and senior management. It also has continuous contact with delegations and an important co-ordination and communication function within the Secretariat.

Development and Economic Research Division

The division provides economic analysis and research in support of the WTO's operational activities, including monitoring and reporting on current economic news and developments. It carries out economic research on broader policy-related topics in connection with the WTO's work programme, as well as on other WTO-related topics of interest to delegations arising from the on-going integration of the world economy, the spread of market-oriented reforms, and the increased importance of economic issues in relations between countries. The division contributes to regularly scheduled annual publications, including key parts of the Annual Report. Other major activities include work related to cooperation with other international organizations and the academic community through conferences, seminars and courses; preparation of special research projects on policy-related topics in the area of international trade; preparation of briefings to senior management.

The responsibilities of the division include servicing the Committee on Trade and Development and the Informal Group of Developing Countries, providing analytical support for the work programme of the Committee.

Intellectual Property

The division provides service to the TRIPS Council and to dispute settlement panels; service to any negotiations that may be launched on intellectual property matters; provides assistance to WTO Members through technical cooperation, in particular in conjunction with the World Intellectual Property Organization (WIPO), and through the provision of information/advice more generally; maintains and develops lines of communication with other intergovernmental organizations, the NGO community, intellectual property practitioners and the academic

community so that they have an adequate understanding of the TRIPS Agreement and of the WTO processes. In the area of competition policy it provides service to work in the WTO on the interaction between trade and competition policy; provides technical cooperation, in conjunction with UNCTAD and other intergovernmental organizations, and information/advice more generally to WTO Members. In the area of government procurement the division provides service to work in the WTO on transparency in government procurement; provides service to the Committee established under the plurilateral Agreement on Government Procurement and to dispute settlement panels that may arise; provides technical cooperation and information/advice more generally to WTO Members.

Legal Affairs Division

The principal mission of the Legal Affairs Division is to provide legal advice and information to WTO dispute settlement panels, other WTO bodies, WTO Members and the WTO Secretariat. The division's responsibilities include providing timely secretarial and technical support and assistance on legal, historical and procedural aspects of disputes to WTO dispute settlement panels; providing regular legal advice to the Secretariat, and in particular to the Dispute Settlement Body and its Chairman, on interpretation of the Dispute Settlement Understanding (DSU), WTO agreements and on other legal issues; providing legal information to WTO Members on the DSU and WTO agreements; providing legal support in respect of accessions; providing training in respect of dispute settlement procedures and on WTO legal issues through special courses on dispute settlement, regular WTO training courses and WTO technical cooperation missions; attend meetings of other organizations with WTO-related activities (e.g., IMF, OECD, Energy Charter).

Market Access Division

The division works with the following WTO bodies:

Council for Trade in Goods: oversees the multilateral trade agreements and ministerial decisions covering the goods sector and takes actions on the issues raised by the various committees which report to it. The CTG is also the competent body for WTO work in the area of trade facilitation. Servicing the Council includes the organization of formal meetings. The division also arranges informal meetings/consultations prior to formal meetings.

Committee on Market Access: supervises the implementation of concessions relating to tariffs and non-tariff measures; provides a forum for consultation on matters relating to tariffs and non-tariff measures; oversees the application of procedures for modification or withdrawal of tariff concessions; ensures that WTO Schedules are kept up-to-date, and that modifications, including those resulting from changes in tariff nomenclature, are reflected; conducts the updating and analysis of the documentation on quantitative restrictions and other non-tariff measures, in accordance with the timetable and procedures agreed by the Contracting Parties in 1984 and 1985 (BISD 31S/227 and 228, and BISD 32S/92 and 93); oversees the content and operation of, and access to, the Integrated Data Base and will do the same for the future Consolidated Tariff Schedules Database.

Committee on Customs Valuation: monitors and reviews annually the implementation of the Customs Valuation Agreement; provides service to the Committee on Customs Valuation; organizes, manages the WTO programme for technical assistance on customs valuation for developing countries that have invoked the five-year delay; cooperates with the World Customs Organization Secretariat on providing technical assistance to developing countries having requested a five-year delay in the implementation of the Agreement.

Committee on Rules of Origin: carries out the harmonization work programme on non-preferential rules of origin; provides service to the Committee on Rules of Origin; provides information and advice to delegations, private parties and other divisions in the Secretariat on matters relating to rules of origin.

Committee on Import Licensing: monitors and reviews the implementation and operation of the Agreement on Import Licensing Procedures; provides information and advice to acceding countries, delegations, private parties and other divisions in the Secretariat on matters relating to import licensing.

Committee of Participants on the Expansion of Trade in Information Technology Products (ITA): provides technical assistance and information to acceding participants; reviews the implementation of the ITA; continues the work, technical and otherwise, with respect to non-tariff barriers and classification issues for review of product coverage (ITAIL); provides continuing support for the negotiations and the follow-up if necessary.

Rules Division

The role of the division is to facilitate on-going negotiations and consultations in all WTO bodies serviced by the division and to ensure the smooth functioning of all WTO bodies serviced by the Division. This includes facilitating new and on-going negotiations and consultations; monitoring implementation of the WTO Agreements in the area of anti-

dumping, subsidies and countervailing measures, safeguards, state-trading and civil aircraft and actively assisting in their implementation; providing all necessary implementation assistance, counselling and expert advice to Members concerning the above Agreements; providing secretaries and legal officers to WTO dispute settlement panels involving the rules-area Agreements; and active participation in the WTO technical assistance programme.

The bodies serviced by the Rules Division are: Committee on Anti-Dumping Practices, Committee on Subsidies and Countervailing Measures, Committee on Safeguards, Committee on Trade in Civil Aircraft, Working Party on State-Trading Enterprises, Informal Group of Experts on the Calculations of Subsidies under Article 6.1 of the Subsidies Agreement, Permanent Group of Experts, Informal Group on Anti-Circumvention, Ad-Hoc Working Group on Implementation of the Agreement on Anti-Dumping and Working Group on Trade and Competition (co-secretary).

Statistics Division

The Statistics division supports WTO Members and the Secretariat with quantitative information in relation to economic and trade policy issues. The division is the principal supplier of WTO trade statistics through the annual "International Trade Statistics" report and Internet and Intranet sites. The division is responsible for the maintenance and development of the Integrated Data Base which supports the market access Committee's information requirements in relation to tariffs. The division's statisticians also provide Members with technical assistance in relation to the Integrated Data Base. Finally, the division plays an active role in strengthening cooperation and collaboration between international organizations in the field of merchandise and trade in services statistics, and in ensuring that WTO requirements in respect to the concepts and standards underpinning the international statistical system are met.

Technical Cooperation Audit

The responsibility of this division is to ensure ongoing monitoring and evaluation of all forms of technical assistance provided by the WTO.

Technical Cooperation Division

The division's mission is to contribute to the fuller participation of beneficiary countries in the multilateral trading system through human resource development, institutional capacity building, and increased public awareness of the multilateral trading system. The division delivers technical cooperation through activities including training; advisory missions; seminars and workshops on a country or regional basis; and/or technical notes on issues of interest to beneficiary countries. The aim is to develop better understanding of WTO rights and obligations, adaptation of national legislation and increased participation of these countries in the multilateral decision-making process. Legal advice is also made available under Article 27.2 of the DSU. The division also delivers basic training on the multilateral trading system through the use of information technology tools such as CD-ROMs and Internet; increased use of video-conferencing, video cassettes and e-mail in technical cooperation activities to supplement paper-based documentation and face-to-face interaction. Related activities include establishing and supporting WTO Reference Centres with Internet connectivity and with training provided on how to track down trade-related sources on the Internet, particularly the WTO website; and how to use information technology tools to meet notification requirements. The Division manages the use of technical cooperation trust funds provided by individual donor countries.

Textiles Division

The division provides technical advice and guidance on the implementation of the WTO Agreement on Textiles and Clothing (ATC) and on textile trade matters in general to WTO Members and countries in the process of accession; contributes to the servicing of the Textiles Monitoring Body; provides service to DSU panels, in cooperation with the Legal Division; participates in WTO training and technical cooperation functions; maintains a broad knowledge based on developments in world textiles and clothing trade and government policies and actions in this area; provides information and advice to intergovernmental and non-governmental organizations, trade associations and academics.

The division ensures the efficient functioning of the Textiles Monitoring Body (TMB) by providing full service to it in carrying out its tasks to supervise the implementation of the Agreement on Textiles and Clothing (ATC), to examine all measures taken under the ATC and their conformity therewith and to take the actions specifically required of it by the ATC. It assists the TMB in preserving and further increasing transparency on matters related to its activities, in particular by providing detailed rationale in the TMB's reports on the Body's findings and recommendations.

Trade and Environment Division

The division provides service and support to WTO committees dealing with trade and environment and technical barriers to trade. For Trade and Environment, it supports the work of the Committee on Trade and Environment (CTE) by providing technical assistance to WTO Members; reporting to senior management and WTO Members on discussions in other intergovernmental organizations (IGOs), including negotiation and implementation of trade-related measures in multilateral environmental agreements. The division maintains contacts and dialogue with NGOs and the private sector on issues of mutual interest in the area of trade and environment.

Its work in the area of technical barriers to trade includes providing service to the Working Group on Technical Barriers to Trade (WGTBT), if the TBT Committee so decides; providing technical assistance to WTO Members; providing Secretariat support to dispute panels and accessions examining aspects of the TBT Agreement. The division follows and reports on matters related to the TBT Agreement, and maintains contacts with the private sector on issues of mutual interest in this area.

Trade and Finance Division

The division's main objective is to service the needs of WTO Members and WTO management particularly in supporting the work of the Committees on Balance-of-Payment Restrictions and on Trade-Related Investment Measures, the Working Group on Trade and Investment, and informal General Council meetings on "Coherence in Global Economic Policy-making with the IMF and the World Bank". The division contributes to the work of dispute panels addressing matters falling under its responsibility; provides technical assistance and expert advice to Members in Geneva and in capitals, including joint activities with UNCTAD in the area of trade and investment; develops collaboration with the staff of the IMF and World Bank in work relating to coherence in international policy-making.

Trade in Services Division

The Services Division provides support for the new round of services negotiations underway since 2000. It also continues to provide support for the Council for Trade in Services and other bodies established under the GATS including the Committee on Financial Services; the Working Party on Domestic Regulation; disciplines under Article VI:4; the Working Party on GATS Rules; disciplines relating to safeguards, subsidies, government procurement; the Committee on Specific Commitments; any additional bodies set up under the Council; any dispute settlement panels involving services.

Other work includes providing support for the Committee on Regional Trade Agreements in its work relating to Article V of the GATS, and for working parties on accession of new Members in relation to services; facilitating the implementation of the results of negotiations on basic telecommunications, financial services and professional services; participating actively in technical cooperation and other forms of public explanation of the GATS, and providing a continuing service of advice and assistance to Geneva delegations; monitoring implementation of the GATS in terms of notifications and implementation of existing and new commitments.

Trade Policies Review Division

The principal task of the TPR Division is, pursuant to Annex 3 of the WTO Agreement, to prepare reports for meetings of the Trade Policy Review Body (TPRB), at which reviews of Members are carried out. The division provides a secretariat for the TPRB meetings. The division also prepares the Director-General's Annual Overview of trade policy developments and plays a significant role in the preparation of the WTO Annual Report. The division also supports the work of the Committee on Regional Trade Agreements. During 2002, the division will be working on trade policy reviews of the following Members (in chronological order): Mexico, Slovenia, Haiti, India, Venezuela, Barbados, European Union, Mauritania, Australia, Dominican Republic, Zambia, Japan and Hong Kong, China.

WTO Training Institute

WTO Training activities aim to assist recipient countries in their understanding and implementation of agreed international trade rules and to contribute towards human resource development. This objective is achieved by the organization of 12-week trade policy courses in Geneva for officials from developing countries. Regular trade policy courses aim to widen the participating officials' understanding of the multilateral trading system and international trade law, and of the activities, scope and structure of the WTO, in order to allow them to improve the effectiveness of their work in their own administrations. The courses consist of lectures given by Training Institute and other WTO officials, invited experts from other International Organizations, various simulation exercises conducted by outside

consultants, and study tours in Switzerland. The Training Institute is also responsible for supervising the participants' research work.

Information and liaison divisions

Information and Media Relations Division

As mandated by Member Governments, the focus of the division is to use all the means at its disposal to better inform the public about the World Trade Organization. The division offers the public clear and concise information through frequent and regular press contact, a wide range of relevant publications and an ever-improving Internet service. Its work includes providing publications which delegations and the public deem necessary to their understanding of trade and the WTO.

The Internet is an important vehicle for distributing WTO information. The "Newsroom" feature on the WTO website (www.wto.org) is accessible by journalists from around the world, while the main Internet site is accessed by an average of 500,000 individual users every month from more than 170 countries. Webcasting on the Internet is used to increase public access to special events such as Ministerial meetings and High-Level Symposia.

External Relations Division

The division is the focal point for relations with Non-Governmental Organizations, International Intergovernmental Organizations, with parliaments and parliamentarians. It also carries out responsibilities in regard to protocol and the maintenance of the WTO registry of documents. Its principle activities are to organize and develop dialogue with the civil society and its various components; to maintain liaison with the UN system, and in particular with UN New York HQ and with UNCTAD and the ITC. The division maintains liaison with OECD, particularly with the Trade Directorate regarding substantive issues. The division acts as the focal point in the Secretariat to ensure coordination of attendance at relevant meetings, attends meetings on behalf of the WTO and delivers lectures and speeches. It is also in charge of official relations with Members including host country and protocol matters in close liaison with the Office of the Director-General. It also maintains the WTO Directory.

Trade Information Centre and Library

The Trade Information Centre was established to ensure the fuller participation of Members in the work of WTO with particular emphasis on least-developed, capacity-constrained and non-resident Members. This is accomplished by setting-up a physical centre in WTO and by providing full Internet connectivity to the target group. As well, a Members' Home Page is being developed which will incorporate an integrated package of services and products.

The Library's primary functions are to service delegations, the WTO Secretariat and other officials groups through the provision of books, periodicals and other material of current interest to support WTO's activities; to obtain national trade data from Members and non-member countries; and to maintain a comprehensive collection of the archives of WTO.

Support divisions

Administration and General Services Division

The division's work focuses on ensuring the efficient functioning of services in (a) all financial matters, including budget preparation and control, accounting, and payroll, (b) human resources matters relating to recruitment, contract, staff counselling, development and implementation of personnel policies and training programmes for the staff, (c) logistical issues related to the physical facilities, and (d) missions and other travel arrangements. This includes monitoring the decentralized budget as well as the Extra-budgetary Funds and providing timely information to divisions; ensuring the administrative functioning of the Committee on Budget, Finance and Administration; managing the WTO-specific salary and pension arrangements; providing information to senior management; and assisting the host country in the preparation of WTO Ministerial Conferences.

Informatics Division

The division ensures the efficient operation of the information technology (IT) infrastructure as well as the necessary support to cover the information technology needs of Members and Secretariat. This includes implementation of the IT security policy. The division works to constantly enhance IT services and procedures to better facilitate dissemination of WTO information to Members and the public through the Internet and specialized databases.

The division supports a complex desktop and network environment covering staff members, temporary staff and interns and a multitude of services (office automation, e-mail, Intranet, Internet, mainframe, client/server systems, etc.). In relation with the creation of WTO

Reference Centres in the capitals of LDC and developing countries, the division provides IT expertise and participates in technical cooperation missions.

Language Services and Documentation Division

The division provides a range of language and documentation services to Members and to the Secretariat, including translation, documentation, printing and related tasks. The advent of the Internet has provided the Secretariat with a powerful vehicle to disseminate its documentation. The vast majority of people consulting the WTO's homepage visit the LSDD's documentation facilities. Consultation is growing at a rate of 15% per month. LSDD ensures WTO documents, publications and electronic materials are available to the public and to Members in the three WTO working languages – English, French and Spanish.

WTO Appellate Body and its Secretariat

The WTO Appellate Body

The Appellate Body was established pursuant to the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (the "DSU"), which is contained in Annex 2 to the *Marrakesh Agreement Establishing the World Trade Organization*. The function of the Appellate Body is to hear appeals arising from panel reports pursuant to Article 17 of the DSU. The Appellate Body comprises seven Members, recognized authorities in law, international trade and the WTO Agreements generally, who reside in different parts of the world and are required to be available at all times and on short notice to hear appeals. Individual members of the Appellate Body are sometimes called upon to act as arbitrators under Article 21 of the DSU.

WTO budget 2002

The WTO derives most of the income for its annual budget from contributions by its 144 Members. These are established according to a formula based on their share of international trade. The list of Members' contributions for 2002 can be found in Table V.5. The balance of the budget is financed from miscellaneous income.

Miscellaneous income is earned from rental fees and sales of WTO print and electronic publications. The WTO also manages a number of trust funds, which have been contributed by Members. These are used in support of special activities for technical cooperation and training meant to enable least-developed and developing countries to make better use of the WTO and draw greater benefit from the multilateral trading system. The active trust funds are listed in Table V.6. The WTO's total budget for the year 2002 is as follows:

- 2002 Budget for the WTO Secretariat: 140,313,850 CHF (Table V.3);
- 2002 Budget for the Appellate Body and its Secretariat: 2,816,000 CHF (Table V.4);
- Total WTO Budget for the year 2002: 143,129,850 CHF.

Table V.3

WTO Secretariat budget for 2002

Section	Swiss Francs
1 Staff (Work/years)	
(a) Salary	62,786,700
(b) Pensions	12,387,600
(c) Other Common Staff costs	10,592,500
2 Temporary Assistance	12,907,100
3 Communications	
(a) Telecommunications	637,000
(b) Postage charges	1,527,000
4 Building Facilities	1'000,000
(a) Rental	249,600
(b) Utilities	1,646,500
(c) Maintenance and Insurance	923,000
5 Permanent Equipment	3,700,800
6 Expendable Equipment	1,343,700
7 Contractual Services	
(a) Reproduction	1,421,000
(b) Office Automation/Informatics	2,239,800
(c) Other	244,000
8 Staff Overhead Costs	
(a) Training	430,000
(b) Insurance	1,114,500
(c) Joint Services	542,000
(d) Miscellaneous	54,500
9 Missions	
(a) Official	1,241,100
(b) Technical Co-operation	1,198,200
10 Trade Policy Training Courses	2,496,000
11 Contribution to ITC	15,113,850
12 Various	
(a) Representation and Hospitality	258,000
(b) Dispute Settlement Panels	1,337,000
(c) Permanent Group of Experts/	30,000
(d) Appellate Body	
(e) Library	583,500
(f) Publications	193,000
(g) Public Information Activities	210,000
(h) External Auditors	50,000
(i) Ministerial Meeting	400,000
(j) ISO	58,900
(k) Other	73,000
13 Unforeseen Expenditure	100,000
Sub-total	139,089,850
Geneva Week/Short Trade Policy Courses for LDCs	1,224,000
Total	140,313,850

Table V.4

Budget for the Appellate Body and its Secretariat, 2002

Section	Swiss Francs
1. Staff (Work/years)	
(a) Salary	1,500,200
(b) Pensions	296,400
(c) Other Common Staff costs	244,400
2. Temporary Assistance	36,000
3. Communications	
(a) Telecommunications	6,500
(b) Postage charges	
4. Building Facilities	
(a) Rental	
(b) Utilities	13,000
(c) Maintenance and Insurance	0
5. Permanent Equipment	47,200
6. Expendable Equipment	17,700
7. Contractual Services	
(a) Reproduction	15,000
(b) Office Automation / Informatics	0
(c) Other	
8. Staff Overhead Costs	
(a) Training	
(b) Insurance	5,000
(c) Joint Services	
(d) Miscellaneous	2,000
9. Missions	
(a) Official	10,000
(b) Technical Co-operation	
10. Trade Policy Training Courses	
11. Contribution to ITC	
12. Various	
(a) Representation and Hospitality	1,000
(b) Dispute Settlement Panels	
(c) Permanent Group of Experts/ Arbitration under GATS	
(d) Appellate Body Members	618,200
(e) Library	3,400
(f) Publications	
(g) Public Information Activities	
(h) External Auditors	
(i) Ministerial Meeting	
(j) ISO	
(k) Other	
13. Unforeseen Expenditure	
Total	2,816,000

Table V.5

Members' contributions to the WTO budget and the budget of the Appellate Body, 2002

Members	2002 Contribution	
	%	CHF
Albania	0.015	21,315
Angola	0.057	80,997
Antigua and Barbuda	0.015	21,315
Argentina	0.510	724,710
Australia	1.218	1,730,778
Austria	1.438	2,043,398
Bahrain	0.068	96,628
Bangladesh	0.105	149,205
Barbados	0.020	28,420
Belgium	2.683	3,812,543
Belize	0.015	21,315
Benin	0.015	21,315
Bolivia	0.026	36,946
Botswana	0.041	58,261
Brazil	0.988	1,403,948
Brunei Darussalam	0.044	62,524
Bulgaria	0.094	133,574
Burkina Faso	0.015	21,315
Burundi	0.015	21,315
Cameroon	0.027	38,367
Canada	3.914	5,561,794
Central African Republic	0.015	21,315
Chad	0.015	21,315
Chile	0.311	441,931
China, People's Rep. of	2.973	4,224,633
Colombia	0.233	331,093
Congo	0.024	34,104
Costa Rica	0.104	147,784
Côte d'Ivoire	0.068	96,628
Croatia	0.147	208,887
Cuba	0.064	90,944
Cyprus	0.064	90,944
Czech Republic	0.511	726,131
Democratic Republic of the Congo	0.024	34,104
Denmark	0.948	1,347,108
Djibouti	0.015	21,315
Dominica	0.015	21,315
Dominican Republic	0.125	177,625
Ecuador	0.085	120,785
Egypt	0.266	377,986
El Salvador	0.058	82,418
Estonia	0.063	89,523
European Communities	0.000	0
Fiji	0.016	22,7366
Finland	0.672	954,912
France	5.541	7,873,761
Gabon	0.034	48,314
Gambia	0.015	21,315
Georgia	0.015	21,315
Germany	9.291	13,202,511
Ghana	0.042	59,682
Greece	0.311	441,931
Grenada	0.015	21,315
Guatemala	0.063	89,523
Guinea	0.015	21,315
Guinea-Bissau	0.015	21,315
Guyana	0.015	21,315
Haiti	0.015	21,315

Table V.5 (continued)

Members' contributions to the WTO budget and the budget of the Appellate Body, 2002

Members	2002 Contribution	
	%	CHF
Honduras	0.039	55,419
Hong Kong, China	3.345	4,753,245
Hungary	0.413	586,873
Iceland	0.045	63,945
India	0.830	1,179,430
Indonesia	0.831	1,180,851
Ireland	1.141	1,621,361
Israel	0.548	778,708
Italy	4.407	6,262,347
Jamaica	0.057	80,997
Japan	6.629	9,419,809
Jordan	0.066	93,786
Kenya	0.047	66,787
Korea, Republic of	2.381	3,383,401
Kuwait	0.194	275,674
Kyrgyz Republic	0.015	21,315
Latvia	0.051	72,471
Lesotho	0.015	21,315
Liechtenstein	0.027	38,367
Lithuania	0.083	117,943
Luxembourg	0.297	422,037
Macao, China	0.062	88,102
Madagascar	0.015	21,315
Malawi	0.015	21,315
Malaysia	1.313	1,865,773
Maldives	0.015	21,315
Mali	0.015	21,315
Malta	0.048	68,208
Mauritania	0.015	21,315
Mauritius	0.041	58,261
Mexico	2.106	2,992,626
Moldova	0.015	21,315
Mongolia	0.015	21,315
Morocco	0.160	227,360
Mozambique	0.015	21,315
Myanmar, Union of	0.032	45,472
Namibia	0.029	41,209
Netherlands, Kingdom of the	3.625	5,151,125
New Zealand	0.266	377,986
Nicaragua	0.020	28,420
Niger	0.015	21,315
Nigeria	0.204	289,884
Norway	0.859	1,220,639
Oman	0.099	140,679
Pakistan	0.185	262,885
Panama	0.124	176,204
Papua New Guinea	0.033	46,893
Paraguay	0.064	90,944
Peru	0.137	194,677
Philippines	0.628	892,388
Poland	0.703	998,963
Portugal	0.609	865,389
Qatar	0.076	107,996
Romania	0.170	241,570
Rwanda	0.015	21,315
Saint Lucia	0.015	21,315
Senegal	0.023	32,683
Sierra Leone	0.015	21,315

Table V.5 (continued)

Members' contributions to the WTO budget and the budget of the Appellate Body, 2002

Members	2002 Contribution	
	%	CHF
Singapore	2.080	2,955,680
Slovak Republic	0.205	291,305
Slovenia	0.169	240,149
Solomon Islands	0.015	21,315
South Africa	0.521	740,341
Spain	2.468	3,507,028
Sri Lanka	0.095	134,995
St. Kitts and Nevis	0.015	21,315
St. Vincent and the Grenadines	0.015	21,315
Suriname	0.015	21,315
Swaziland	0.018	25,578
Sweden	1.497	2,127,237
Switzerland	1.536	2,182,656
Tanzania	0.025	35,525
Thailand	0.999	1,419,579
Togo	0.015	21,315
Trinidad and Tobago	0.045	63,945
Tunisia	0.134	190,414
Turkey	0.792	1,125,432
Uganda	0.020	28,420
United Arab Emirates	0.519	737,499
United Kingdom of Great Britain and Northern Ireland	5.862	8,329,902
United States of America	15.723	22,342,383
Uruguay	0.064	90,944
Venezuela	0.315	447,615
Zambia	0.021	29,841
Zimbabwe	0.034	48,314

Table V.6

List of main active extra-budgetary funds donated for technical cooperation and training activities

Donor	Fund	Project	Balance 1/1/02	Pledges for 2002	Total
Trust Funds					
Netherlands	T0006	WTO Trainees Programme	950,985		950,985
JITAP ¹	T0027	Technical cooperation activities in selected African countries	6,655	138,666	145,321
United States	T0028	WTO Reference Centres	11,041		11,041
Switzerland	T0030	Technical cooperation activities	158,964		158,964
Switzerland	T0039	Consultant for the trade policy courses	30,000		30,000
	TDDA1	Doha Development Agenda GTF	289,781	1,700,000	1,989,781
Germany	TDE01	Trade Policy Reviews	33,701	510,000	543,701
Germany	TDE02	Technical cooperation activities	18,131	2,020,000	2,038,131
Denmark	TDK02	Technical cooperation activities	450,064		450,064
Finland	TFI01	Technical cooperation activities	568,595	500,000	1,068,595
France	TFR01	Seminars on SPS	84,275		84,275
France	TFR02	Technical cooperation activities	399,112	940,000	1,339,112
Hong Kong, China	THK02	Technical cooperation activities	722,525		722,525
	TIMM1	Interns for Members' Missions	32,456	125,000	157,456
Japan	TJP05	WTO seminars in Asia	15,285		15,285
Korea	TKR01	Technical cooperation activities	(41,015)		(41,015)
Luxembourg	TLU01	Technical cooperation activities	33,173		33,173
	TMI04	Qatar Ministerial (LDCs)	649,854		649,854
Netherlands	TNL03	Technical cooperation activities	1,061,353		1,061,353
New Zealand	TNZ03	WTO seminars in Asia / Pacific	63,907		63,907
Sweden	TSE02	Technical cooperation activities	1,575,144		1,575,144
	TSP10	NGO Symposium	393,507		393,507
United Kingdom	TUK03	Evaluation of WTO technical cooperation	(3,401)	315,000	311,599
United Kingdom	TUK04	Workshop on Competition Policy	157,277		157,277
United Kingdom	TUK05	Technical cooperation activities	-	1,400,000	1,400,000
United States	TUS03	Seminars on SPS	43,891		43,891
United States	TUS04	Technical cooperation activities in Africa	125,381	880,000	1,005,381
United States	TUS05	Technical cooperation activities	583,823		583,823
	TWP02	Workshop on TBT	5,513		5,513
	TWP03	Workshop on TBT	(53,639)		(53,639)
Total trust funds			8,366,336	8,528,666	16,895,002
Other extra-budgetary funds					
	EPSF1	Programme Support Fund	724,116		724,116
	ES963	Legal advice on dispute settlement cases	178,662		178,662
Total other extra-budgetary funds			902,778	-	902,778
Grand total extra-budgetary funds			9,269,114	8,528,666	17,797,780

¹ JITAP: Joint Integrated Technical Assistance Programme.