



WORLD TRADE
ORGANIZATION

Annual Report 2003



WTO Members (As of 5 February 2003)

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WTO Publications
World Trade Organization
154, rue de Lausanne - CH-1211 Geneva 21
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Foreword by the Director-General

The increasing public interest in the WTO's work since its creation in 1995 has been matched by a growing demand for more information about the organization and the multilateral trading system. The WTO Secretariat has worked to meet this expectation by expanding its information activities to include a broader range of publications, an extensive Internet site and numerous outreach activities.

Our efforts to inform and to explain the role and work of the WTO draws on the unique expertise of the WTO Secretariat, presented through research reports, periodicals and annual publications. This year we are expanding our list of annual publications to provide three reports which will present detailed information on separate aspects of the WTO and its work. The current Annual Report will be published each spring as a guide and compendium on the institutional aspects of the WTO, its regular activities, the work of WTO Members, and the Secretariat's budget and staff. A new annual publication, the World Trade Report, will be launched this summer. Its purpose will be to research and analyse problems and issues which currently confront the global trading system.

In the fall of each year the WTO will continue to publish its detailed compilation of International Trade Statistics. These three annual publications will constitute a comprehensive review of trade issues, developments and initiatives for each year. We hope that they will contribute to the Organization's continuing efforts to work in a manner which is transparent, informative and in tune with the expectations of the public around the world.

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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

The year 2002 has been a very active one for the World Trade Organization. Intensive and substantial negotiations under the Doha Development Agenda, launched in November 2001, began in earnest. The WTO Secretariat has been supporting these negotiations, alongside its regular work in undertaking trade policies reviews, dispute settlement activities, accessions, and outreach to parliamentarians and civil society. The Secretariat has taken on a much more central role in providing technical assistance and capacity-building activities to its Members and ensuring policy coherence with other international agencies. Preparations also got underway for the WTO's Fifth Ministerial Conference which will be held in Cancún, Mexico in September 2003.

On 1 September 2002, Dr. Supachai Panitchpakdi succeeded Mr. Mike Moore as Director-General of the WTO. Dr. Supachai emphasised both to Members and the Secretariat his commitment to reaching a successful conclusion to the Doha Development Agenda by the mandated deadline of 1 January 2005. He also outlined four pillars which would be core priorities during his tenure: further strengthening the WTO's legal framework; developing a long-term strategy for technical assistance and capacity building; promoting greater coherence in international economic policy-making between the WTO and other international agencies; and strengthening the WTO as an institution, and as a Secretariat.

Trade developments

The year 2002 saw a recovery in international merchandise trade which grew by 2.5% in volume terms, compared with the contraction of one per cent in 2001. The expansion extended to commercial services trade which grew by 5% in value terms. These marked a welcome departure from the deceleration of global output growth and the contraction of capital and trade flows in 2001.

The rebound in international trade occurred despite some difficult circumstances. Nascent global economic recovery was not sustained. It was weighed down in the middle of the year by the erosion of business confidence as a result of a wave of corporate and accounting scandals and by rising geopolitical tensions in the latter part of the year. Capital flows, and in particular foreign direct investments, which were such a vital part of the integration of markets in the last decade, continued to shrink dramatically. The US dollar weakened against other major currencies, and there was greater uncertainty in exchange rates, possibly increasing the costs of international transactions. The lingering fears of terrorism and higher fuel prices limited growth in international travel and transportation services. The aftermath of 11 September continued to reverberate with some countries taking added precautions on the movement of goods and persons across international borders. While such precaution is an understandable response to mitigate risks from terrorism, it can nevertheless exact a cost on trade because of the consequent delays in consignments.

The multilateral trading system provided a supporting environment to the global trade recovery. This was made possible by the adherence by Members to the rules-based system, commencement of WTO negotiations, the continuing accession of new Members, and the effective resolution of trade disputes. Despite the more difficult economic circumstances, there has been no pronounced move by countries to resort to protectionist measures. A major concern, however, is the continuing proliferation of regional trade arrangements.

Trade performance was uneven with significant differences across regions largely reflecting the pattern of economic growth. Trade expansion was strong in Asia buoyed by China's continuing strength. Trade grew in double digits in the transition economies, who continued to benefit from market reforms and continuing FDI inflows. North America's imports recovered in line with strong domestic demand although exports decreased in 2002. Trade remained subdued in the other major developed economies – Western Europe and Japan. Prices of crude oil, gold and agricultural commodities rose in 2002 providing an important lift to commodity exporting developing countries, including many in Africa. Trade growth in Africa was at about the same pace as the global average, which under current circumstances, was an important and welcome achievement. Economic and political turmoil in some of the big economies in Latin America contributed to a sharp contraction in trade and capital flows to the region.

The outlook for this year is for continuing challenges not only to the global economy but to many of the international institutions that underpin it. Chief among these are restoring stability, rebuilding business confidence, balancing the need to reduce the risks of terrorism with the objective of facilitating trade, making progress in international trade negotiations and managing the inevitable tensions in economic and trade relations among nations in an increasingly interdependent world.

The Doha Development Agenda

It is against this backdrop that Members embarked upon the first full year of negotiations under the Doha Development Agenda. The work programme, agreed by Ministers at Doha, is one of the most ambitious yet attempted.

The need to reach a balanced final agreement to the Doha Development Agenda has become vastly more urgent given the current atmosphere of political and economic uncertainty. Progress under the Doha Development Agenda will signal a global commitment to reinvigorate a slowing world economy, and, importantly, will underscore the primacy of international cooperation as the basis for finding solutions to the world's common concerns. Ambitious liberalization of tariffs and non-tariff barriers has the potential to underpin faster economic growth, which, in turn, could significantly increase the living standards of people around the world. Recent estimates by the IMF and World Bank, for example, indicate that the elimination of barriers to merchandise trade, alone, both in industrialized and developing countries could result in welfare gains ranging from US\$250 billion to US\$620 billion annually. It is widely recognized that trade is one of the surest ways in which to support developing country efforts to grow their way out of poverty. A stronger and more open multilateral trading system can make a broader contribution to international peace and stability through the forging of ever closer and mutually beneficial ties between nations, and cementing these ties through legally-binding commitments.

Procedural arrangements for the Doha Development Agenda negotiations were quickly established in early 2002. The Director-General, in *ex officio* capacity, was appointed Chairman of the Trade Negotiations Committee, and the eight bodies under the TNC with their respective Chairpersons were set up. Members were able to move swiftly into an intensive phase of substantial work in all areas of the Doha Work Programme.

A key focus of work in 2002 was on three areas of particular interest to many developing countries. These were issues where Ministers had set early target deadlines for agreement: First of all, to review, by July the special and differential treatment provisions with a view to making these more precise, effective and operational. Second, to find a solution, by the end of December, to the problems countries with little or no manufacturing capacity of essential medicines may face in making use of compulsory licensing under the TRIPS Agreement. Finally, to find a solution, again by the end of December, to specific concerns of developing countries in connection with the implementation of WTO Agreements. It was disappointing that Members were unable to reach full agreement in each of these three areas by the deadlines set. Members' efforts to forge consensus in these three areas have, however, generated a better understanding of the issues at stake, and succeeded in some cases in considerably narrowing the gaps between different national positions. Work continues in 2003.

The various market access negotiations – services, agriculture and manufactured goods – were also very active in 2002. Since the services negotiations began in January 2000, over 50 Members have submitted negotiating proposals, and there has been an unprecedented level of participation by developing countries. This is, perhaps, a reflection of the growing importance of services in domestic economies and globally. Services now account for over 60% of world GDP, and it is the fastest growing segment of world trade. In Doha, Ministers decided on the dates of 30 June 2002 and 31 March 2003, respectively, for the submission of requests and offers. The submission of requests has taken the negotiations to a different level of intensity and specificity, with Members discussing their issues of interest in specific sectors through bilateral consultations. It is expected that the submission of offers will carry the negotiations to an even more intensive phase.

In agriculture, Members have been working towards establishing modalities for specific commitments. In December 2002, the Chairman of the Committee on Agriculture, Special Session put forward an overview paper identifying the main proposals of Members and the issues that need to be resolved. The first draft of modalities was issued on 17 February 2003 and a revision of that draft on 18 March. Unfortunately, the deadline for establishing modalities was missed by end March. Although considerable progress has been made on a number of issues, in key areas the gaps in positions among Members could not yet be

bridged. There are those seeking ambitious reform in terms of better market access, substantial reductions in trade-distorting domestic supports and the rapid phasing out of all forms of export subsidies. Others stress that the balance between trade liberalization and non-trade concerns requires a gradual process of reform. Bringing these positions closer together is one of the most important and difficult challenges facing Members.

In non-agricultural goods, Members agreed to the target of end December 2002 for submission of proposals on modalities as well as a target date of 31 May 2003 for agreement on modalities both for tariffs and non-tariff measures. Over 30 proposals have been put on the table in these two areas. As part of this process over 20 Members notified, by the end of March 2003, the non-tariff barriers they face in other markets. While eight successive rounds of trade negotiations under the GATT, over the last half-century, have succeeded in significantly reducing tariffs there is still ample scope for further liberalization. Tariff peaks, high tariffs and tariff escalation still prevail in many markets. Some developed country markets, where the average tariff levels are very low, are characterized by tariff peaks and escalation in labour-intensive manufactures, such as fish and fish products, leather and leather products and textiles. In the textiles and clothing sector, market access will be significantly enhanced with the elimination of quantitative restrictions on 31 December 2004 in accordance with the Agreement on Textiles and Clothing (ATC). The negotiations also offer the opportunity for developing countries to reduce their relatively high tariffs and increase the scope of bindings – bringing greater predictability and transparency to their trading regimes. More than 35% of developing country exports of manufactured goods are destined for other developing country markets, yet most developing countries still maintain relatively high tariffs, so this round brings an opportunity to open up their markets to stimulate greater south-south trade.

The Rules negotiations have moved with satisfactory progress from a first meeting in March 2002, through four substantive meetings in 2002, and two up to March 2003. Particularly in the anti-dumping area, numerous issues have been identified for negotiation, ranging from discrete technical questions to broader questions including special and differential treatment for developing countries. In the areas of subsidies and countervailing measures, including fish subsidies, work in identifying issues has been less intense, and participants will have to make progress in this respect if these areas are not to lag behind anti-dumping, where recent submissions included more specific proposals. Overall, the group has made significant progress in identifying the range of issues to be discussed, and will soon be ready to shift from issue identification to a subsequent phase of the negotiations.

The group has made substantive progress in the area of regional trade agreements (RTAs). Earlier discussions on controversial issues in the Committee on Regional Trade Agreements (CRTA) facilitated the issue-identification phase of the negotiations, which is now virtually completed. Participants have distinguished, as a working hypothesis, those issues that were more “procedural” in nature from those that had a higher “systemic” or “legal” content. Procedural issues, and in particular transparency of RTAs, have been identified as priorities for the negotiations, and since October 2002, the group has addressed RTAs transparency in open-ended informal meetings.

In environment, while progress has been made on all aspects of the negotiating mandate, the main focus has been on the relationship between existing WTO rules and specific trade obligations set out in MEAs. During 2002, some key procedural issues were resolved, notably with regard to the organization of the work. Since then, the CTE Special Session has engaged in a more analytical phase of its work, based on the examination of specific trade obligations contained in relevant MEAs. This exercise is important in order to assess whether such obligations have in fact raised, or may raise, difficulties in terms of their compatibility with WTO rules. This exercise should also contribute to enhancing the mutual supportiveness between trade and environment. In this respect, it is worth noting that the CTE Special Session has agreed to invite, on an ad hoc basis, a number of MEAs and UNEP to take part in its work.

At Doha, Ministers mandated the Committee on Trade and Environment and the Committee on Trade and Development to monitor sustainable development in all on-going negotiations. To this end, the CTE has commenced a process which involves sector-by-sector Secretariat briefings on the environmental aspects of the negotiations.

A negotiation covering so many issues and involving so many Members will always be difficult, and it is to be expected that progress in the early stages will be slow, as Members define their interests and reach an understanding of the issues at stake and the positions of other Members. A concerted effort must now be made to identify positive linkages and trade-offs between and within sectors and move all areas of the negotiations forward together to reach a balanced overall outcome by 1 January 2005.

Preparations for the Fifth Ministerial Conference

The WTO's Fifth Ministerial Conference to be held in Cancún, Mexico from 10 to 14 September 2003 will be an important milestone in the DDA negotiating process. It will be an occasion for Ministers to take stock of progress in the negotiations, provide any necessary political guidance and take decisions as necessary. Ministers will need to consider the reports of working groups; take decisions, by explicit consensus, on modalities of negotiations on the Singapore issues; find a balance between the respective market access negotiations and also provide interpretative solutions on issues where necessary. Ministers will also need to set the roadmap to conclude the round within the remaining fifteen and a half months.

Given the demanding programme Ministers will be facing at Cancún, it is imperative that in preparing for the meeting, as much substantive progress is made before in Geneva as possible. The number and scope of subjects for Ministerial action must be manageable or there is a real risk of overload.

The logistics for the Conference are handled by a Secretariat Task Force which has been set up for this purpose. The Cancún Convention Centre will have all the facilities required to hold a Ministerial Conference. The WTO Secretariat and the Mexican Organising Committee are working in close contact in the run up to the Conference.

WTO regular activity

Dispute settlement

The important work of the WTO in settling trade disputes between Members continued during 2002. Between January 2002 and end March 2003 the DSB received 44 formal requests for consultations. It established panels to deal with 15 new cases, received Notices of Appeal in 8 cases, and adopted panel and/or Appellate Body reports in 13 cases. This brings the total number of complaints initiated under the DSU, since its inception in 1995, up to 286. This has led to the composition of panels in 85 cases. The Appellate Body has issued a total of 54 reports. One of the main successes in the operation of the WTO dispute settlement mechanism has been that in every single case where a panel or an Appellate Body recommendation has been adopted to date by the DSB, Members have either already complied with such recommendations or have expressed their intention to comply. At the same time, recent delays in compliance in some cases, due to the domestic constraints of some Members, bear watching.

As part of the Doha Work Programme, Members have also been undertaking a review of the Dispute Settlement Understanding – to be completed by May 2003. Generally, Members have expressed overall satisfaction with the structure and operation of the system, although many Members have identified specific areas in the system where they believe improvements could be possible. While several proposals to refine and fine-tune parts of the Dispute Settlement Understanding have been put on the table in the negotiations, the fundamental features of the system adopted under the Uruguay Round, such as the Appellate Body, the rule of negative consensus and recourse to arbitration in various phases of the process are not the subject of proposals for change.

Technical assistance and capacity building

In the context of the Doha Development Agenda, the WTO has taken on an unprecedented level of commitment in providing technical assistance and capacity building to developing countries. This is in recognition of the considerable expertise all countries need in order to exercise their WTO rights and obligations, to reap the benefits of membership in the multilateral trading system, and to fully participate in the negotiations – defining their interests and understanding the implications of proposals by other players.

In 2002, this commitment was swiftly followed-up by financial pledges by Members, far exceeding initial expectations, to a trust fund for technical assistance. This enabled the WTO to undertake 481 activities over the course of the year, the largest number of technical assistance activities yet, and to increase the number of regular three month Trade Policy Courses held in Geneva. A new initiative to replicate these highly successful courses regionally was also undertaken – in Kenya for English-speaking African countries and in Morocco for French-speaking African countries. The aim of these courses was not only to provide intensive training in all aspects of the WTO, but also to develop local capacity for

training and analysis by involving regional teachers and academics. It is intended to extend these courses to other regions in the future.

In the context of the Doha Development Agenda, regular technical assistance activities are also being undertaken jointly between the WTO and other agencies. Important progress in 2002 was also made on two key initiatives: the Integrated Framework for Least-Developed Countries (IF), and the Joint Integrated Technical Assistance Programme to Selected Least Developed and other African Countries (JITAP). The IF is a joint initiative between the IMF, ITC, UNCTAD, World Bank, UNDP and WTO focused since its restructuring in 2001 on mainstreaming trade policies into national development plans and assisting in the coordinated delivery of trade-related technical assistance. The JITAP is run by the WTO, UNCTAD and ITC. Inter-agency cooperation in technical assistance and capacity building must be continued and strengthened beyond the conclusion of the Doha Development Agenda. Assistance is needed to help developing countries implement the final agreement reached and address supply side constraints in developing countries so they are able to better benefit from market access achieved. This will involve action that goes beyond the mandate and competence of the WTO.

To help donors and participants have an overall picture of technical assistance activities being provided, the OECD and WTO Secretariats established in November 2002, a database which gives details of trade-related technical assistance and capacity-building activities of the various bilateral, regional and multilateral donors. This should help to increase coordination of activities and avoid costly overlap.

Coherence in international economic policy-making

The WTO's cooperation with the IMF and World Bank is based on the Marrakesh "Declaration on the Contribution of the WTO to Achieving Coherence in Global Economic Policy-Making" and on the WTO's formal cooperation agreements with the IMF and the World Bank. This framework 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.

In late 2002, the Director-General met separately with the Managing Director of the IMF and the President of the World Bank. Discussions involved the support of the Bank and the Fund for the Working Group on Trade, Debt and Finance and intensified efforts with respect to trade-related capacity building.

Regular staff contacts aim to ensure the consistency of IMF policy advice with WTO rules and staff attend each other's meetings in an observer capacity. In the course of the year, WTO staff organized a number of Geneva-based seminars for WTO Members with participation by staff from both the Bank and the Fund. The IMF's Committee on liaison with the WTO met twice in 2002.

Cooperation at staff level extends to many areas of the WTO, including surveillance activities and especially technical assistance. The World Bank has set up a Trade Department to integrate trade-related research and operations in support on mainstreaming trade through the PRSPs and the Integrated Framework. The Bank contributed resources to the new WTO Regional Trade Policy Courses in Africa and provided initial financing for a new Standards and Trade Development Facility, aimed at SPS-related capacity building.

Strengthening the WTO as an institution

The WTO continues to become a more universal and visible organization. With the accessions of Chinese Taipei in 2002 and those of Armenia and the Former Yugoslav Republic of Macedonia in 2003, the total Membership of the WTO now stands at 145. A further 26 countries are negotiating accession, and a number of these are least-developed countries, whose accession to the WTO should be facilitated by guidelines agreed by Members, in December 2002. The acceleration and speedy conclusion, where possible, of the on-going LDC accessions is one of the main priorities for the WTO Secretariat's accession dossier.

With the Doha Development Agenda negotiations under way, the pressures on the system to function smoothly internally and to be more open and transparent to the outside world have grown considerably. Two decisions were taken by Members in December 2002, which should remove a source of contention between them. These were decisions on a more predictable and transparent process for the appointment of future Directors-General and the appointment of Chairpersons to WTO Councils and Committees. Members have also been discussing how the functioning of WTO processes might be improved, particularly the preparation and organization of Ministerial Conferences. With the start of negotiations, efforts have been made to avoid meetings being scheduled in parallel, to allow small

delegations to participate in all the discussions. Efforts have also continued to be made to help governments without a permanent representation in Geneva to follow the negotiations. The "Geneva Weeks" provide these countries with the possibility to come to the WTO for week-long intensive briefings and presentations, as well as the possibility to attend several WTO meetings. Two "Geneva Weeks" were organized in 2002.

The WTO continued to perform its surveillance of Members' trade policies and practices. Between January 2002 and end of March 2003, 18 Trade Policies Reviews were conducted. This exercise is highly appreciated and valued by Members as one of the main elements providing transparency to trade regimes and in bringing greater understanding of, and hence providing improved adherence to, the rules and principles that underpin the multilateral trading system. Increasingly, also, the exercise becomes an important element in technical cooperation and capacity building for developing countries.

The WTO continued in 2002 to improve outreach to stakeholders, parliamentarians, civil society, the private sector and the media. In April 2002, the WTO hosted a public symposium on the Doha Development Agenda, attended by over 800 people. Another public symposium is being planned for June 2003. In May 2002, Members took the decision to accelerate the derestriction of WTO documents. The time-period for derestriction has been reduced to an average of 6 to 12 weeks from the previous 8 to 9 months. The WTO has also been working closely with international and regional organizations to foster and enhance parliamentary understanding and involvement in the multilateral trading system. A range of activities are being planned in 2003 to support parliamentary engagement, including activities in the African, Asian and Latin American regions.

Chapter Two

OVERVIEW OF DEVELOPMENTS IN THE INTERNATIONAL TRADING ENVIRONMENT

Overview of developments in the international trading environment

Trade Policy Trends in WTO Members

1. Overview

WTO Members agreed in Doha in November 2001 to put in place a comprehensive agenda for negotiation and future work, the Doha Development Agenda (DDA). The agreed agenda aims at further strengthening and liberalizing the multilateral trading system, including by dealing with unfinished business on market access.¹ Members also welcomed the Peoples' Republic of China and Chinese Taipei as the 143rd and 144th Members of the WTO. Both of these successes boosted confidence in the commitment of Members to cooperate within the multilateral trading system, particularly in support of the further participation of developing countries in the system. In this context it is worth noting that developing countries that have increased their integration into the world economy do better in growth and income-per-capita terms than those whose integration has lagged²; it is realized by many, including least-developed countries (LDCs), that openness and participation in the rules-based system provides a stimulus to competition and more efficient resource allocation, in furtherance of growth and development objectives. Success in the DDA will support these objectives.

Elimination of barriers to merchandise trade in both industrialized and developing countries, in which the DDA will be vital, could result in welfare gains ranging from US\$250 billion to US\$620 billion annually, of which about one third to one half would accrue to developing countries.³ Removal of agricultural supports would raise global economic welfare by a further US\$128 billion annually, with some US\$30 billion to developing countries.⁴ The more rapid growth associated with a global reduction in protection could reduce the number of people living in poverty by as much as 13% by 2015.⁵ *Trade liberalization and poverty reduction go hand in hand.*

Several areas of great interest to all Members, especially to developing and least-developed countries, are the subject of work under the DDA. A key is agriculture which, despite its small and diminishing contribution to GDP in most developed economies, receives a disproportionate amount of assistance in the form of subsidies and protection at the border. Such assistance distorts markets at home and the world. OECD countries' total support of US\$311 billion to domestic agriculture in 2001 dwarfs the US\$50 billion these countries spend annually on development assistance. The need to reduce support for agriculture is being addressed in ongoing WTO negotiations.

In market access there remain serious obstacles to trade. While average bound and applied MFN tariffs in developed countries are low, tariff "peaks", and escalation can constitute major impediments to poorer countries' development and industrialization, for example, through exports; they tend to be concentrated in agricultural products, textiles and clothing, and other manufactures in which developing countries have a potential comparative advantage. Since agricultural products and textiles and clothing account for more than 70% of poor countries' exports, the potential benefits from the reduction/elimination of peaks and escalation are large. In developing countries, average tariffs tend to be significantly higher for trade between them than on their exports to developed countries. In many developing countries, therefore, high tariffs increase the cost of doing business and thereby hamper exports. Also, in a number of these Members, the low level of tariff bindings and significant gaps between bound and applied rates create unpredictability and commercial risk. All of these tariff issues are identified as matters for negotiation in the Doha Declaration.

In addition, a significant number of quantitative restrictions remain in place under the WTO Agreement on Textiles and Clothing (ATC), although these are to be removed by the end of 2004. Other non-tariff barriers, notably technical barriers, also remain serious impediments to trade; these too are an essential element in the negotiations.

The increasing use of contingency measures, particularly anti-dumping actions, is also a key area of interest to Members. Although the upward trend was somewhat reversed in 2001, when the number of new anti-dumping measures in force fell to 159 from 235 in the previous year, this is still considerably greater than the numbers imposed in 1995, 1996 and 1997. More Members, including developing countries, are resorting to them

¹ This unfinished business was the subject of a study by the WTO Secretariat (WTO, 2001, *Market Access: Unfinished Business*, Special Study 6, WTO Secretariat, Geneva).

² World Bank (2001), *Globalization, Growth and Poverty: Building an Inclusive World Economy*.

³ IMF and World Bank, *Market Access for Developing Country Exports – Selected Issues*, 27 September 2002, p. 5.

⁴ This amount relates only to static gains; dynamic gains (from higher investment and faster productivity growth) may well be several times larger. IMF, *2002 World Economic Outlook*, p. 85.

⁵ IMF and World Bank, *Market Access for Developing Country Exports – Selected Issues*, 27 September 2002, p. 5.

increasingly. The rising trend in the use of such measures prompted Members to place the matter on the DDA.

In services, market-access conditions are a key interest of Members. The services sector accounts for a large (around two thirds) and growing share of global GDP. Services have also been among the fastest growing segments of world trade. Between 1985 and 1999, services exports grew at a compound annual rate of over 9% compared to 8.2% for merchandise trade.⁶ These figures are on a balance-of payments basis, and their coverage of services trade is thus confined largely to two modes of supply falling under the GATS: cross-border trade (mode 1) and consumption abroad (mode 2). Commercial presence (mode 3), the largest and most dynamic form of services transactions, is not captured. Further liberalization of restrictions under this mode, and any resulting inflows of foreign investment, can be an essential ingredient of growth and development strategies. Relaxation of restrictions on the movement of natural persons, covered by mode 4 of the GATS could also help to reduce poverty in poorer countries including through remittances, reductions in surplus labour and skills transfers. Progressive liberalization of trade in services is a core objective of the ongoing services negotiations mandated under Article XIX of the GATS. It is expected that the gains from liberalizing services are substantially greater than those from liberalizing trade in goods.⁷

While Members' agreement in Doha on the DDA reconfirmed their commitment to multilateralism, regional alternatives are a significant challenge to the multilateral trading system. When fully in line with WTO provisions, regional trade agreements (RTAs) can complement the strengthening and liberalization of world trade. But by discriminating against third countries and creating a complex network of trade regimes, such agreements pose systemic risk to the global trading system. Around 240 such agreements are currently in force and there could be close to 300 by 2005. A noteworthy development in this regard during the past year or so has been the pursuit and conclusion of regional agreements by some Asian countries that had previously eschewed them, notwithstanding the successful launching of new multilateral negotiations.

Having reiterated their positions on "special and differential" treatment, implementation, technical assistance and capacity building, developing countries sent a clear signal that their attitude to new negotiations would depend on progress in these areas. The Doha Declaration includes measures to address developing countries' concerns in these areas.

Any agreements to liberalize trade arising from the DDA should reduce inefficiencies in Members' use of scarce domestic resources, with potential positive effects for the environment. Trade liberalization could also help to alleviate poverty, a major cause of environmental degradation. By contributing to a more efficient allocation of Members' resources and thus raising productivity, especially of labour, freer trade will contribute to higher wages and living standards. Living standards will be further raised by the greater choice of goods and services at lower prices.

The launching of new negotiations should not prevent Members from opening up their markets further in the context of domestic reforms. As some Members (notably Australia; Hong Kong, China; India; and Singapore) have shown, unilateral liberalization can also be in their national interest. Unilateral liberalization has been especially noteworthy in financial services and telecommunications. Moreover, studies show that the potential economic benefits from further unilateral trade liberalization could be significant.⁸ These benefits, in turn, are easier to reap in the context of concurrent, supportive multilateral liberalization, adding emphasis to the importance of success in the DDA.

2. Market access for goods

Unfinished business on tariffs

Tariffs remain an important impediment to international trade, notwithstanding the considerable achievements of the Uruguay Round, especially the increase in the proportion of tariff lines that are bound and the negotiated cuts in bound rates. Even in industrialized countries, where average tariff protection is low, tariff "peaks" exist in certain sectors, notably agricultural products, textiles, clothing and footwear. These peaks constitute *prima facie* evidence that the domestic dead-weight and net welfare losses caused by tariff protection as well as the costs to consumers could be high.⁹ The losses and costs to consumers are also likely to be high in developing countries, where overall tariff protection tends to be relatively high.

Particular attention is on the so-called "Quad" group of major traders (Canada, the European Union, Japan, and the United States) because tariffs used by them can have serious repercussions for their trading partners, especially developing and least-developed countries. They can lead to welfare losses not just domestically, but on a global scale; such impediments may slow developing countries' growth, especially by constraining exports. The

⁶ World Bank, *op. cit.*

⁷ World Bank (2002), *Global Economic Prospects and Developing countries, 2002*, Chapter 3: Trade in Services: Using Openness to Grow, World Bank, Washington, D.C. [Online]. Available at: <http://www.worldbank.org/prospects/gep2002/toc.htm>, [13 August 2002].

⁸ In the case of the United States, for example, a recent study by the International Trade Commission found that the removal of significant import barriers would result in a welfare gain of US\$14.4 billion to the U.S. economy (or 0.1% of GDP). Liberalization of textiles and apparel accounts for most (US\$13 billion) of this welfare gain. Removal of these import barriers would also result in the net addition of some 17,400 full-time workers to the labour force. (See United States International Trade Commission, *The Economic Effects of Significant US Import Restraints*, Third Update 2002, Investigation No. 332-325, June 2002, Publication 3519.)

⁹ Dead-weight losses to consumers and producers are only one channel through which trade restrictions may affect net economic welfare; others include rent shifting between countries, rent-seeking activities, terms of trade changes or losses in scale economies, changes in product variety, and reduced diffusion of technologies. See Feenstra (1995), "Estimating the Effects of Trade Policies" in G. Grossman and K. Rogoff (editors), *Handbook of International Economics*, volume III, North Holland, 1553-1595.

“Quad” Members also warrant special attention as they are likely to play a leading role in the DDA.

The impediments to access faced by developing and least-developed countries’ in major export markets are compounded by their own barriers to imports. High tariffs protect domestic firms from foreign competition, which makes selling in the domestic market more profitable than exporting; thus, along with other trade barriers, they impart an anti-export bias, hampering the ability to generate growth through exports. Exports from some developing and least-developed countries are also impeded by domestic supply constraints, especially inefficient basic infrastructure services, which add to the costs of doing business and thereby impair the competitiveness of firms operating in these countries.

Bindings are a key element of trade liberalization as they reduce the uncertainty concerning trade regimes. This is especially true for tariffs. In addition to achieving higher levels of bindings on industrial products, all Members bound virtually the totality of their tariff lines on agricultural items (WTO definition) as a result of the WTO Agreement on Agriculture. Non-tariff barriers (NTBs) for agricultural products that were previously subject to quotas were “tariffed”.¹⁰

Most developed countries have bound close to 100% of their industrial tariff lines (Table II.1). Developing countries as a whole increased substantially the share of bound industrial product tariff lines, from 21% to 73%, although there are considerable differences between such Members.¹¹ In Latin America, Members bound 100% of lines at ceiling levels, and in Central and Eastern Europe, almost all lines are bound. 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 by WTO Members in Africa is generally low.

Full implementation of Uruguay Round commitments will result in relatively low simple average bound rates for industrial products, although wide differences exist across Members and products. The average for the Quad is around 4.4%. The average for most developing countries is much higher, as much as 50% (in Bangladesh and Cameroon).

For most WTO Members, the average bound rate for agricultural products is higher than for industrial products¹²; the simple average of bound rates for agricultural products is around four times that of industrial products in developed countries, and two to three times higher in developing countries.¹³ Peaks in bound tariffs are frequent for more sensitive agricultural product categories.

Average bound rates for categories of industrial products vary significantly.¹⁴ For both developed and developing countries, bound rates are highest in textiles and clothing: the Quad average 9% and developed countries as a whole are at 12%; developing and transition economies average 29%. Similar levels are to be found for leather, rubber, footwear and leather products (9% for the Quad, 10% for developed countries, 27% for developing countries).¹⁵ Above-average bound rates are generally also found in fish and fish products, and transport equipment.

Applied tariffs vary widely across countries. Among the Quad, the average applied MFN rate for all products ranges from 5.4% in the United States to 6.9% in Japan (Table II.2). Average applied MFN rates are below 5% in Iceland and Australia. These low averages disguise the much higher rates on agricultural products (except in Australia) and textiles, clothing, and footwear. Average applied MFN rates are zero in Hong Kong, China; Macau, China; and Singapore.

Applied MFN tariffs tend to be much higher in developing countries, notably India, Bangladesh, the Maldives, Pakistan and most African countries; for example, the average applied MFN tariffs of India and Bangladesh are around 32% and 22%, respectively (Table II.3¹⁶), while in Cameroon and Gabon the average is just over 18%. One important reason for such rates in these and other Members is the fact that tariffs often serve a dual purpose; they protect domestic industries from foreign competition and they are a major source of tax revenue. It follows that tariff reform can have serious revenue implications in such countries and reductions in average tariffs depend heavily on tax reforms aimed at reducing their reliance on border taxes for revenues.

Whereas in developed countries applied MFN tariffs are generally at, or close to, bound rates, they are often significantly below bound rates in developing countries. This gap is the result of two factors: the negotiation of ceiling bindings in the GATT 1994, and unilateral reductions in applied tariffs since the WTO came into existence. Such unilateral trade liberalization has been undertaken by a number of Members, including Cameroon and Uganda in Africa, and India and Pakistan in South Asia. Liberalization in Central Europe has also continued at a sustained pace, resulting in generally low applied MFN tariffs. There would appear to have been a pause in the process of tariff reduction in South-East Asia and

¹⁰ One notable initial exception was rice in Japan, although this no longer the case.

¹¹ WTO (2001), *Overview of Developments in the International Trading Environment, Annual Report by the Director-General*, p. 28.

¹² Levels of bound rates for agricultural products are more difficult to analyse than those for industrial products owing to the presence of specific and other non-*ad valorem* duties on certain products. For purposes of calculating average tariffs, these forms of duty must be converted into *ad valorem* equivalents (AVEs), which can vary widely depending on prevailing world and domestic prices of the commodities involved. The prevalence of tariff quotas is also a complicating factor; important issues concern their administrative arrangements, notably the allocation of such quotas.

¹³ IMF and World Bank (2001), “Market access for developing countries”, p. 18.

¹⁴ WTO (2001), *Overview of Developments in the International Trading Environment, Annual Report by the Director-General 2001*, p. 29.

¹⁵ This category of products is defined, in WTO (2001), *op. cit.*, Table 4, p. 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.

¹⁶ The methodology used to construct the tariff indicators found in this and other Tables is described in M. Daly and H. Kuwahara (1998), “The Impact of the Uruguay Round on Tariff and Non-Tariff Trade Barriers in the Quad”, *The World Economy* 21(1), pp. 207-234.

Table II.1

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

(Per cent and year)

	Share of bound lines (%)	Average final bound rate ^a	Average applied tariff rate	Year
North America				
Canada	99.7	5.7	4.2	2002
United States	100.0 ^b	4.0	4.4	2001
Mexico	100.0	34.9	15.6	2001
Latin America				
Argentina	100.0	31.8	13.4	2000
Brazil	100.0	29.6	13.8	2000
Chile	100.0	25.0	9.0	2000
Colombia	100.0	35.4	11.2	2000
Costa Rica	100.0	43.1	4.7	2000
Haiti	87.6	16.9	2.4	2001
Western Europe				
EU (15)	100.0	4.0	4.1	2002
Switzerland	98.6	2.6	2.3	2000
Central and Eastern Europe				
Czech Republic	100.0	4.2	4.3	2001
Slovak Republic	100.0	4.2	4.3	2001
Slovenia	100.0	23.7	9.5	2001
Middle East				
Bahrain	72.6	35.0	7.7	2000
Asia				
Bangladesh	0.9	50.0	21.9	1999/00
Brunei Darussalam	94.3	24.5	3.5	2000
Hong Kong, China	32.6	0.0	0.0	2001
India	68.2	36.2	31.0	2001/02
Japan	98.7	3.8	3.9	2002/03
Korea, Rep. of	90.6	9.4	7.5	2000
Maldives	100.0	38.5	21.1	2002
Malaysia	59.0	14.9	9.9	2001
Pakistan	36.5	36.0	20.1	2001/02
Singapore	63.6	6.3	0.0	2000
Oceania				
Australia	95.5	11.6	4.7	2001/02
Africa				
Cameroon	0.1	50.0	17.6	2000
Gabon	100.0	15.5	17.5	2000
Ghana	1.1	34.3	12.5	2000
Madagascar	18.6	25.5	6.1	2000
Mauritania	31.0	10.5	10.4	2001
Mauritius	4.2	18.6	19.8	2001
Mozambique	0.4	6.1	13.1	2000
South Africa	95.7	18.1	10.9	2002

^a Data on current bound rates is often difficult to obtain due to imprecision in Schedules.^b Two lines applying to crude petroleum are unbound.

Note: Calculations are based on tariff schedules of the year mentioned in the fifth column using HS96 nomenclature (except for EU15, Japan and the Maldives where calculations are based on HS2002 nomenclature).

Only fully bound rates have been taken into consideration for calculations.

For countries with non-*ad valorem* rates, AVEs have been used as available. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Data in italics are from the Integrated Database (IDB). Methodology in the IDB differs from the one used in the Trade Policy Reviews. Mainly, the IDB computes indicators from tariffs at the HS 6-digit level, while the TPRs do so from national tariff lines, and AVEs and the *ad valorem* component of mixed and compound duties are not taken into account in the averages computed by the IDB.

Source: WTO Secretariat calculations, based on data provided by the Members.

Latin America in the wake of the 1997-98 financial crisis; however, applied tariffs in these regions are already among the lowest among developing-country Members (some 8% on average in the ASEAN-6 and some 12% in South America), and no major reversals of tariff cuts were observed during the financial crisis.

Table II.2

Structure of MFN tariffs in the "Quad"

(Per cent)

	United States			European Union			Japan			Canada		
	1996	2001	UR ^{ab}	1995 ^c	2002	UR ^{ad}	FY1996	FY2002	UR ^e	1995 ^f	2002	UR ^f
1. Bound tariff lines (% of all tariff lines)	100.0 ^a	100.0 ^a	100.0 ^a	..	100.0	100.0	98.6	98.9	98.9	..	99.8	99.7
2. Duty free tariff lines (% of all tariff lines)	18.2	31.5	37.6	9.4	21.5	28.0	35.5	36.7	40.6	18.2	49.0	29.6
3. Non- <i>ad valorem</i> tariffs (% of all tariff lines)	14.1	12.3	10.8	10.2	9.7	10.1	..	7.1	6.3	7.4	3.9	4.2
4. Tariff quotas (% of all tariff lines)	1.9	2.0	1.9	3.3	3.0	3.3	1.7	1.7	1.7	2.2	2.2	2.2
5. Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	3.1	0.0	0.2	2.0	1.2	2.3	..	0.7	1.9	1.5	0.3	0.3
6. Simple average bound rate	..	..	..	..	6.5	6.3	10.3	8.5	8.4	..	..	8.4
Agricultural products (HS01-24)	..	..	8.1	..	16.2	16.3	..	26.6	26.5	..	..	23.1
Industrial products (HS25-97)	..	..	4.0	..	3.8	3.6	..	4.1	3.9	..	..	5.8
WTO agricultural products	..	..	8.3	..	16.1	16.3	..	28.9	28.9	..	..	24.4
WTO non-agricultural products	..	..	4.0	..	4.2	4.0	..	3.9	3.8	..	..	5.7
Textile and clothing	..	..	9.0	..	8.4	8.0	9.8	7.1	6.7	..	..	12.2
7. "Nuisance" bound rates (% of all tariff lines) ^g	..	..	6.9	..	12.9	6.4	..	6.7	1.1	..	..	1.0
8. Simple average applied rate	6.4	5.4	4.6	10.2	6.4	6.3	9.0	6.9	8.4	13.2	6.8	8.4
Agricultural products (HS01-24)	10.0	10.3	8.1	23.7	15.9	16.3	..	18.6	26.5	28.6	21.2	23.1
Industrial products (HS25-97)	5.7	4.4	4.0	6.6	3.8	3.6	..	3.9	3.9	10.5	4.2	5.8
WTO agricultural products	10.3	10.6	8.3	24.5	16.1	16.3	..	20.0	28.9	30.3	21.7	24.4
WTO non-agricultural products	5.7	4.4	4.0	6.9	4.1	4.0	..	3.9	3.8	10.4	4.2	5.7
Textile and clothing	11.5	10.0	9.0	10.4	8.4	8.0	8.7	7.0	6.7	18.4	9.9	12.2
9. Domestic tariff "peaks" (% of all tariff lines)	4.0	5.0	7.3	4.0	5.2	5.3	4.1	6.0	3.8	1.4	1.6	1.7
10. International tariff "peaks" (% of all tariff lines)	8.9	6.8	5.2	11.0	7.7	7.5	..	7.6	7.5	17.0	9.8	7.1
11. Overall standard deviation (SD) of tariff rates	13.4	13.0	8.6	16.5	11.3	11.4	40.8	32.6	59.9	30.0	24.4	25.8
12. Coefficient of variation (CV) of tariff rates	2.1	2.4	1.8	1.6	1.8	1.8	..	4.7	7.1	2.3	3.6	3.1
13. "Nuisance" applied rates (% of all tariff lines) ^h	8.9	10.7	6.9	1.1	12.9	6.4	..	6.1	1.1	1.0	2.2	1.0

.. Not available; this occurs mainly for bound rates, which in many such cases are equal to the applied rates.

^a Includes ITA.

^b US post UR tariff is based on 1998 US tariff schedule. 18 AVEs are missing in 1998 while none are missing in 2002.

^c Pre-Uruguay Round tariff.

^d EU post UR tariff is based on 1999 EU tariff schedule. 240 AVEs are missing in 1999 while only 129 AVEs are missing in 2002.

^e Japan post UR tariff is based on 2002 Japan tariff schedule.

^f Based on 2000 tariff schedule.

^g Two lines, applying to crude petroleum, are not bound.

^h "Nuisance" rates are those greater than zero, but less than or equal to 2%.

ⁱ Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate (indicator 10).

^j International tariff peaks are defined as those exceeding 15%.

Note: AVEs have been used as available. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the Members.

The gap between applied and bound rates on industrial products differs among regions.¹⁷ In Latin America, average bound rates are three times higher than applied rates and in South-East Asia they are two-and-a-half times higher.¹⁸ These gaps provide ample scope for countries to raise applied tariffs without breaching bindings, thereby imparting a degree of unpredictability to their tariffs. Trade Policy Reviews indicate that, while few and far between, such increases do occur.¹⁹

So-called "nuisance" duties (rates above zero but no more than 2%) cover a significant number of tariff lines; for example, they involve as many as 11% of all tariff lines in the United States and 13% in the EU.

The efficiency losses associated with tariffs depend not just on average applied MFN levels, but also on the dispersion in rates across products (Box 1). The higher the dispersion in rates, particularly within groups of similar, and thus highly substitutable, products, the greater the likelihood that consumers' and producers' decisions are distorted by the tariff structure.

¹⁷ It is difficult to include agricultural tariffs in this analysis because of the specific-duty and tariff-quota aspects of those tariffs.

¹⁸ WTO (2001), *op. cit.* Table II.4, p. 17.

¹⁹ India, for example, raised some tariffs, mainly in agriculture, following the elimination of some 1,400 quantitative restrictions.

Table II.3

Structure of applied MFN tariffs in selected developing countries

(Per cent)

	South Africa			Brazil			Bangladesh			India ^a		
	1997	2001	UR	1997	2000	UR	1994/95	1990/00	UR ^{b,c}	1997/98	2001/02	UR ^b
1. Bound tariff lines (% of all tariff lines)	..	96.1	96.1	100.0	100.0	100.0	13.2	13.2	13.2	66.9	72.4	72.4
2. Duty free tariff lines (% of all tariff lines)	42.4	44.5	9.9	1.4	1.5	..	3.7	8.4	..	1.4	1.1	..
3. Non- <i>ad valorem</i> tariffs (% of all tariff lines)	25.7	24.6	0.0	0.0	0.0	..	0.1	0.0	..	0.2	5.3	..
4. Tariff quotas (% of all tariff lines)	0.0	0.0	0.0	0.0	0.0	..	0.0	0.0	..	0.0	0.0	..
5. Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	25.7	24.6	0.0	0.0	0.0	..	0.1	0.0	..	0.2	5.3	..
6. Simple average bound rate (%)	..	..	20.9	..	..	30.2	188.8	188.5	188.3	..	..	50.6
Agricultural products (HS01-24)	..	..	46.8	..	..	35.9	..	..	195.2	..	..	115.7
Industrial products (HS25-97)	..	..	18.1	..	..	29.5	..	..	151.5	..	..	37.7
WTO agricultural products	..	..	43.5	..	..	35.4	..	..	196.9	..	..	114.7
WTO non-agricultural products	..	..	18.1	..	..	29.6	..	..	50.0	..	..	36.2
Textiles and clothing	..	..	26.8	..	..	34.9	..	..	50.0	..	..	29.8
7. Simple average applied rate (%)	11.5	10.4	n.a.	14.7	13.7	n.a.	34.5	22.2	n.a.	35.3	32.3	n.a.
Agricultural products (HS01-24)	11.4	11.3	n.a.	12.9	12.9	n.a.	36.7	25.1	n.a.	33.8	41.7	n.a.
Industrial products (HS25-97)	11.5	10.3	n.a.	14.9	13.9	n.a.	34.4	21.8	n.a.	35.6	30.8	n.a.
WTO agricultural products	9.4	9.3	n.a.	12.6	12.6	n.a.	..	24.6	n.a.	35.2	40.7	n.a.
WTO non-agricultural products	11.8	10.6	n.a.	14.9	13.8	n.a.	..	21.9	n.a.	35.4	31.0	n.a.
Textiles and clothing	23.1	22.6	n.a.	20.3	20.3	n.a.	..	31.5	n.a.	43.7	31.3	n.a.
8. Domestic tariff "peaks" (% of all tariff lines) ^d	5.2	4.2	2.1	0.5	0.0	0.0	0.1	0.0	..	0.2	1.3	..
9. International tariff "peaks" (% of all tariff lines) ^e	39.2	32.7	50.9	52.0	41.3	97.4	76.8	55.8	..	96.6	93.9	..
10. Overall standard deviation (SD) of tariff rates	12.3	11.6	25.5	7.7	6.7	8.1	17.7	13.2	..	14.5	13.0	..
11. Coefficient of variation (CV) of tariff rates	1.1	1.1	1.2	0.5	0.5	0.3	0.5	0.6	..	0.4	0.4	..
12. "Nuisance" applied rates (% of all tariff lines) ^f	0.1	0.0	0.0	0.0	0.8	0.7	..	0.0	n.a.	0.0	0.0	n.a.

.. Not available.

n.a. Not applicable.

^a Tariff lines with two or more different bound rates, and tariff lines that are partially bound have been excluded from the calculation for bindings.^b Bangladesh based on 1999/00 tariff schedule; India: based on 2001/02 tariff schedule.^c Simple average bound rate for non WTO-agricultural products represent only 0.9% of lines.^d Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate (indicator 7).^e International tariff peaks are defined as those exceeding 15%.^f "Nuisance" rates are those greater than zero, but less than or equal to 2%.Note: Calculations exclude specific rates and include the *ad valorem* part of alternate and compound rates.

Source: WTO Secretariat calculations, based on data provided by the Members.

As MFN tariff rates decline, greater protection to certain sensitive sectors raises dispersion in the tariff. Among the Quad, applied MFN tariffs of three times the average or more continue to protect a number of sectors (Table II.2). These "peaks" cover from 1.6% of tariff lines in Canada to between 5% and 6% in the EU, Japan, and the United States and appear to have increased. By and large, applied MFN tariff peaks are concentrated in agriculture and food products, owing partly to "tariffication", and in textiles, clothing, and footwear (Chart II.1). Many of these products are of significant export interest to developing countries. The value of Quad imports subject to tariff peaks was nearly US\$93 billion in 1999, of which roughly 60% originated in developing countries.²⁰ This represents about 5% of total exports by developing countries to the Quad. Exports by LDCs are disproportionately affected by tariff peaks in the Quad; products subject to peaks accounted for between 15% and 30% of these countries' total exports to the United States and Canada. Not surprisingly, tariff peaks applied to non-agricultural products feature prominently in the DDA.²¹

In major developing and least-developed countries, tariff peaks tend to be less pervasive, largely due to the higher overall levels of tariff protection in these countries. In Brazil and

²⁰ M. Olarreaga and F. Ng (2002), "Tariff Peaks and Preferences" in B. Hoekman, A. Mattoo and P. English (editors), *Development, Trade and the WTO: A Handbook*, World Bank.

²¹ Tariff peaks faced by developing countries have also been the object of liberalization initiatives by the EU ("Everything But Arms") and other Members.

Box II.1: The Advantages of Lower More Uniform Tariffs

The extent to which the efficient allocation of resources in a country is impaired by its tariff structure depends on both the level of tariffs and the degree of dispersion in these tariff rates. For any given average tariff, the wider the dispersion in nominal rates, the more distorting the tariff structure.^a Thus, in general, a movement towards a lower and more uniform tariff tends to improve resource allocation and thereby raise economic welfare. High and disparate tariffs foster inefficiency by penalizing efficient activities, including exports; by promoting a high-cost economy, they impair the competitiveness of exporters. Trade taxes on imports are, in effect, shifted onto exports. Reducing tariff dispersion will tend to reduce these adverse effects.

A uniform tariff is more transparent and much easier to administer. It removes many of the incentives for making false customs descriptions and classifications. Moreover, by treating all producers and importers the same, it is likely to reduce lobbying or "rent seeking" pressures on the Government, making it easier to reject pleas for special treatment.

It may be argued that adoption of a low uniform tariff would entail a substantial reduction in government revenue compared with a system that involves high tariffs on consumer and so-called luxury goods. However, there is nothing to prevent the move toward a uniform tariff from being revenue neutral, by choosing the most appropriate tariff rate.

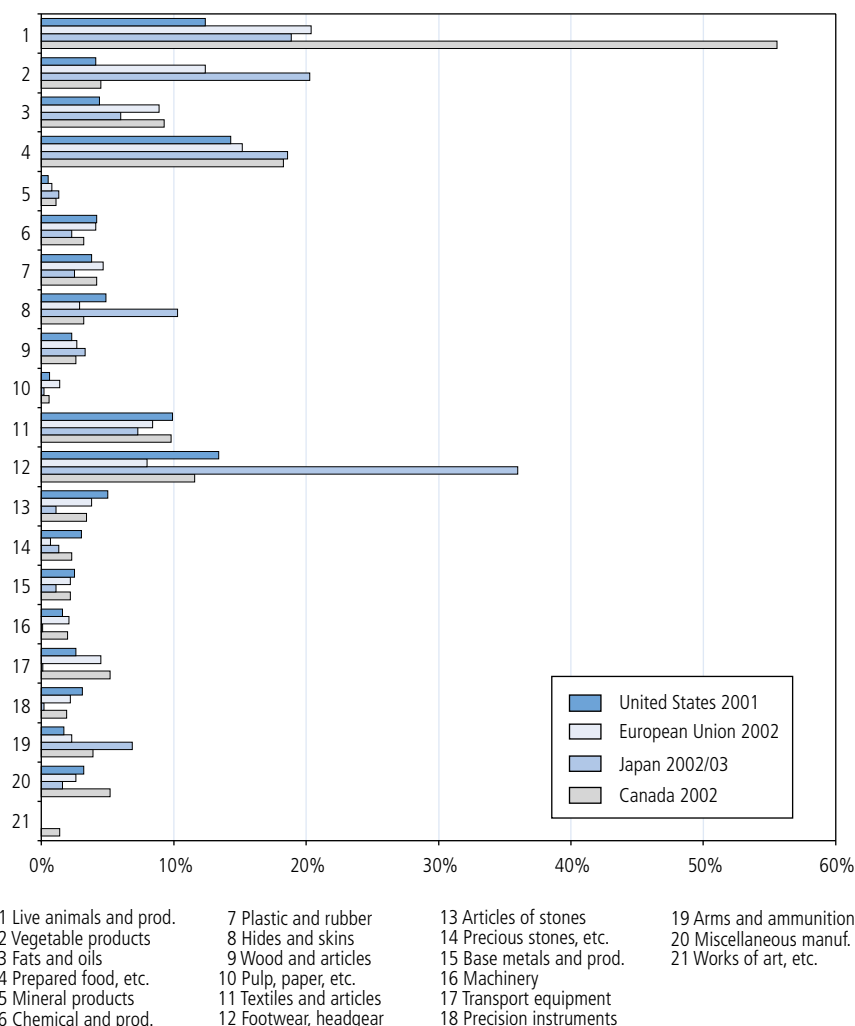
This suggests that uniform tariffs should be a policy goal, even though demand elasticities (a measure of the extent to which demand for a product varies with changes in price) may differ across goods. Although levying higher tariffs on those products with inelastic demand (small responsiveness to price changes) may, in principle, yield the desired amount of tax revenue with the minimum loss of welfare, tariff uniformity remains a desirable policy objective. This is because the application of high tariff rates to products with low demand elasticities is, in practice, a high risk strategy given that empirical measures of elasticities are inevitably imprecise and the consequent potential resource costs of miscalculation. Moreover, to be fully accurate, one should also take account of the degree of substitutability across commodities. Thus, tariff uniformity is a sensible "rule of thumb" on efficiency grounds. It is also desirable on grounds of transparency and administrative simplicity. Furthermore, a uniform tariff would be more equitable than levying higher tariffs on goods for which the demand is relatively inelastic as such goods include basic necessities. In addition, a uniform tariff could pave the way for the eventual adoption of a flat-rate broadly-based consumption tax.

^a Strictly speaking, a uniform nominal tariff minimizes the net welfare cost of such protection only if import demand elasticities are uniform across commodities and cross-price effects are negligible (see A. Panagariya and D. Rodrik (1993), "Political Economy Arguments for a Uniform Tariff", *International Economic Review* 34(3): 685-703).

Chart II.1

Simple average MFN tariff rates by HS section

HS Section



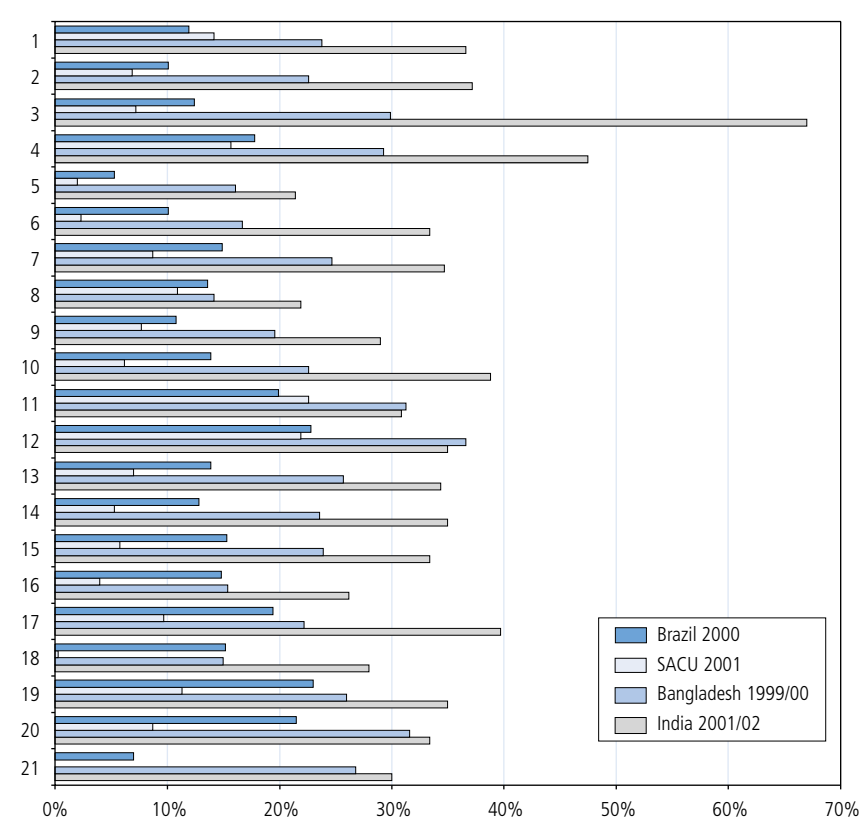
Note: Calculations include AVEs as available. In case of unavailability, the *ad valorem* part is used for alternate and compound rates.
 Source: WTO Secretariat calculations, based on information provided by Members concerned.

Bangladesh, for example, the proportion of tariff lines subject to applied MFN tariffs that are three times or more the average are negligible (Table II.2). In India and South Africa, the proportions are 1.3% and 4.3%, respectively. While such peaks in these countries do arise in agriculture and food products, textiles, clothing and footwear, they are less pronounced than in the Quad (Chart II.2).

Tariff peaks are often concealed by specific (and other non-*ad valorem*) rates, which are an important feature of the Quad and some other WTO Members' tariff schedules, particularly for agricultural products and especially in the EU and the United States. The peaks will remain even once the Uruguay Round is fully implemented in 2005, partly as a consequence of the "tariffication" of agricultural non-tariff barriers, which were largely converted into specific or mixed duties, rather than into pure *ad valorem* tariffs, and often combined with quotas.

The significant use of specific duties is undesirable for many reasons (Box 2). Most importantly, they are intrinsically more opaque than *ad valorem* tariffs, tending to conceal high *ad valorem* equivalents (AVEs). For example, between 94 and 98 of the top 100 tariffs (in AVE terms) in Canada, the EU and Japan involve specific duties; they range from 61% to nearly 210% in the EU, from 47% to roughly 1,739% in Japan, and from 56% to 314% in Canada. In the United States, 84 of the top 100 tariffs involved specific duties whose AVEs ranged from 34 to nearly 253%; however, the top seven rates were *ad valorem*. As a consequence, the simple average of AVEs for specific duties is two to 20 times the simple average of *ad valorem* duties in the Quad.²² AVE estimates were available for virtually all specific duties for the United States and Canada, but were not available for over 10% of these kinds of duties in the EU and Japan (Table II.2).

Chart II.2
Simple average MFN tariff rates by HS section of selected developing countries
 HS Section



²² The simple averages of AVEs for specific duties were 11.9% in the United States in 2001 (compared with a simple average of *ad valorem* rates of 4.4%), 29.2% in the EU in 2002 (compared with a simple average of *ad valorem* rates of 4.5%), 44.2% in Japan in 2002/2003 (compared with a simple average of *ad valorem* rates of 4.9%), and 81.4% in Canada in 2002 (compared with a simple average of *ad valorem* rates of 4.2%).

- | | | | |
|--------------------------|--------------------------|--------------------------|-------------------------|
| 1 Live animals and prod. | 7 Plastic and rubber | 13 Articles of stones | 19 Arms and ammunition |
| 2 Vegetable products | 8 Hides and skins | 14 Precious stones, etc. | 20 Miscellaneous manuf. |
| 3 Fats and oils | 9 Wood and articles | 15 Base metals and prod. | 21 Works of art, etc. |
| 4 Prepared food, etc. | 10 Pulp, paper, etc. | 16 Machinery | |
| 5 Mineral products | 11 Textiles and articles | 17 Transport equipment | |
| 6 Chemical and prod. | 12 Footwear, headgear | 18 Precision instruments | |

Note: Calculations exclude specific duties and include the *ad valorem* part for alternate and compound rates.
 Source: WTO Secretariat calculations, based on information provided by the Members concerned.

Box II.2: Specific Duties

The significant use of specific duties is undesirable not just because they are intrinsically more opaque than *ad valorem* tariffs and tend to conceal relatively high *ad valorem* equivalents (AVEs). They also tend to distort domestic production patterns more than *ad valorem* tariffs do because they provide disparate levels of assistance for similar tariff line goods by taxing imports of cheaper products relatively more heavily, thereby encouraging domestic firms to produce less expensive goods for which the level of protection against imports is proportionately greater. To the extent that developing countries are exporters of relatively cheap products falling within the same national tariff line as more expensive products exported by industrialized countries, such duties levied by importing countries tend to impose a heavier burden on the cheaper products; specific duties thus afford higher levels of “real” tariff protection (in *ad valorem* terms) against imports from developing countries than against those from industrialized countries. Moreover, specific duties may also be more regressive than *ad valorem* duties because they impose a heavier burden on cheaper products within the same tariff line.²³ At the same time, specific duties encourage quality upgrading by exporters, which may entail efficiency losses in addition to the conventional dead weight losses associated with tariffs. Furthermore, as AVEs are inversely related to import prices, specific duties progressively cushion domestic producers against competition from lower-priced imports, thereby counteracting cuts in specific duty rates. Consequently, they counteract the relative price effects of exchange rate changes on countries’ trade balances. It follows that the use of specific duties can lead to an increase in “real” tariff protection insofar as the prices of traded goods decline.

On the other hand, Governments may prefer to use specific duties because they are relatively simple to administer in instances where value-for-duty cannot be easily observed. They may also reduce pressure to resort to anti-dumping or countervailing (AD/CV) measures for protection because the amounts of duty collected are unaffected by drops in prices for whatever reason. Thus, as import prices fall, the AVEs of specific duties rise, and vice versa, thereby contributing to domestic price stability in the face of “excessive” fluctuations in world prices. In addition, unlike with AD/CV duties, any increases in “real” tariff protection associated with specific duties are on an MFN basis.

²³ While there is some evidence from the United States that tariffs in general tend to be borne disproportionately by the poor (see E. Gresser (2002), “Toughest on the Poor” *Policy Report*, Progressive Policy Institute) and are therefore a regressive form of taxation, this is especially true of specific duties.

A non-uniform tariff is often used to provide a cascading or escalating degree of tariff protection so as to encourage downstream processing. This may be accomplished by levying relatively low duties on raw materials with progressively higher tariffs applied to products as they undergo further processing. Thus, the level of effective protection increases as goods undergo further processing. By providing greater incentives to downstream products, an escalating tariff risks generating inefficient activities dependent upon such assistance. What may be mild escalation in nominal tariff terms can provide very high effective (net) assistance to downstream activities.²³

Tariff escalation (often reflecting tariff peaks) is a feature of industrial-product tariffs in many WTO Members. In developed countries, it is present in the same sectors that are affected by peaks, most notably textiles and clothing, leather and footwear products (Appendix Table II.1). Despite significant efforts 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 in developed countries (Appendix Table II.2).²⁴

Tariff escalation is a potential impediment to the efficient allocation of resources in countries whose tariffs are structured in this way. It also constitutes a major obstacle to local processing of domestic primary products (stage 1) as well as of semi-finished goods (stage 2) in the exporting country; thus, it may impede the industrialization of developing and least-developed countries.

Applied tariffs may be lower than MFN rates in consequence of non-reciprocal preferences granted to developing countries under the Generalized System of Preferences (GSP) and supplementary preferences for LDCs. Under GSP, developed countries discriminate in favour of developing ones by granting them non-reciprocal tariff reductions below MFN rates. This exception to MFN treatment was introduced through a ten-year waiver in 1971 and given legal status through the Enabling Clause in 1979. Many developing countries consider the GSP an important instrument for ensuring their “special and differential treatment” within the multilateral trading system through improved access to developed countries’ markets. Such preferences are seen as enhancing the ability of developing countries’ exporters to compete with those of developed countries in developed countries’ markets.

The GSP may not be as advantageous to developing countries as it appears.²⁵ First, such preferences are seldom generalized; they frequently exclude precisely those products (e.g. textiles, clothing and footwear) in which developing countries have a comparative advantage, and moreover, where their exports tend to face tariff peaks in major markets. Further, a developing country may be “graduated” out of a preference for a product just as it begins to achieve significant success in an export market, thereby discouraging efforts to expand exports.²⁶ In addition, conditions may be attached to these preferences in order to obtain concessions from developing countries; these concessions may be in non-trade areas.²⁷ Preferences can be withdrawn, thus leading to uncertainty. Exporting countries are required to satisfy certain “rules of origin”; these usually involve a minimum amount of value added, which can be a deterrent to small countries with limited technological capacity. Also, rules of origin often require beneficiaries to use inputs produced in the country

²³ For example, a firm facing an average tariff of 10% on its imported inputs and producing an output protected by a 50% tariff would receive a rate of effective protection anywhere from 50% to over 500%, according to the amount of value added.

²⁴ B. Hoekman, F. Ng, M. Olarreaga (2000), *Tariff Peaks in the Quad and Developing Countries’ Exports*, World Bank.

²⁵ See A. Panagariya, “Is this free meal worth having?” *The Economic Times*, 19 June 2002.

²⁶ For example, the United States imposes a US\$100 million limit on exports per tariff line.

²⁷ In some instances, the EU explicitly links its granting of preferences in addition to those provided by the GSP to beneficiary countries’ adherence to labour and environmental standards (see for example, WTO (2000), *Trade Policy Review – European Union*, Vol. I). Likewise, US trade laws allow the President to use GSP to promote labour standards and intellectual property rights.

granting the preference, with potential adverse effects on their exporters' competitiveness.²⁸ Finally, given that the value of GSP preferences tends to be eroded by negotiated multilateral reductions in MFN rates, they can provide the wrong signal to exporters in developing countries regarding their long-term comparative advantage and might even deter developing countries from agreeing to reductions in MFN rates. It follows that developing countries need to anticipate the erosion of the value of GSP preferences.

Tariff preferences may also be granted to partners in bilateral or regional trade agreements; indeed, the increase in the number of such agreements in recent years looks set to further erode the scope of application of MFN tariffs (Section D).

Another development that tends to undermine the MFN principle is the manner in which safeguards may be implemented. For example, major traders have managed to negotiate exclusions from recent tariffs imposed by the United States on certain steel products. Such exclusions were reportedly granted overwhelmingly to steel producers in the European Union and Japan, who had threatened to retaliate by raising duties on other goods.²⁹ Thus, these tariffs may be borne disproportionately by smaller traders, including developing countries, with less negotiating power.

Market access remains an issue in textiles and clothing

Under the WTO Agreement on Textiles and Clothing (ATC) three successive stages are defined for integration of textiles and clothing products into the rules of GATT 1994. The first two stages (1995-1997 and 1998-2001) have been completed, and the final stage (2002-2004) is currently being implemented. Members were required to integrate a minimum percentage of their total volume of imports of textiles and clothing in 1990 covered by the ATC (16%, 17% and 18%, respectively at the beginning of each of the three stages). Members were free to choose the products they wished to integrate but had to include products from each of the four main groups (tops and yarns, fabrics, made-up textile products and clothing). In addition, market access had to be improved for products remaining under quota by increases in the quota growth rates by at least 16%, 25% and 27%, respectively in the three stages.

All countries that undertook the ATC integration programmes have met the minimum requirements, while those countries applying quotas under the ATC (Canada, the European Union, Norway and the United States) have also met the growth-rate increase requirements. However, with the exception of Norway, which phased out all its restrictions between 1996 and 2001, the overall elimination of restrictions has been modest.³⁰ With the implementation of stage 3 (1 January 2002), at least 51% of the total volume of the respective Members' 1990 imports of products falling under the ATC have been integrated. At the end of the transitional period on 31 December 2004, all remaining products will have to be integrated, all restrictions removed, and the Agreement will stand terminated.

The WTO's Textiles Monitoring Body, in its report on implementation in the second stage, confirmed the observation made in the first stage that products selected for integration had been concentrated in the lower value-added range. Integration in the third stage would seem not to alter this observation significantly, probably implying that the value of products integrated during the three stages would be lower than in volume terms.³¹ The concentration on low value products would also tend to imply that there is escalation in non-tariff protection (greater protection given to higher value-added products); as in the case of tariff escalation (section (1(e)) above), this would suggest that such protection impedes developing countries in their efforts to move their production into higher value-added products.

In the second major review of the implementation of the ATC conducted by the Committee on Trade in Goods (CTG), developing countries argued that there had not been meaningful progress towards the phasing out of the quota system and that the increases in the quota growth rates had not provided significant improvements in market access. They argued that although the minimum 51% integration requirement had been met, only about 20% of imports under specific-quota restrictions had been liberalized by the EU and the United States at the beginning of the third stage. They also raised a number of other concerns with the implementation of the ATC and with the application of other WTO Agreements to textiles trade. Taking all of these concerns together, the developing countries were of the opinion that their balance of rights and obligations in the ATC had been impaired. The developed, restraining Members considered that they had fully met their ATC obligations and that the implementation process was fully on track.³²

At the Doha Ministerial Conference, in the discussion on implementation-related issues, Members reiterated their commitment to full implementation of the ATC and agreed that provisions in the ATC for the early integration of products and elimination of quotas should be effectively utilized; that for two years following full integration Members would exercise restraint in the use of anti-dumping measures against textiles and clothing exports previously subject to quotas; and that Members would notify any changes in their rules of origin for

²⁸ Such sourcing may not be the cheapest available, thus raising the production costs of exporters and affording protection to preference-granting producers of fabric and yarn.

²⁹ "US Eases Tariffs Amid Intense Pressure" *Wall Street Journal*, August 23-25, p. A.3.

³⁰ In the first stage, Canada integrated one product category subject to restrictions (work gloves); none of the products integrated by the EU and the United States were subject to restrictions. In the second stage, Canada integrated two product categories subject to restrictions although in the case of one of these categories (tailored collar shirts) Canada had stopped enforcing the restrictions in the previous year. In the case of the EU, 12 of the categories being integrated were subject to restrictions while in the integration programme of the US 24 categories or parts of categories were under restriction. Such restrictions were eliminated on 1 January 1998. In the third stage, for Canada three categories and two sub-categories subject to restrictions were integrated; in some other product categories the restrictions were only partly eliminated as non-integrated parts of categories remained under restriction. For the EU, 11 categories subject to restrictions were integrated and the restrictions removed. In the United States part or all of the 38 categories subject to restrictions were integrated. Norway chose to remove all 54 restrictions by applying ATC Article 2:15, which provides for the advanced removal of quotas independent of the integration of the products concerned, in four steps between 1995 and 2000 (WTO document G/L/459, 31 July 2001).

³¹ The share of clothing products integrated in each of the three stages was: Canada 7%, 8.8% and 3.83%; the EU 2%, 12% and 6.22%; Norway 1%, 17% and 7.5%; and the U.S. 13%, 11.6% and 2.55% (WTO document G/L/459, 31 July 2001).

³² WTO document G/L/556, 26 July 2002.

any products under the ATC to the Committee on Rules of Origin. Members also requested the Council for Trade in Goods to examine and make recommendations to the General Council by 31 July 2002 for appropriate action concerning two proposals relating to the calculation of quota levels for the remaining period of the ATC.³³ In view of the fundamental differences between the developing, exporting countries and the developed importing countries, the examination of these two proposals did not lead to agreed recommendations by the CTG to the General Council.

Protection of the textiles and clothing sector through tariff and non-tariff barriers is common across several countries. Those Members that had notified quantitative restrictions maintained on textiles and clothing for reasons other than the ATC, have been removing them. Import restrictions notified by Members to the WTO Committee on Balance-of-Payments Restrictions are being gradually phased out: Pakistan notified completion of its phase-out of restrictions by June 2002³⁴; India removed its remaining restrictions on 1 April 2001; and Bangladesh has notified a plan to phase out restrictions on a number of textiles and clothing items by 1 January 2005.³⁵

As non-tariff barriers decline, however, they reveal relatively high tariff peaks, particularly in textiles and clothing. For the Quad (except Japan), for example, average tariffs for textiles and clothing products are considerably higher than the overall simple average (Table II.1). Tariffs on textiles and clothing are even higher in major developing countries (Table II.2); in major textiles and clothing exporting countries, such as Bangladesh and India, tariffs on textiles and clothing imports are over 30%.³⁶ For some countries (notably South Africa and, to a lesser extent, Japan), tariffs on textiles and clothing tend to have a larger share of specific duty elements (including compound and alternate rates) than other products; the specific duties generally are not included in the tariff calculations and it is likely that their use would increase the overall average further.³⁷ Thus while non-tariff barriers are expected to be phased out by 1 January 2005, tariff peaks and escalation in this sector will most likely continue to be barriers to market access.

There have been four disputes involving safeguard measures taken under the ATC and a further 20 disputes, relating to textiles and clothing along with other products, claiming violations of certain provisions of the ATC and/or other Agreements.

Subsidization still an important trade distortion, especially in agriculture

Although there is no global accounting available on the use of subsidies (including tax relief), a number of factors, ranging from fiscal consolidation in major economies to private-sector-oriented structural reforms in developing countries, have contributed to restraining the use of subsidies in the manufacturing and services sectors.³⁸ The disciplines on trade-distorting subsidies contained in the WTO Agreement on Agriculture (AA) have also capped support to this sector; nonetheless, support for agriculture remains high, particularly in many of the major industrialized countries, and continues to have a considerable impact on agricultural markets.³⁹

Total support to agriculture by OECD countries is estimated to have decreased slightly in 2001 to US\$311 billion from US\$321 billion in the previous year.⁴⁰ Such support was the equivalent of 1.3% of GDP in the OECD area, compared with an annual average of 2.3% in the peak 1986-88 period, when the Uruguay Round negotiations were under way (Table II.4). In the Republic of Korea, Norway, and Switzerland, total support to agriculture is close to, or exceeds, the sector's contribution to GDP.

Support, as measured by the producer support estimate (PSE), granted to agricultural producers in the OECD area declined from US\$242 billion in 2000 to US\$231 billion in 2001; that is, from 32% to 31% of total farm receipts, compared with 38% in 1986-88. The largest share in the OECD area is accounted for by the European Union (40%), followed by the United States (21%), Japan (20%), the Republic of Korea (7%), and Mexico (3%). An exception to the overall drop in support in the Quad between 2000 and 2001 was the EU, whose PSE seemingly rose slightly from 34% to 35% (Chart II.3); i.e. for every euro an EU farmer earned in 2001, 35 cents came from support measures. The corresponding PSEs for Japan, the United States, and Canada were 59%, 21% and 17%. For all four Quad Members, support in 2001 was considerably higher than in 1997. Support levels in 2001 were the lowest in New Zealand (1%) and Australia (4%) and highest, along with Japan, in Iceland, Norway, and Switzerland (around or over 60%). As in 2000, the slight decrease in such support mainly reflects an increase in world prices (and hence a reduction in the gap between domestic and world prices), causing a fall in price support.⁴¹

Despite some shift away from market price support (MPS) and output payments (OP), these remain the dominant forms of support in most OECD countries, together accounting for 69% of support to producers.⁴² Although down from 82% in 1986-88, the proportion of such support remains high; it distorts production and trade, thereby contributing to over-production in the OECD area to the detriment of both those OECD Members where support is relatively low and of non-OECD countries.

³³ Paragraphs 4.4 and 4.5 of the Decision on Implementation Related Issues and Concerns (WTO document, WT/MIN(01)/17, 20 November 2001).

³⁴ WTO document WT/BOP/N/59, 17 December 2001.

³⁵ WTO document WT/BOP/N/54, 15 December 2000.

³⁶ The simple average tariff for 1999/2000 for Bangladesh was 31.5% and in 2001/02 31.3% for India. Other textiles and clothing exporters with high (above 20%) average tariffs on textiles and clothing include Pakistan (26.4% in 2001), Thailand (24.7% in 1999), and Mexico (24% in 2001).

³⁷ The percentage of *ad valorem* tariff rates in textiles and clothing tend to vary considerably. For the Quad countries they are: 99.8% for the European Union; 98.8% for Canada; 92% for the United States; and 88% for Japan. In South Africa and India the percentage of *ad valorem* rates is considerably lower (22.8% for South Africa and 67.3% for India).

³⁸ 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 difficult to make regarding the actual amounts of subsidy involved.

³⁹ OECD (2002), *OECD Agricultural Outlook, 2002-2007 – Highlights*, Paris, p. 5.

⁴⁰ OECD (2002), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p. 9.

⁴¹ OECD (2002), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p. 9.

⁴² If input subsidies (IS) are added to market price support and output payments, the corresponding share was 78%, down from 91% in 1986-88.

Table II.4

Selected indicators of support to agriculture in OECD countries, 2001

	Agriculture's share of GDP (%)	TSE (% share of GDP)	Percentage			Producer NPC	Consumer NPC
			PSE (%)	MPS + OP ^a (%)	IS ^a (%)		
Australia	3.3	0.3	4	3	66	1.00	1.00
Canada	2.2	0.7	17	53	9	1.11	1.15
Czech Republic	3.6	1.2	17	41	19	1.06	1.06
European Union	2.1	1.4	35	62	6	1.33	1.41
Hungary	3.7	1.4	12	30	56	1.01	1.00
Iceland	9.6	1.6	59	74	10	2.11	1.68
Japan	1.1	1.4	59	93	5	2.36	2.12
Korea, Rep. of	4.9	4.7	64	93	3	2.64	2.47
Mexico	5.5	1.3	19	67	12	1.17	1.21
New Zealand	7.2	0.3	1	60	40	1.00	1.02
Norway	1.5	1.4	67	56	22	2.27	1.94
Poland	4.1	1.0	10	70	27	1.07	1.07
Slovak Republic	3.6	0.9	11	..	..	1.01	1.01
Switzerland	1.2	1.9	69	59	5	2.39	2.33
Turkey	14.1	4.3	15	81	9	1.15	1.16
United States	1.4	0.9	21	55	15	1.15	1.13
OECD Average	..	1.3	31	69	8	1.31	1.37

.. Not available.

^a Percentage share of PSE.

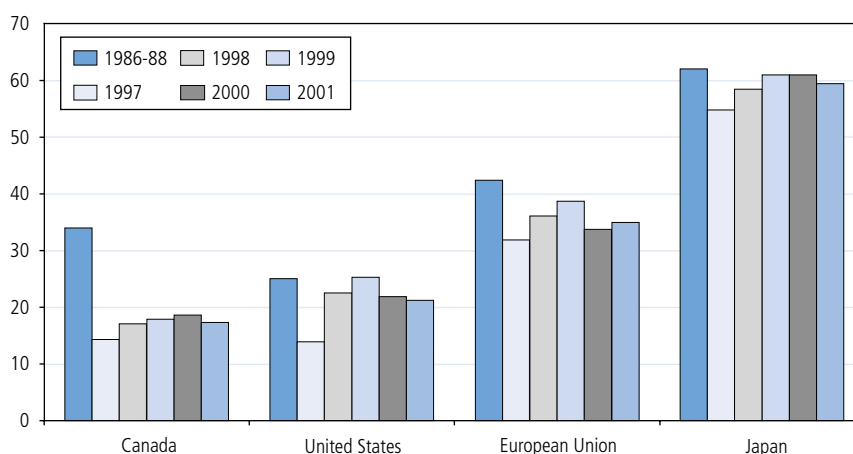
Note: TSE = total support estimate; PSE = producer support estimate; MPS = market price support; OP = payments based on output; IS = Payments based on input use; NPC = nominal protection coefficient.

Source: OECD (2002), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*.

Chart II.3

Trends in Producer Support Estimates (PSE) in the "Quad", 1986-2001

Per cent

Source: OECD, *Agricultural Policies in OECD Countries - Monitoring and Evaluation* (various issues).

As reflected in the producer nominal protection coefficient (NPC), the prices received by OECD farmers, were on average 31% above world prices in 2001 (compared with 58% in 1986-88), thereby shielding farmers in many countries from world market signals. At the same time, the prices paid by consumers (consumer NPC) in 2001 were on average 37% higher than world prices.

Farm support is often defended on the grounds that it protects small farms and traditional rural life. However, under the CAP, 70% of support (that is, payments to producers plus market price support) is allocated to the largest 25% of the EU's farms⁴³; in the United States, Canada and Japan, the corresponding amounts of support allocated to the largest 25% of farms are 89%, 75% and 68%.

Although the declining trends in support for agriculture, together with the shift towards less-distortive measures, have the potential to put less pressure on the environment and to

⁴³ Farms are classified according to the size of their gross sales (for more details, see OECD (2002), "Farm household income issues in OECD countries: a synthesis report," AGR/CA/APM(2002)FINAL, Paris).

be more effective in supporting farm incomes and in achieving other policy goals, the continued dominance of the most distortive forms of support means that farmers in many OECD countries remain largely insulated from world market signals. They also constrain agricultural growth and development opportunities in non-OECD countries. Members recognized these problems in the Doha Declaration by placing the needs and interests of developing countries at the heart of their Work Programme. Given the slow and variable pace of the implementation of agricultural policy reform agreed by OECD Members, greater efforts are needed. As stressed by the OECD, "(T)he challenge is to further reduce support, ensure well functioning markets, implement better-targeted measures that are less production and trade distorting, and effectively address both domestic and international goals."⁴⁴

Some countries are not waiting for multilateral negotiations at the WTO but are moving unilaterally to further reform agricultural policies. In the EU, the Commission has recently proposed a plan to continue overhauling the Common Agricultural Policy (CAP).⁴⁵ Although the total EU farm budget would remain at € 40 billion⁴⁶, the plan would, *inter alia*, reduce the extent to which support is linked to production and instead peg support to environmental and food safety standards. In addition to preparing the way for negotiations at the WTO, this plan may be driven in part by the need to lower the cost of integrating new members into the EU. The extent to which the Commission's plan will be adopted by Member States remains to be seen. India, faced with the burgeoning costs associated with the accumulation of grain stocks that greatly exceed food security needs, has also started to take steps to reduce such stocks; India is also gradually reducing other input subsidies, such as those for fertilizers.⁴⁷

By contrast, in the United States, where the sector is more market-oriented than in many other OECD countries, the Farm Security and Rural Investment Act of 2002 raised agricultural subsidies substantially⁴⁸; it is the most generous farm subsidy package in US history. For the time being, the Act deviates from a six-year experiment with more market-oriented agricultural policies; several of the subsidies contained in the bill would provide incentives to boost production. This is particularly true of "counter-cyclical payments", under which growers of wheat, corn, rice, soybeans, and cotton will be guaranteed a certain price irrespective of market conditions, thereby distorting both production and trade; in the event that prices fall further, such subsidies will rise accordingly, although a "circuit breaker" built into the legislation is designed to keep spending within the WTO ceiling.

The agreement reached in Doha in late 2001 provided a fresh impetus to the negotiations on agriculture that began more than two years ago in accordance with Article 20 of the WTO Agreement on Agriculture. The DDA provides the opportunity to deepen agricultural reform and further liberalize trade. The success of these negotiations depends heavily on the willingness of major OECD countries to undertake such reforms and trade liberalization. Under the 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.⁴⁹ These commitments primarily constrain developed countries, and notably the EU, 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 EU (owing to the lower gap between domestic and international prices). Still, the levels of export subsidies at the end of the Uruguay Round implementation period will be close to US\$13 billion, allowing Members significant use of these subsidies, if they so wish.⁵⁰

According to the IMF, removal of agricultural support (tariffs and subsidies) as part of a comprehensive effort to lower trade barriers would raise global economic welfare by US\$128 billion annually, the bulk of which appears to be due to the removal of tariffs.⁵¹ While nearly US\$98 billion of this welfare gain would accrue to industrial countries, through more efficient production and lower food prices for many consumers, the benefits to developing countries would also be substantial, at some US\$30 billion. These gains are particularly large for food-exporting regions, including sub-Saharan Africa, where many of the world's poorest live. Although a few poor countries that are significant food importers may be harmed by such liberalization, their losses, as well as those of a small number of richer countries are dwarfed by the welfare gains to industrial countries. This suggests that it will be important to consider providing assistance to poor countries that may lose.

Subsidies are used in sectors other than agriculture. Their use is by no means confined to the two largest WTO Member economies – the EU and the United States – but 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 EU, show a continuous decline since 1995.⁵² No similar overall assessment is available for the United States for aid provided at the federal, state or local government levels, but there is no reason to believe that the trend is rising.⁵³ Subsidies tend to be narrowly targeted on specific sectors, certain types of business (e.g. small and medium-sized enterprises), disadvantaged regions or certain

⁴⁴ OECD (2002), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p. 10.

⁴⁵ Although the CAP is often defended on the ground that it protects small farms and traditional rural life, 80% of its subsidies are reportedly allocated to the largest 20% of the EU's farms.

⁴⁶ This figure does not take into account indirect subsidies, such as price support and tax breaks for farmers; according to the OECD, total support to producers in 2001 was € 104 billion.

⁴⁷ WTO (2002), *Trade Policy Review – India*, 2002, p. x.

⁴⁸ Under this new legislation, which replaced the FAIR Act of 1996, federal spending on farm programmes will increase by US\$82.6 billion over the next 10 years, on top of some US\$100 billion Congress was already set to give farmers, thus exacerbating the rising fiscal deficit.

⁴⁹ Commitments include the reduction of subsidized exports by 21% over six years from the entry into force of the WTO (14% over ten years for developing countries) and the reduction of the value of export subsidies by 36% (24% over ten years for developing countries).

⁵⁰ 70% to the European Union. See WTO (2001), *Market Access: Unfinished Business*, Geneva, Table III.10, p. 61.

⁵¹ This US\$128 billion relates only to static gains; dynamic gains (from higher investment and faster productivity growth) may well be several times larger. IMF, *2002 World Economic Outlook*, p. 85.

⁵² European Commission (2001), *Eighth Survey on State Aid*, Brussels, p. 9; and European Commission (2002), *Ninth Survey on State Aid*, Brussels, p. 21. State aid to the manufacturing sector in the Community was reduced by a third between 1995 and 1999, the latest year for which statistics are available.

⁵³ According to WTO (2001), *Trade Policy Review – United States*, estimated US outlays in support of commerce and business for 1999, 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 in that year (1999).

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.

The use of trade defence measures on a rising trend

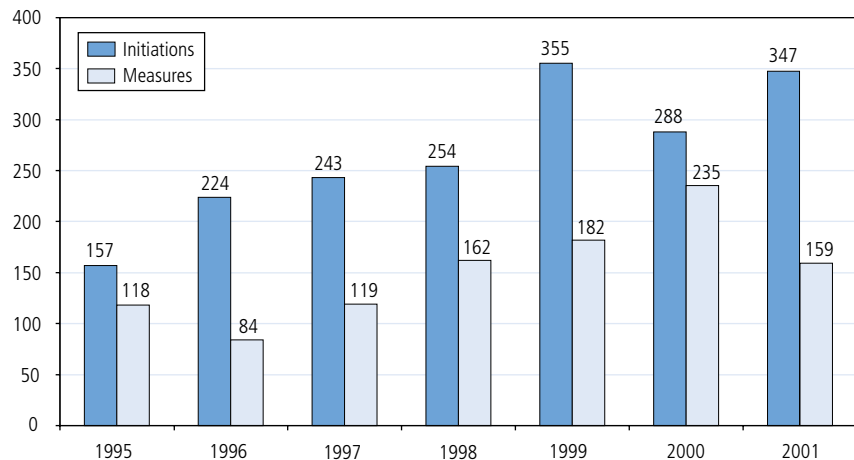
Trade defence measures such as anti-dumping, countervailing and safeguards are permitted under the relevant WTO Agreements, subject to certain prescribed rules. The number of investigations initiated, especially of alleged dumping, has risen significantly since 1995. This raises concerns about the appropriate use of the provisions, which were put into place to protect countries from unfair trade arising from “dumping” or from the use of subsidies; their use is viewed by some as a non-tariff barrier to trade. A number of Members have also voiced concerns about the improper use of these procedures as a pretext to protect domestic producers of like products.⁵⁴ A significant percentage of all cases brought to the WTO’s dispute settlement body continue to involve the use of anti-dumping measures.⁵⁵

The number of initiations of anti-dumping investigations notified by Members to the WTO rose steadily from 157 in 1995 to a peak of 355 in 1999; after falling to 288 in 2000, there appears to have been an increase again in 2001, to 347 (Chart II.4). This rising trend is partly due to the increase in the number of Members reporting, from 18 in 1995 to 25 in 2001. The number of new measures imposed, as reported by Members, was 235 in 2000 and 159 in 2001.⁵⁶

Chart II.4

Anti-dumping initiations of investigations and measures, 1995-2001

Number



Source: WTO Secretariat.

The sectors in which most initiations have occurred recently are: base metals and articles thereof (38% of initiations in 2001); chemicals (17%); and plastic and rubber articles (14.4%) (Chart II.5). In particular, there has been a surge in the number of anti-dumping investigations in base metals, rising from 43 initiations in 1995 to 132 in 2001; around 85% of investigations initiated in this category were targeted at steel products (around one third of all anti-dumping investigations since 1995 have been on steel products). Steel has been the subject of frequent calls by industry to investigate dumping by cheaper producers in the face of oversupply in the world. Members most frequently subject to the initiation of anti-dumping investigations are developing and transition economies. These investigations are most often initiated by other developing countries.

The leading four initiators of anti-dumping provisions in 2001 were: the United States (76), India (75), the European Community (29), and Argentina (26). Those most often subject to the investigations were: China (53), Chinese Taipei and the Republic of Korea (19 each), and Indonesia and Thailand (16 each). Overall, since 1995, the largest users have been the United States (257), India (248), the European Community (247), and Argentina (166), while the countries or separate customs territories most affected have been China (261), the Republic of Korea (139), United States (103), and Chinese Taipei (96).

It is estimated that around half of all anti-dumping investigations are terminated without imposition of final measures. New measures imposed and notified by Members to the WTO have, as in the case of initiations, also shown a tendency to increase since 1995, although in 2001 the reported 159 newly imposed measures was down from the 235 reported in 2000. The most measures in 2001 were imposed by India (38), the United States (33), Canada (19), Argentina (15), and Brazil and the European Community (13 each). The top four users

⁵⁴ The issue of appropriate use was mentioned for example, by several Members at the Trade Policy Review of India, which, in 2001, had become the largest initiator of anti-dumping investigations. Several Members have also called for a review of procedures used to initiate anti-dumping and other trade defence measures. Such a review, with respect to anti-dumping and countervailing measures, is now under way in the context of current negotiations; its aim is to clarify and improve disciplines while preserving the basic concepts, principles and effectiveness of the Agreements and their instruments and objectives, and taking into account the needs of developing and least-developed Members.

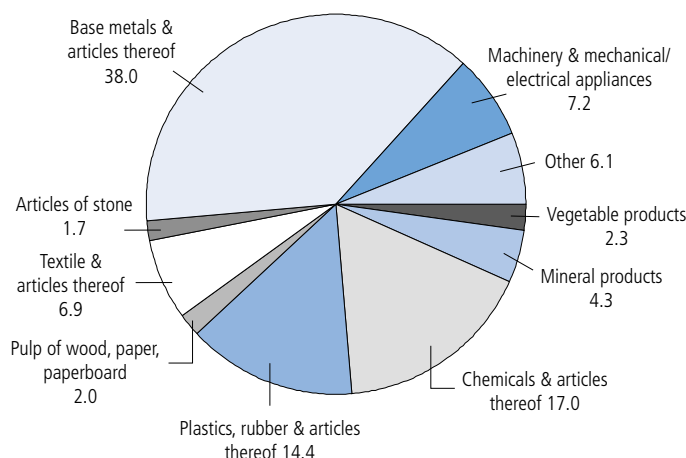
⁵⁵ As of July 2002 there had been 39 requests for consultations involving anti-dumping measures.

⁵⁶ The total number of measures in force as of 30 June 2002 was 1,189.

Chart II.5

Anti-dumping initiations by sector, 2001

Per cent



Source: WTO Secretariat.

in terms of measures imposed since 1995 have been the United States (169), India (156), the European Community (146), and Argentina (96).

Members tend to use countervailing measures more sparingly than anti-dumping measures. In 2001, 27 initiations were reported by Members. The main users were the United States (18), followed by the European Community (6); the investigations were largely targeted at India (8).

Members are also resorting more frequently to safeguard measures now than a few years ago. In 2002 (up to 28 October 2002) Members notified initiation of 30 safeguard investigations. This compares to 14 in 2001, and 26 and 15 in 2000 and 1999, respectively. The number of definitive safeguard measures has also risen steadily from 6 each in 1999 and 2000 to 9 and 10 in 2001 and 2002, respectively.

Technical regulations and sanitary measures also increasingly used by developing countries

Under the WTO Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Measures, Members may require imports to meet certain national standards dealing with, *inter alia*, technical, health and safety, sanitary and phytosanitary, and environmental requirements. In some cases the regulations are associated with international agreements or protocols, such as a ban on trade in endangered species under the CITES Convention or on ozone-depleting substances under the Montreal Protocol on Substances that Deplete the Ozone Layer. In others the restrictions are subject to national requirements and imports may enter the country subject to presentation of health or conformity assessment certificates. Several recent studies suggest that the removal of SPS regulations could generate welfare gains to consumers as well as net gains to society (if consumers compensated those producers adversely affected by the removal of such measures).⁵⁷

Since the entry into force of the WTO, the number of technical regulations notified by developing-country Members has grown steadily, although the overall number of notifications has declined since 1999 when 669 regulations were notified; 538 were notified in 2001. In 2001 the EU, along with its Member States notified the largest number of regulations (110), followed by Thailand (75). Developing countries are also becoming frequent users of SPS measures, mainly for food-safety reasons. In 2001 the United States notified the largest number of SPS measures (155), followed by Thailand (52), and the EU (36); comparable figures for 2002 (up to June) were 237, 60, and 56, respectively.

Members, especially developing countries, have frequently expressed concern about the possible use of these measures to reduce market access. In this regard, efforts by the Director-General to increase developing countries' participation in standard-setting bodies were commended in the Ministerial Declaration on Implementation Related Issues and Concerns at the Doha Ministerial Conference; the Declaration also, *inter alia*, urged Members to provide technical and financial assistance to ease implementation issues faced by least-developed country Members of the WTO. In this context, the WTO and World Bank are establishing the Standards and Trade Development Faculty, which – in cooperation with other organizations – will help developing countries to shape and implement international standards on food safety, and plant and animal health.

⁵⁷ OECD, "A Synthesis of Empirical Studies of SPS Regulations and a Proposal for Future work" (COM/AGR/TD/WP(2002)72, 27 August 2002).

Complaints regarding SPS or TBT measures maintained by Members have also been rising. As of July 2002, there were 21 complaints concerning SPS measures and 25 concerning TBT provisions.

3. Market access for services

Services is the largest and most rapidly expanding sector in most economies, accounting for well over 60% of world GDP.⁵⁸ Moreover, as noted before, trade in services has grown more rapidly than merchandise trade since 1985, with developing countries increasing their share during this period.⁵⁹ While some services sectors, in particular international finance and maritime transport, have been largely open as the natural complements to merchandise trade, other major sectors have undergone fundamental technical and regulatory changes in recent decades which have dramatically increased their "tradability". Commercialization and the reduction, or elimination, of existing barriers to entry have transformed policy regimes across many countries and sectors. The emergence of the Internet has helped to create a range of new, internationally tradeable products from e-banking to tele-health and distance learning, and to remove distance-related barriers to trade for suppliers and users in remote locations (such as software development, consultancy and advisory services). A growing number of services previously subject to monopoly are gradually being exposed to competition; telecommunication and other infrastructural services, not least road transport and banking, are cases in point. Reforms in such sectors have introduced greater efficiency not only in the supply of the products concerned, but generated economy-wide productivity gains as many services are inputs for other goods and services.⁶⁰

Frequently, Members have liberalized services more rapidly than their commitments in the WTO under the General Agreement on Trade in Services (GATS); Trade Policy Reviews conducted since 1995, for example, show numerous examples of unilateral liberalization that go well beyond commitments made under the GATS. With the possible exception of financial and telecommunication services, which have been subject to extended negotiations, the vast majority of current commitments reflect market conditions at the time of entry into force of the GATS in 1995. They thus tend to be more restrictive than current regimes.

All WTO Members are legally committed to submit a Schedule of Specific Commitments under the GATS. The Schedule specifies the sectors in which the Member undertakes market access and national treatment obligations, and any relevant qualifications ("limitations"), with regard to four modes of supply that are covered by the Agreement: cross-border supply (Mode 1); consumption abroad (Mode 2); commercial presence (Mode 3); and presence of natural persons (Mode 4). From the perspective of foreign suppliers, specific commitments – comparable to tariff bindings under the GATT – guarantee minimum conditions of market entry and participation in the sectors and modes concerned. However, there is no common blueprint across Members. While all services, except air traffic and directly related services are covered by the Agreement, Members are free to select the sectors, in which they bind market access and national treatment. Reflecting the flexibility of the GATS, the number of sectors committed to varies widely (Table II.5). Such variations may be attributable to many factors, including differences in economic development, policy orientation, or institutional conditions among Members.

Table II.5

Specific Commitments by Groups of Members, November 2002

Members	Average number of commitments per Member	Range (Lowest/highest number of commitments per Member)
Least developed Members	19	1 – 109
Developing and transition Members	50	1 – 143
- Transition Members only	101	57 – 143
Developed Members	107	97 – 115
Accessions since 1995	103	36 – 143

Note: Total number of sectors: ~ 160

Source: WTO Secretariat.

⁵⁸ WTO (2001), *Market Access: Unfinished Business*, Special Study 6 (Section IV: Services), WTO, Geneva. The contribution of services to GDP in individual countries varies widely, from under 30% to over 80%.

⁵⁹ World Bank (2002), *Global Economic Prospects and the Developing Countries, 2002*, Chapter 3: Trade in Services: Using Openness to Grow, World Bank, Washington DC. [Online]. Available at: <http://www.worldbank.org/prospects/gep2002/toc.htm>, [13 August 2002].

⁶⁰ Inefficient services that are an input into other economic activities often raise the cost of production for those economic activities, thereby reducing their competitiveness.

While the classification list used by most Members for scheduling their commitments under the GATS comprises some 160 sectors, the number actually scheduled ranges from one to over 140. The spread is particularly large among developing and transition economies. Governments acceding to the WTO in recent years scheduled significantly more commitments than initial Members at comparable levels of national income.

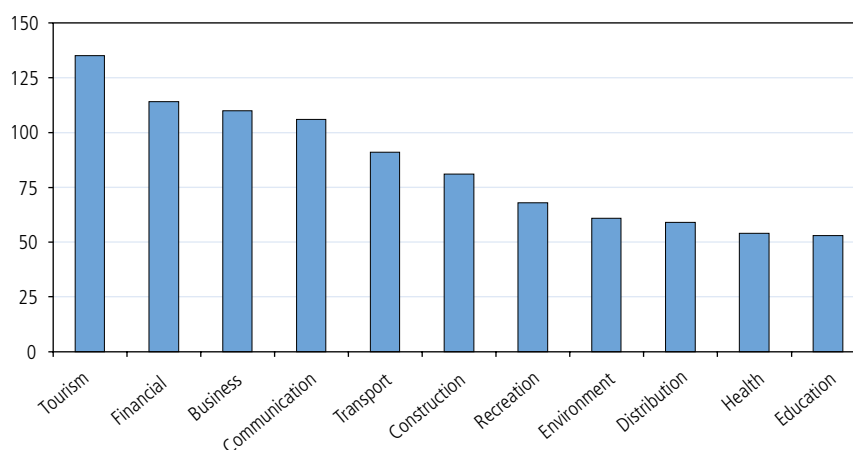
The variation in the number of commitments across Members is reflected in a similar variation across sectors. The largest number of commitments were made in tourism-related

services, where some 130 Members scheduled at least one of four sub-sectors⁶¹, followed by financial services, a broad range of business services, communication and transport services (Chart II.6). Fewer commitments have been made in social services, such as health and education. With the exception of tourism, which has traditionally been open in most countries, the sectoral pattern of commitments thus shows a strong focus on basic infrastructural services. This may reflect, to a certain extent, negotiating efforts by potential exporters, but also the interest of “importing” countries in upgrading their domestic resource base and attracting internationally available technologies and skills in sectors perceived to be of core developmental importance.

Chart II.6

Sectoral pattern of current commitments (February 2002)

Number of members



Note: The 160-odd sectors that are contained in the classification list generally used for scheduling purposes under the GATS fall under the above 11 categories plus one residual groups of “other services”.

Source: WTO Secretariat.

The liberalization of services has often been accompanied by increased, rather than decreased, regulation.⁶² The GATS makes a clear distinction between domestic regulation and trade liberalization. While recognizing the continued right (and, possibly, the need) of Members to enforce domestic policy objectives through regulation, the GATS calls for progressive liberalization.

Effective regulation – or re-regulation – can be a pre-condition for liberalization to produce the expected economic and social policy gains. The opening of hitherto restricted markets may need to be accompanied by new licensing mechanisms and public service obligations for quality and social/regional policy reasons. Recent Trade Policy Reviews show that the opening of the financial services sector to competition has been accompanied by stricter prudential regulations and disclosure requirements for banks, while liberalization of telecommunication services normally went hand in hand with new competition rules and regulatory principles, and the creation of implementing agencies.⁶³

Regulations that are not intended to be restrictive in nature may, nevertheless, restrict trade. Such effects may not always be justified by a prevailing policy objective, but simply reflect excessive and/or inefficient regulatory intervention (“over-regulation”). Because of the impact of domestic regulations on trade in services, the Council for Trade in Services has been mandated under Article VI:4 of the GATS to develop necessary disciplines to prevent domestic regulations (qualification requirements and procedures, technical standards, and licensing requirements) from constituting unnecessary barriers to trade. The Working Party on Domestic Regulation (WPDR) has been established for that purpose. The Guidelines and Procedures for the services negotiations, approved by the Council for Trade in Services in March 2001 and confirmed in the Doha Ministerial Declaration, envisage that these negotiations be completed prior to the conclusion of the current negotiations on specific commitments (also Section (E)).

4. Regional Trade Agreements⁶⁴

As of June 2002, only four WTO Members – Japan; Hong Kong, China; Macau, China; and Mongolia – were not party to a regional trade agreement (RTA). The surge in RTAs has continued unabated since the early 1990s (Chart II.7). Some 250 RTAs have been notified to the GATT/WTO up to June 2002, of which 129 were notified after January 1995. Over

⁶¹ The four sub-sectors are: hotels and restaurants; travel agencies and tour operators; tourist guides; and other.

⁶² The need for regulation of services markets is discussed, *inter alia*, in a recent joint study by the WHO and the WTO Secretariat (WHO/WTO, 2002, *WTO Agreements and Public Health: A Joint Study by the WHO and the WTO Secretariat*, p. 121).

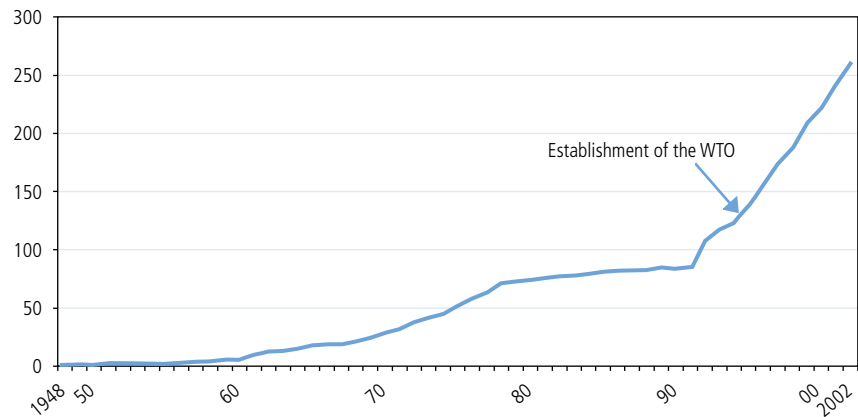
⁶³ The study, for example, noted that a lack of appropriate government regulation may result in foreign investment being concentrated in the provision of health services to the wealthy; there is also concern that the treatment of foreign patients in developing countries could divert precious resources away from the domestic market and that the shortage of health personnel experienced in several countries could be exacerbated by the “brain drain” associated with the movement of personnel to high-income regions of the world (WHO/WTO, 2002, *WTO Agreements and Public Health: A Joint Study by the WHO and the WTO Secretariat*, pp. 112-113).

⁶⁴ “Regional” trade agreements (or RTAs), even when they link only two and/or geographically distant countries, are intergovernmental treaties through which signatories agree to more advantageous conditions, in the conduct of their mutual trade relations, than those applied to other, non-signatory, WTO partners.

Chart II.7

Evolution of Regional Trade Agreements in the world, 1948-2002

Number of RTAs



Source: WTO Secretariat.

170 RTAs are currently in force⁶⁵; an additional 70 are estimated to be operational although not yet notified. By the end of 2005, if RTAs reportedly planned or already under negotiation are concluded, the total number of RTAs in force might well approach 300.⁶⁶

The rapid growth in regional trade initiatives began a decade or so ago and seems to have developed into a headlong race: virtually every WTO Member is today engaging further on the RTA track as part of its trade strategy, increasingly for defensive reasons, to protect market access. Along the lines of the trend observed in Europe and, now, in the Americas, a pattern of bilateral, plurilateral (sometimes continent-wide) trade agreements is emerging, including in the Asia-Pacific where traditionally the emphasis has been on multilateral liberalization. Cross-regional initiatives among geographically non-contiguous countries are also multiplying as most of the major players at the regional level are increasingly looking beyond their regional borders for partners in selective (most often bilateral) preferential trade agreements.⁶⁷

These developments point to the unequivocal reality of RTAs as a major force in present and future global trade relations, as well as to the emergence of a multi-tiered global trading system with a variety of less than global, and potentially contradictory, trade initiatives pursued in parallel to multilateral efforts. Members are becoming entangled in diverse and relatively complex RTA policy regimes to govern their trade relations. The proliferation of RTAs, especially as their scope broadens to include policy areas not regulated multilaterally, increases the risks of inconsistencies in the rules and procedures among RTAs themselves, and between RTAs and the multilateral framework. This is likely to give rise to regulatory confusion, distortion of regional markets, and severe implementation problems, especially where there are overlapping RTAs.

RTAs: a note of caution

RTAs can complement the multilateral trading system, help to build and strengthen it. But by their very nature RTAs are discriminatory; they are a departure from the MFN principle, a cornerstone of the multilateral trading system. Their effects on global trade liberalization and economic growth are not clear given that the regional economic impact of RTAs is *ex ante* inherently ambiguous.⁶⁸ Though RTAs are designed to the advantage of signatory countries, expected benefits may be undercut if distortions in resource allocation, as well as trade and investment diversion, potentially present in any RTA process, are not minimized, if not eliminated altogether. An RTA's net economic impact will certainly depend on its own architecture and the choice of its major internal parameters (in particular, the depth of trade liberalization and sectoral coverage). Concurrent MFN trade liberalization by RTA parties, either unilaterally or in the context of multilateral trade negotiations, can play an important role in defusing potential distortions, both at the regional and at the global level.

The increase in RTAs, coupled with the preference shown for concluding bilateral free-trade agreements⁶⁹, has produced the phenomenon of overlapping membership. Because each RTA will tend to develop its own mini-trade regime, the coexistence in a single country of differing trade rules applying to different RTA partners has become a frequent feature. This can hamper trade flows merely by the costs involved for traders in meeting multiple sets of trade rules.⁷⁰

The risk of lack of uniformity between different RTA regimes is compounded by the increasingly wide-ranging configuration of RTAs. Modern RTAs, and not exclusively those

⁶⁵ Included in these statistics are notifications made under GATT Article XXIV, GATS Article V, and the Enabling Clause, including accessions to existing RTAs.

⁶⁶ Not every RTA under negotiation will automatically increase the number of RTAs in force, given that some will supersede or expand existing RTAs.

⁶⁷ The EU and EFTA are leading this trend, however, other regions, in particular countries in North and Latin America are following suit.

⁶⁸ Numerous analyses of the economic effects of specific RTAs, undertaken in recent years, show mixed results. See OECD (2001), *Regional Integration: Observed Trade and Other Economic Effects*, Working Party of the Trade Committee, TD/TTC/WP(2001)19/Rev.1, for an extensive summary of the empirical evidence on the trade effects of RTAs, which also suggests that the impact on economic growth is quite small.

⁶⁹ The most common type of RTA is the free-trade agreement, often requiring a lesser degree of commitment to economic integration and faster to conclude than a customs union. By the same token, bilateral agreements are much simpler to negotiate and implement than plurilateral agreements.

⁷⁰ For example, differing (and sometimes conflicting) tariff schedules and preferential rules of origin can raise transaction costs for exporters and importers.

linking the most developed economies, tend to go far beyond tariff-cutting exercises. They provide for increasingly complex regulations governing intra-trade (e.g. with respect to standards, safeguard provisions, customs administration, etc.) and they often also provide for a preferential regulatory framework for mutual services trade. The most sophisticated RTAs go beyond traditional trade policy mechanisms, to include regional rules on investment, competition, environment and labour. The emergence of RTA families is in part a corollary to those trends, triggered by the need for consolidation and rationalization of RTAs.

RTA origin regulations illustrate the point. Rules of origin are an essential element of all RTAs except fully implemented customs unions. Since the WTO Agreements contain no provision on preferential rules of origin⁷¹, origin regimes among RTAs tend to differ widely.⁷² As a result, the coexistence of different origin rules in a single country has become a frequent feature. The vast majority of RTAs in force, as well as those currently under negotiation, include origin requirements where product-specific rules of origin are often supplemented by other provisions that can either add to or diminish their flexibility. RTA origin regulations are usually more stringent than MFN rules of origin, the more so for products for which the margin of preference between the MFN and the preferential tariff is larger. This can alter substantially the level and effective structure of the preferences established, and may result in an inefficient allocation of resources among the preference-receiving trading partners⁷³, as well as increasing the possibility of trade (or investment) diversion.⁷⁴

The proliferation of RTAs appears to be increasingly linked to motivations other than traditional economic integration within a geographic region. A kind of “regionalism” *à la carte*, based on the selective choice of trading partners and sectors to be liberalized, has generated the use of a range of bilateral agreements to forge strategic trade relationships at preferential terms with important markets, wherever these are situated. This new “regionalism” shows signs of having developed a “band-wagon” effect, with RTAs being seen as necessary – defensive action – to protect market access: countries come under increasing pressure to play down MFN and negotiate preferential agreements to prevent discrimination in their trade relations. There is the possibility of (an eventual) mosaic of conditions for the conduct of trade, to the possible detriment of clarity and uniformity of global trade rules.

Middle- and lower-income developing economies are particularly vulnerable to these pressures because of their relatively small domestic market and the need for market access to larger markets. At the same time, the paradigm attaching a significant development dimension to regional integration initiatives among developing countries is changing tacks. Most developing countries participate in RTAs, though the approach differs from one region to another⁷⁵; they account for between 30-40% of all RTAs estimated to be currently in force. Traditionally, developing countries concluded RTAs almost exclusively among themselves, and such agreements were seen as part of a staged approach to global specialization and competition. A shift is under way towards the conclusion of reciprocal RTAs between developed and developing countries.⁷⁶ This will undoubtedly over stretch developing countries’ limited administrative capacities to administer a multi-tiered trade regime, and place them at a considerable disadvantage when negotiating the terms of an RTA with powerful “hubs”.⁷⁷

A multilateral treaty with regional exceptions: a need for synergies

The WTO recognizes that regional trade integration initiatives can be instrumental, alongside multilateral efforts, in furthering the development of world trade and balanced international trade relations. Members are essentially directed, when concluding RTAs, to promote deep intra-regional trade liberalization and facilitation, while preserving the value of multilateral liberalization and rule making. This principle is enshrined in the provisions of GATT Article XXIV for the formation of customs unions and free-trade areas (trade in goods), and in GATS Article V for agreements in the area of trade in services.⁷⁸

Today’s regional landscape, however, does not always appear to be in line with the spirit of those provisions. For example, with respect to scope, coverage, and depth of liberalization, the spectrum of RTAs varies widely. A recent study by the Secretariat⁷⁹ shows that the growing network of RTAs, while effective in reducing, in most cases eliminating existing tariffs on industrial products⁸⁰, has not done the same for agricultural goods. A few RTAs have eliminated all duties on agricultural goods, but in general, agricultural trade, even on a preferential basis, remains subject to exceptions.⁸¹ Average agricultural preferential tariffs remain high and concessions granted by RTA partners tend to be parsimonious in nature. Nor have RTAs, for the most part, removed tariff peaks on agricultural products. The use of the positive-list approach in granting concessions on agricultural products in the majority of RTAs⁸², limits the scope of potential concessions. This failure to use the selective and less risky environment of an RTA to confront long-standing distortions, particularly in agricultural trade, may cement domestic constituencies’ resistance to change and undermine the willingness to deal with such issues on a multilateral basis. This is truly a lost opportunity.

⁷¹ With the exception of a “Common Declaration with Regard to Preferential Rules of Origin” in Annex II to the Agreement on Rules of Origin.

⁷² The lack of uniformity among preferential rules of origin régimes is demonstrated in a recent study by the Secretariat. See WT/REG/W/45, *Rules of Origin Régimes in Regional Trade Agreements*.

⁷³ In an extreme scenario, costs incurred for a final product to be granted originating status in an RTA market could surpass the benefits derived from the use of the preference. Origin rules would then have an effect similar to that of a trade barrier protecting domestic production of final goods.

⁷⁴ The increasing importance of rules of origin may eventually lead producers to consider them as a factor of production *per se*, to be considered in the same manner as the availability and cost of inputs, labour costs, infrastructure, etc. In that sense, rules of origin can influence investment decisions, both with respect to input sourcing and location of production, and thus reinforce investment diversion.

⁷⁵ The ambitious regional initiatives typical of the African continent are in stark contrast to the limited objectives set forth by the countries of East and Southeast Asia. Most of the regional initiatives among African countries are aimed at establishing customs unions or common markets, grouping a large number of countries and over long transition periods, often 20-30 years. Countries in East and Southeast Asia have instead opted for speedy and looser forms of integration like FTAs.

⁷⁶ This is the case for the Euro-Mediterranean agreements concluded between the EU and the countries of North Africa, which replace the earlier non-reciprocal RTAs which were signed in the 1970s. Also, the post-Cotonou EU-ACP agreements should be negotiated on the basis of reciprocity regarding market access.

⁷⁷ Economic and political bargaining power, and the negotiating resources and capabilities are, other than rules, certain to dominate the process of drafting the agreement.

⁷⁸ A 1979 Decision of the GATT Council, known as the Enabling Clause, governs preferential arrangements among developing countries (trade in goods only).

⁷⁹ *Coverage, Liberalization and Transitional Provisions in RTAs*, WTO document WT/REG/W/46.

⁸⁰ Bearing in mind that MFN tariffs on such products, especially as applied by industrialized countries, were already at low levels.

⁸¹ Broad duty-free product coverage in RTAs tends to be the exception rather than the rule, since the domestic forces that resist trade liberalization at the multilateral level are just as likely to resist it at the regional level.

⁸² Contrary to the practice generally adopted vis-à-vis tariffs on industrial goods, where a negative list approach is the norm.

The WTO membership may not be adequately equipped for the challenges arising from the proliferation of RTAs and their implications for the functioning of the rules-based multilateral trading system. The WTO surveillance mechanism for the formation of RTAs is, to a large extent, non-operational. Indeed, the Committee on Regional Trade Agreements (CRTA)⁸³ has failed so far in its task of verifying the compliance of notified RTAs with WTO provisions, due to various political and legal difficulties mainly inherited from the GATT years. As of June 2002, the Committee had 22 RTAs under active consideration ("factual examination"), and 27 on the waiting list. "Factual examination" had been completed for 106 RTAs, whose draft examination reports were in various stages of consultation. No examination report has been finalized since 1995 because of lack of consensus. One problem derives from the possible links between CRTA-consistency judgement and the dispute-settlement process. In addition, there are long-standing controversies about the interpretation of the WTO provisions against which RTAs are assessed, and institutional problems arising either from the absence of WTO rules (e.g. on preferential rules of origin), or from discrepancies between WTO rules and those contained in some RTAs.

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, while taking due account of the developmental aspects of these agreements.

It is premature to consider whether these negotiations will result in a redrafting of the WTO-RTA relationship or to a piecemeal re-interpretation and clarification of existing rules. What is certain, however, is that powerful synergies can be generated when RTA regimes are fully in line with WTO rules and when trade liberalization advances smoothly on both the regional and multilateral fronts. It is therefore crucial to enhance prospects for a harmonious and effective global trade liberalization through renewed and sustained efforts in the DDA, while redefining and rebalancing the relationship between regional trade initiatives and the WTO framework.

5. The Doha Development Agenda and its implementation

Ministerial Declaration places emphasis on trade and development

With the successful conclusion of the Fourth WTO Ministerial Meeting at Doha, Qatar, in November 2001, Ministers launched the Doha Development Agenda (DDA). The Ministerial Declaration along with a separate Declaration on the TRIPS Agreement and Public Health, and a separate decision on Implementation Issues, gives high priority to development and, in particular, to the integration of LDCs in the multilateral trading system. Trade negotiations under the DDA are supervised by a Trade Negotiations Committee (TNC) under the General Council; most, (with the exception of improvements and clarifications to the Dispute Settlement Understanding and on a multilateral register for geographical indications) are to be completed by 1 January 2005.⁸⁴ Progress in the negotiations and implementation issues is to be reviewed at the Fifth Ministerial Conference to be held in Cancun, Mexico, in September 2003.

The Declaration recognized the role of international trade in promoting economic development and in reducing poverty. Increased benefits from integration in the multilateral trading system would therefore result from further trade liberalization leading to improved market access, strengthened and improved rules and from technical assistance to enhance the institutional capacity of developing countries to implement WTO Agreements and negotiate new ones. In order to achieve this, the Declaration calls for increased technical assistance by the WTO, in cooperation with other multilateral agencies and Members. The Declaration also calls for flexibility on the part of Members to improve market access for developing and LDCs.

The TNC will have held five meetings in 2002; it is chaired by the Director General of the WTO, in an *ex officio* capacity. Negotiations are being conducted in new groups for market access and WTO rules (anti-dumping, subsidies, and regional trade agreements) and in Special Sessions of existing bodies for agriculture, services, geographical indications, dispute settlement, and the environment (section (4) below).

Implementation-related issues are also addressed

In Doha, Ministers expressed their determination to address implementation-related issues and concerns raised by many Members. In addition to taking action to address certain implementation concerns immediately, Ministers in their Decision on Implementation (WT/MIN(01)17) mandated specific action to a number of WTO bodies by way of concrete follow-up.

⁸³ 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.

⁸⁴ Paragraphs 45-48 of the Ministerial Declaration (WTO document WT/MIN(01)/DEC/1, 20 November 2001).

Under these specific mandates, a number of WTO bodies were directed to report to the General Council at various dates in 2002, while the others will report as part of their annual reporting function to the General Council in December. As part of this follow-up, the General Council in July considered and took action as appropriate on reports from the Council for Trade in Goods, the Special Session of the Committee on Trade and Development, and the Subsidies Committee. In October, the Agriculture Committee reported on its follow-up to certain recommendations submitted to Ministers at Doha. In December, the General Council will consider mandated reports from the Committees on Anti-Dumping Practices, Customs Valuation and Market Access.

Ministers at Doha further instructed that the remaining outstanding issues not specifically addressed in their Implementation Decision, as compiled in Job(01)/152/Rev.1, be addressed as provided for in paragraph 12 of the Ministerial Declaration, either directly under the specific negotiating mandates provided for in the Declaration, or in the relevant Councils and Committees. Work under this mandate is currently being taken up in the relevant bodies. Finally, Ministers also requested that the Director-General, consistent with the Ministerial Declaration, ensure that WTO technical assistance be focused, on a priority basis, to assist developing countries to implement WTO obligations as well as increasing their capacity to participate more effectively in future multilateral trade negotiations.

In December, the General Council considered mandated reports from the Committees on Anti-Dumping Practices, Customs Valuation and Market Access. It also took note that, under the fast-track procedures agreed at Doha, the Subsidies Committee had taken 43 separate decisions to extend the transition period in the subsidies area which would allow 19 developing countries to maintain subsidy programmes that qualified for this extension. The General Council agreed to revert, at its first meeting in 2003, to the unresolved questions of implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, and the review of S & D provisions in the Committee on Trade and Development meeting in special session.

At its 4-6 December 2002 meeting, the TNC took up the reports on the outstanding implementation issues from the nine Councils and Committees which had been addressing these issues under paragraph 12 of the Ministerial Declaration. The Chairman noted that the reports showed that, despite all the hard work that had been done, Members did not seem to have reached agreement on definitive solutions on most of the issues before them. Consultations he had conducted prior to the meeting had also showed that significant differences persisted about what action the TNC should take. He set out five possible courses of action for these issues, but he said that he had not detected an emerging consensus on any of these options. While the TNC was able to take note of the consensus reached in the SPS Committee on one issue, it was clear that no agreement was possible on appropriate action for the others. Since then, the Chairman has been consulting informally on possible next steps, and the TNC will take this matter up.

A new framework for technical cooperation

The technical cooperation and assistance activities of the WTO, provided principally by the Technical Cooperation Division and Training Institute, in close cooperation with other Divisions, are a key means to integrating developing and transition economy Members into the multilateral trading system. Technical cooperation activities include regular trade policy courses, and technical assistance through seminars and workshops in various sites. The main objective of these activities is to enhance the institutional capacity of developing-country governments to implement existing WTO Agreements and negotiate further rules-strengthening and improved market-access conditions.

As the developing and LDC membership of the WTO increases, so do demands on the work programme, including technical cooperation. In particular, while the focus of the WTO's technical cooperation has been to help Members meet their commitments, the broader link between trade liberalization and development has not been made explicit, until recently, in WTO technical assistance activities. Thus, in 2001, in an attempt to meet the needs of its diversified membership, the WTO developed a new strategy for technical cooperation.⁸⁵ While the regular technical assistance activities are to be continued, the assistance will be broadened to integrate trade policies into the mainstream of Members' overall economic and social development strategies, including through the Integrated Framework (IF) and the Joint Integrated Technical Assistance Programme (JITAP) (below). This so-called "mainstreaming" of trade policies could also usefully emphasise the importance of unilateral, as well as multilateral, liberalization in ensuring a coherent and effective development strategy. Indeed, Members should be made aware that it may be in their national interest to liberalize policies unilaterally (taking external constraints into account), not just in areas covered by WTO Agreements but also in fields beyond the purview of these Agreements and current negotiations, a point often emphasized in Trade Policy Reviews.

⁸⁵ WTO document WT/COMTD/W/90.

The Secretariat has also, as mandated by the Doha Ministerial Declaration, increased its contact with other multilateral agencies in order to pool complementary resources in providing such assistance; formal agreements, in addition to the IF and JITAP, have been signed with the International Monetary Fund (IMF), the International Telecommunications Union (ITU), the World Bank and the World Intellectual Property Organization (WIPO) and informal contacts have been built with other agencies.⁸⁶ Assistance to “mainstream” trade policies and priorities would also be made more effective through improved coordination, both within the WTO Secretariat – e.g. between technical cooperation, accessions, trade policy reviews and training activities – and with other agencies and bilateral donors.

The WTO’s training programme is being expanded to accommodate the needs of Members. Additional funding has enabled the WTO to expand its trade policy courses, from three to six annually; training has also been expanded to include short-term trade policy courses, distance-learning services, and cooperation with universities and other institutions in developing curricula on WTO and trade-related issues. The WTO held two three-month trade policy courses outside Geneva, in Nairobi, Kenya and Casablanca, Morocco, for the first time, in 2002.⁸⁷

One of the main needs identified at the Doha Ministerial was that of integrating LDCs into the multilateral trading system.⁸⁸ Currently 30 LDCs (out of 49 designated by the United Nations) are Members of the WTO⁸⁹, and nine are seeking to accede.⁹⁰ LDC participation in international trade remains low; their share in world merchandise trade, after declining from 0.9% to 0.5% between 1980 and 1994, rose slightly in 2001, to 0.6%.⁹¹ Their trade in services accounts for around 0.4% of world trade.⁹² LDCs continue to be highly dependent on a narrow range of commodity exports⁹³, whose prices show wide annual fluctuations and have been declining in real terms over the long run⁹⁴, and which face barriers to access in many markets.

The special needs and constraints of the least-developed countries were acknowledged by the WTO in its Plan of Action for LDCs at the First WTO Ministerial Meeting in 1996. In addition to technical cooperation activities carried out in the context of an annual plan, recent WTO efforts include the creation in October 2001 of an Advisory Centre on WTO Law to assist developing-country and LDC Members in their utilization of the WTO’s dispute settlement mechanism.

The WTO also works with other multilateral agencies to provide trade-related technical assistance to LDCs. These include the Integrated Framework (IF), implemented jointly by the IMF, ITC, UNCTAD, UNDP, World Bank, and the WTO; and the Joint Integrated Technical Assistance Programme (JITAP), implemented by the International Trade Centre (ITC), the WTO, and UNCTAD. The JITAP was launched in May 1996 and has been operational since 1998. Its objective was to build institutional capacity in lesser-developed countries to help understand and implement the WTO Agreements; the countries initially selected were Benin, Burkina Faso, Côte d’Ivoire, Ghana, Kenya, Tanzania, Tunisia, and Uganda. Following a mid-term review, it is expected that the JITAP will be extended to a further 10-15 countries. The WTO Reference Centre Programme was also established in 1997 in the context of the JITAP. The Programme provides links between lesser-developed Members and the WTO through a network of computerized information centres, enabling access to WTO documents and activities.

The IF was established in 1997; its role, reaffirmed by Ministers at Doha, was redefined in 2001 to “mainstream” international trade policy and priorities in the overall sustainable development and poverty reduction goals of LDCs.⁹⁵ The diagnostic trade integration study (DTIS) and Action Plan developed as a result of the IF exercise is an input to the IMF/World Bank poverty reduction strategy papers (PRSPs), which is being implemented through a pilot scheme for Cambodia, Madagascar, and Mauritania, and is being extended to an additional 11 countries.⁹⁶

The WTO’s Trade Policy Reviews (TPRs) of LDCs are also a de facto input into the IF process. The Trade Policy Review Mechanism (TPRM), established under Annex 3 of the WTO Agreement, aims to enhance transparency in, and understanding of, the trade policies and practices of WTO Members. On the suggestion of the membership, reviews of LDCs have become more frequent.⁹⁷ By the end of 2002, 19 reviews of LDCs will have been completed by the TPRB⁹⁸; a further six are planned for 2003.⁹⁹

In addition to enhancing transparency, the TPRs of LDCs have increasingly performed a technical assistance role. By throwing light on the nature, rationale, and economic impact of trade and trade-related policies, they provide the basis for WTO Members’ collective evaluation of LDCs’ policies in the TPRB. In doing so, they identify, *inter alia*, protectionist policies and measures of LDCs that tend to hamper rather than foster their own economic and social development. TPRs are undertaken against the background of a Member’s wider economic and development needs; their main and unique contribution has been to place trade and trade-related policies in the much wider context of LDCs’ macroeconomic and

⁸⁶ The latest developments can be found in WTO document WT/COMTD/W/102, 16 July 2002.

⁸⁷ Further details are available in WTO document WT/COMTD/W/89/Rev.1, 14 January 2002, and in WTO Training Institute, *WTO Trade Policy Courses: A Proposal for Expansion*.

⁸⁸ The needs, interests and concerns of LDCs were explicitly recognized in paragraphs 2-3, 9, 15-16, 21-22, 24-28, 32-33, 36, 38-39, 42-44 and 50 of the Ministerial Declaration.

⁸⁹ Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Sierra Leone, Senegal, Solomon Islands, Tanzania, Togo, Uganda, Zaire and Zambia (WT/COMTD/LDC/W/26, 8 May 2002).

⁹⁰ They are: Bhutan, Cambodia, Cap Verde, Lao People’s Democratic Republic, Nepal, Samoa, Sudan, Vanuatu and Yemen; Ethiopia and Sao Tome and Principe are observers to the WTO (WT/COMTD/LDC/W/26, 8 May 2002).

⁹¹ Based on WTO Secretariat data.

⁹² WTO document WT/COMTD/LDC/W/26, 8 May 2002.

⁹³ It is estimated that for all 49 least-developed countries, export concentration in a few agricultural cash crops (including cotton, palm oil, sugar, coffee cocoa beans, tea, spices, nuts), fish products and raw materials (petroleum and precious and semi-precious gems) has remained unchanged over the last 20 years (the share of the three leading export products in total merchandise trade of the LDCs was 76% in 1997-1999, compared to 78% in 1981-83), although there are considerable variations from country to country. In some cases, for example, Bangladesh and the Lao People’s Republic, there has been some diversification into manufacturing activities, mainly textiles and clothing, which nevertheless face relatively high barriers to trade (UNCTAD, (2002), *The Least-developed Countries Report 2002: Escaping the Poverty Trap*, Part II, Chapter 3, UNCTAD, Geneva).

⁹⁴ UNCTAD for example, in its *Least-developed Countries Report*, estimates that there has been a long term downward trend in real non-fuel commodity prices since 1960 (UNCTAD, (2002), *The Least-developed Countries Report 2002: Escaping the Poverty Trap*, UNCTAD, Geneva. See in particular, Chapter 4, “Commodity Export Dependence, the International Poverty Trap and New Vulnerabilities”).

⁹⁵ WTO document WT/COMTD/W/90, 21 September 2001.

⁹⁶ Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Malawi, Mali, Nepal, Senegal, and Yemen.

⁹⁷ The Trade Policy Review Body’s Report to the Singapore Ministerial Meeting suggested for example that greater attention be paid to the coverage of LDCs in the annual TPR programme (WTO document WT/MIN(99)/2). This was reaffirmed by a mandated appraisal of the TPRM conducted in 1999.

⁹⁸ The LDCs reviewed are: Bangladesh (twice), Benin, Burkina Faso, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Senegal, the Solomon Islands, Tanzania, Togo, Uganda (twice) and Zambia (twice).

⁹⁹ Burundi, Haiti, Lesotho, Maldives, Niger and Senegal.

structural policies, showing how trade and other policies can be mutually reinforcing in fostering economic development. In some cases, these reviews have facilitated interaction and coordination between diverse government agencies and thus helped to improve the coherence of various trade and other policies. At the same time, the review helps each LDC (as it does for all Members) to identify shortcomings (including inconsistencies) in their own policies. The Report also helps to pinpoint specific areas of trade policy where further technical assistance may be necessary.

Since 2000, there has been a more systematic response to the technical assistance needs of LDCs in the trade policy reports, with a section on technical assistance needs and priorities, as identified in cooperation with the Member under review. In some cases the reviews, for example, those of Lesotho, Malawi, Madagascar, Mauritania and Senegal, provide a direct input into the DTIS of the IF. The review process also includes a three – to four-day seminar on the WTO, in particular, the trade policy review exercise and on the relationship between trade, growth, poverty alleviation, and governance. Seminars were held in Haiti, Malawi, Mauritania, and Uganda in 2001, and in Burundi, Lesotho, the Maldives Mauritania and Senegal (for the Members from WAEMU) in 2002. The seminars and sections on technical assistance in the Secretariat Reports are carried out in close cooperation with the WTO's Technical Cooperation Division.

A number of other activities specifically aimed at improving LDCs' understanding of, and participation in, the WTO are also carried out by the Secretariat. These include Geneva Week, a week of briefings for officials of Members that do not have representation in Geneva; to date four Geneva Weeks have been organized, the dates for Geneva Weeks in 2002 coinciding with meetings of the TNC. The Secretariat also provides assistance to non-resident LDCs through other forms of collaboration.¹⁰⁰ To help countries in negotiations, the Secretariat is developing a "Toolkit for Negotiators", to consist of three modules based on simulations of negotiations, and a database allowing a comparative analysis of negotiating proposals and trade and tariff information.¹⁰¹ Since the Doha Ministerial Conference, it has been agreed to establish a trade-related technical assistance database in cooperation with the Organization for Economic Cooperation and Development.¹⁰²

In addition to the number of initiatives taken to improve market access for LDCs, following the High-Level Meeting on LDCs held in 1997, further measures were announced in 2001/02. These include the EU's Everything but Arms Amendment Act, applicable as of March 2001. A recent study by the WTO suggests that market access for LDCs has improved.¹⁰³ However, certain measures could still be taken by both industrialized and developing countries to further improve market-access opportunities for LDCs. These include further reductions in preferential tariffs and a reduction of tariff peaks and non-tariff barriers: the simple average tariff in 2001 on LDC exports in their 30 main markets was 7.1%; these tariffs are considerably higher in developing countries, 14.3% compared with 2.5% and 3.1% in industrialized and transition economies.¹⁰⁴

Non-tariff measures such as quantitative restrictions, import prohibitions and licensing, tariff quotas, and state trading have also been identified as serious impediments to market access, as were technical standards, sanitary and phytosanitary measures, and rules of origin.¹⁰⁵

Status of negotiations

The DDA negotiations are being conducted under a Trade Negotiations Committee (TNC). The TNC has adopted a structure for negotiations to be carried out in special groups; the Chairperson of each group reports on a regular basis to the TNC. The negotiating groups are organized as follows:

- agriculture and services negotiations, which are the most advanced, are being pursued in Special Sessions of the Committee on Agriculture and the Council for Trade in Services, respectively;
- market-access negotiations for non-agricultural products are conducted in a newly established body, the Negotiating Group on Market Access;
- negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits under the TRIPS Agreement are taking place in Special Sessions of the TRIPS Council (other issues in paragraphs 18 and 19 to be discussed in regular sessions of the TRIPS Council);
- negotiations on WTO Rules are taking place in a new Negotiating Group on Rules;
- negotiations on improvements and clarifications to the Dispute Settlement Understanding are taking place in Special Sessions of the Dispute Settlement Body; and
- negotiations on trade and environment are being conducted in Special Sessions of the Committee on Trade and Environment.

Negotiations on outstanding implementation issues are taking place in the relevant bodies in accordance with the Ministerial Declaration and the Decision on Implementation-Related Issues and Concerns.¹⁰⁶

¹⁰⁰ These include an extended trade policy course sponsored by the Commonwealth Secretariat; and WTO trade policy courses in the Pacific region through collaboration with the Pacific Forum Secretariat. In addition, the WTO works closely with the Swiss sponsored Agency for International Trade Information and Cooperation (WTO document WT/COMTD/LDC/W/26, 8 May 2002).

¹⁰¹ WTO document WT/COMTD/LDC/W/26, 8 May 2002. Details of specific activities connected with the development of the tool kit are provided in the Annual Technical Assistance Plan (WTO document WT/COMTD/W/95/Rev.3).

¹⁰² Press/275, WTO Press Release [Online]. Available at: <http://if.wto.org> [15 July 2002].

¹⁰³ For example, following the High Level Meeting on Integrated Initiatives for Least-developed Countries' Trade Development, held in October 1997, several Members offered or improved their market-access offers for LDCs (see for example, WTO document WT/LDC/HL/M/1, 26 November 1997).

¹⁰⁴ WTO document WT/LDC/SWG/IF/14, 5 April 2001.

¹⁰⁵ WTO document WT/LDC/SWG/IF/14, 5 April 2001.

¹⁰⁶ WTO document TN/C/1, 4 February 2002.

Mandated negotiations on agriculture commenced in early 2000. In accordance with the timelines set in the DDA, the Committee on Agriculture adopted in Special Session in March 2002 a programme of work designed to establish modalities for further commitments in the areas of market access, export competition and domestic support by the end of March 2003.¹⁰⁷ On the basis of these modalities, participants are to submit their comprehensive draft Schedules of Concessions and commitments by no later than the Fifth Ministerial Conference, in September 2003.

Negotiations on services, which also commenced in early 2000 are well advanced. They aim to achieve progressively higher levels of liberalization in trade in services while striving to increase participation by developing countries. The Services Council adopted guidelines and procedures in March 2001 that, *inter alia*, aim to complete negotiations on domestic regulations (Article VI:4), government procurement (Article XIII), and subsidies (Article XV) before the conclusion of negotiations on specific commitments¹⁰⁸; the deadline for completion of negotiations on emergency safeguards (Article X), originally scheduled for 15 March 2002 has been extended to 15 March 2004.¹⁰⁹ The Ministerial Declaration at Doha reaffirmed the Guidelines and Procedures adopted in March 2001 and also called for Members to submit their initial requests for specific commitments by 30 June 2002, to be followed by a submission of initial offers by 31 March 2003.¹¹⁰

Since 1 January 2000, over 50 Members have submitted negotiating proposals, individually or in groups, in Special Sessions of the Council for Trade in Services. Such proposals normally explain negotiating objectives, perceived trade barriers and other concerns, as well envisaged solutions in individual areas of interest. Many proposals may have been intended to foreshadow the requests that were circulated, or are to be circulated, to individual trading partners. Two points need to be highlighted. First, the majority of proposals has originated from, or been endorsed by, developing and transition economies, testifying to the broad participation of WTO Members in these negotiations. Second, the sector focus of the proposals largely corresponds to the pattern of existing commitments complemented by a number of cross-sectoral proposals and seven submissions concerning mode 4, where currently scheduled levels of access are particularly restrictive (Chart II.8). This suggests that even in sectors like telecommunications and financial services, where commitments are broader and deeper than in most other areas, there is strong continued momentum for liberalization. The only major area that has not attracted any proposal to date is hospital and social services.

These proposals are not legally or politically binding; they are statements of negotiating interest. Members remain completely free to select the areas (sectors and modes) in which they request new or improved commitments from trading partners and which they will include in their initial offers that are to be circulated by end-March 2003.

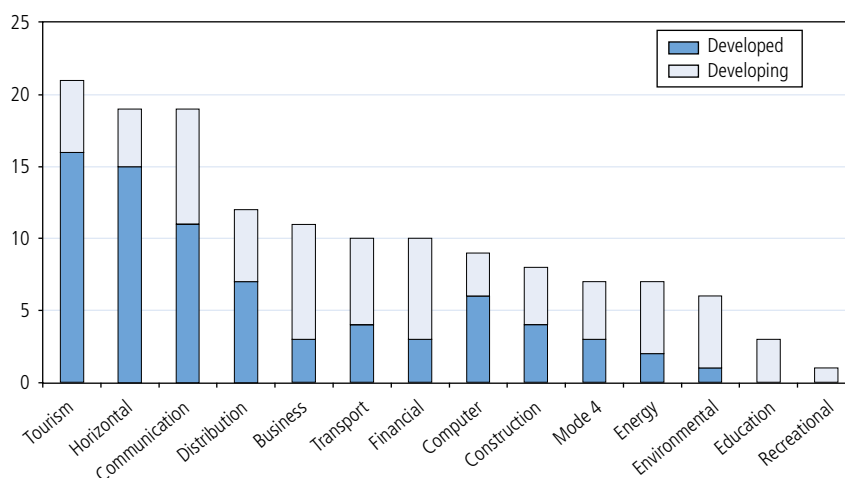
Accessions¹¹¹

With the accession of China and Chinese Taipei on 11 December 2001 and 1 January 2002, respectively, the membership of the WTO has grown to 145.¹¹² Twelve LDCs have become WTO Members, since its entry into force, under procedures other than Article XII.¹¹³

Chart II.8

Sectoral focus of negotiating proposals (February 2002)

Number of Members



Source: WTO Secretariat.

¹⁰⁷ WTO document TN/AG/1, 9 April 2002.

¹⁰⁸ WTO document S/L/93, 29 March 2001.

¹⁰⁹ WTO document TN/S/1, 11 April 2002.

¹¹⁰ Paragraph 15 of the Ministerial Declaration.

¹¹¹ Unless otherwise indicated, based on *Current Accessions: Summary of State of Play in Working Parties*, A Background note by the Secretariat, Job No. 4903, 3 July 2002.

¹¹² There have been 17 accessions to the WTO since its formation. The others are: Ecuador and Bulgaria in 1996; Mongolia and Panama in 1997; the Kyrgyz Republic in 1998; Latvia and Estonia in 1999; Albania, Croatia, Georgia, Jordan and Oman in 2000; Lithuania and Moldova in 2001; and Armenia in 2003.

¹¹³ Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, the Gambia, Haiti, Niger, Rwanda, and the Solomon Islands (WTO document WT/INF/43, 23 January 2002).

The success of accession procedures established under the WTO as well as the perceived benefits of its rules-based trading environment, has led an additional 27 countries to seek membership. These are: Algeria, Andorra, Azarbaijan, Bahamas, Belarus, Bhutan, Bosnia-Herzegovina, Cambodia, Cape Verde, Kazakhstan, Lao People's Democratic Republic, Lebanon, Former Yugoslav Republic of Macedonia (which signed the documents for its accession to the WTO on 15 October 2002), Nepal, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Tajikistan, Tonga, Ukraine, Uzbekistan, Vanuatu, Viet Nam, Yemen and the Federal Republic of Yugoslavia. In addition, requests for accession by Iran, Syria and Libya have been circulated to Members.

Accession to the WTO remains a major challenge, particularly for the LDCs. All acceding governments are required to put into place the relevant WTO-compatible legislation and enforcement mechanisms to ensure that they comply with the WTO Agreements. A lack of the necessary infrastructure, legislative and enforcement mechanisms and trained personnel has hampered the accession of LDCs to the WTO. Most of the nine LDC applicants for accession remain in the initial stages of the process and more is required to assist them in capacity building to complete the accessions process.¹¹⁴ The urgency of addressing this problem was stressed again in the Ministerial Declaration adopted at Doha in November 2001.¹¹⁵ Facilitation of accession of LDCs has been taken up in the Sub-Committee on LDCs, and has been addressed in a focused manner in the WTO Technical Cooperation programme. In this context, the Seminar on Accessions held in July 2002 is particularly relevant as it was considered useful and timely by Members and acceding governments.

A number of steps have been taken to make the process of accession as transparent, predictable, and clear-cut as possible, although the process depends upon negotiations between Members and the acceding countries. In addition, the number of Working-Party meetings has been reduced to two or three, and there is an increased emphasis on approving a complete accession package rather than piecemeal negotiations. The Secretariat is also authorized to facilitate negotiations on terms of entry and market access.

The number of disputes continues to grow

The Dispute Settlement Understanding (DSU) was established as a means to enforce WTO rules and disciplines. It is meant to encourage countries to use formal dispute settlement as a last resort, once consultations and negotiations in the WTO Committees had been exhausted. The number of cases brought to panels has, however, continued to rise since the establishment of the WTO, raising questions about the efficient functioning of the rules-based trading system. On 13 July 2001, the Director-General issued a communication concerning Article 5 of the Dispute Settlement Understanding (DSU).¹¹⁶ Article 5 provides for the use of good offices, conciliation and mediation; it has not been used since the inception of the WTO. The communication sets forth procedures by which the provisions of Article 5.6 can be made operational in order that Members may be afforded every opportunity to settle their disputes through negotiations whenever possible. While Members have in general complied with rulings, there have been a few recent cases where the Dispute Settlement Body (DSB) has authorized retaliation by Members because of non-compliance with panel rulings (below).¹¹⁷

Since 1995, the number of requests for consultation filed under the Dispute Settlement Understanding (DSU) has grown significantly, to 261, as of 10 July 2002, involving 212 distinct matters. The largest number of complaints have involved the United States (81), followed by the European Communities and its Member States (62); these are also the two largest complainants, with 71 and 57 requests, respectively. Other major complainants have been Canada (21 requests), Brazil (19), India (15), and Japan (11). The involvement of developing countries as complainants has grown, with around 93 of the 261 cases involving developing countries. The main areas of complaint are subsidies (43 requests), dumping (39), licensing (28), and safeguard measures (27).

Formal consultations under the DSU were initiated for a significant number of disputes. Many of these disputes, however, did not reach the stage of a formal panel. As a general matter, when consultations in the WTO do not resolve the matter and a panel is established, the matter usually goes beyond the initial panel stage to the appeal stage. When Parties cannot agree on the period of implementation, arbitration (21.3 DSU) is required to determine the reasonable period of time for implementation of the panel and Appellate Body rulings. Since the inception of the WTO, most panel and Appellate Body rulings have been implemented by Members. In recent years, however, there has been a greater number of cases for which Members' compliance with the rulings have been contested pursuant to Article 21.5 of the DSU (the Compliance Review Procedure). If compliance is not achieved, the complaining party is authorized by the DSB to retaliate. Recourse to retaliation under the DSU (suspension of concessions and obligations) has been authorized in five cases since the entry into force of the WTO:

- in the case of the EU's ban on meat and meat products, both the United States and Canada were authorized to take retaliatory action¹¹⁸;

¹¹⁴ There are currently nine acceding least-developed countries: Bhutan, Cambodia, Cape Verde, Lao People's Democratic Republic, Nepal, Samoa, Sudan, and Yemen; the final Working Party on the accession of Vanuatu was held on 29 October 2001, although it is not yet clear whether negotiations are concluded.

¹¹⁵ Paragraph 9 of the Ministerial Declaration states that accession of LDCs remains a priority for the WTO membership; paragraph 42 calls for this to be reflected in the Secretariat's annual technical assistance plan.

¹¹⁶ WTO document WT/DSB/25, 17 July 2001.

¹¹⁷ Under Article 22 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, temporary compensation and suspension of concessions or other obligations may be authorized by the DSB if its recommendations and rulings are not implemented within the reasonable period of time. The Article, however, stresses that neither compensation nor suspension of concessions or obligations is preferred to full implementation.

¹¹⁸ The United States was authorized to suspend application of tariff concessions and related obligations under GATT 1994 of a maximum amount of US\$116.8 million per year (WTO document WT/DS26/21, 15 July 1999); Canada was similarly authorized to take action of up to Can\$11.3 million (WT/DS48/19, 15 July 1999).

- in the ruling on the EU's regime for the importation, sale and distribution of bananas the United States and Ecuador were authorized to take retaliatory action¹¹⁹;
- in the matter of Brazil's financing for exports of aircraft, Canada was allowed to retaliate up to a value of Can\$344.2 million¹²⁰; and
- in the case of the United States' so-called Foreign Sales Corporations (FSC), the EU was authorized to impose a record US\$4 billion of sanctions on US exports.

In January 2002 the European Communities requested arbitration on the amount of countermeasures and suspension of concessions with regards to the ruling on the United States' tax treatment for "Foreign Sales Corporations".¹²¹ Although no new cases of retaliation have been authorized since the end of 2000¹²², other than a decision to lift restrictions by the United States and Honduras in light of a change in the EU policy on banana imports, the remaining restrictions authorized by the DSB are still in place. In another significant dispute the European Communities, joined by seven other Members, initiated dispute settlement procedures against the United States with respect to the latter's safeguard actions on steel products, which were imposed on 7 March 2002. In addition, in response to the US action, the European Communities took its own safeguard action on steel products, which was, in turn challenged by the United States under the DSU procedures on 30 May 2002.

While WTO Members are fully entitled to the use of the dispute-settlement mechanism, including possible retaliation authorized by the DSB, the economic and systemic implications of such retaliation is of concern. Rather than creating trade, which is the main objective of the multilateral trading system, retaliation tends to curtail trade and thus economic growth among the countries involved in the dispute.¹²³ Moreover, small economies may be particularly vulnerable because any retaliatory action on their part will have little impact on their trading partners and may, in fact, be economically counterproductive for the Member taking the action; an alternative may be to authorize compensation rather than the suspension of concessions and obligations. Finally, retaliation as enshrined in the Dispute Settlement Understanding is to be considered as a last resort; its increased use is surely damaging to the credibility and stability of the rules based multilateral trading system.

Intellectual Property Rights

The Ministerial Declaration on the TRIPS Agreement and Public Health arose in great part from proposals submitted mainly by developing countries in the run-up to the Ministerial Conference held in Doha. The proposals aimed to seek clarification on the ability of countries to take action to protect public health and on the meaning and interpretation of specific provisions in the TRIPS Agreement. The Declaration thus, *inter alia*, recognized the rights of Members to use flexibilities provided in the Agreement and to take measures to protect public health. The flexibilities provided under the TRIPS Agreement include the right to grant compulsory licences and freedom to determine the circumstances under which these licences may be granted; the right to determine what constitutes a national emergency; and the right to determine what action to take in the case of exhaustion of intellectual property rights (e.g. by permitting parallel imports).

To implement the Declaration, certain concrete steps were agreed. Under the TRIPS Agreement, the transition period granted to developed, developing and transition economies, and least-developed countries was one, five and 11 years, respectively, following the entry into force of the WTO.¹²⁴ At Doha, it was agreed that the transition period for least-developed countries with regard to pharmaceutical products would be extended by a further 10 years (to 1 January 2016).¹²⁵

The Declaration also noted that "Members with insufficient or no manufacturing capacities in the pharmaceuticals sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement" and instructed the TRIPS Council to find an expeditious solution to this problem and report to the General Council before the end of 2002. This issue is currently before the TRIPS Council and a number of papers suggesting possible solutions have been submitted by Members; the Council has also requested the Secretariat to prepare background documentation on e.g. existing patents on the diseases referred to in the Declaration (HIV/AIDS, malaria, tuberculosis) and the existence of manufacturing capacity.

The Ministerial Declaration at Doha set a deadline for concluding negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference to be held at the end of 2003 in Mexico. The Trade Negotiations Committee agreed that the negotiations on such registration would take place in Special Sessions of the TRIPS Council. Accordingly, the first Special Session took place in March 2002 and proposed that work take place in two phases: phase one would aim to table existing and new proposals by September 2002, followed by circulation of a text as a common negotiating basis by the end of 2002 or early 2003 to begin the second phase of final negotiations.

¹¹⁹ The United States was authorized to suspend applications of tariff concessions and related obligations under GATT 1994 to the European Union and its member States of up to US\$191.4 million per year (WTO document WT/DS27/49, 9 April 1999); Ecuador was authorized to suspend TRIPS obligations of up to US\$201.6 million (WTO document WT/DS/ARB/ECU, 24 March 2000).

¹²⁰ WTO document WT/DS46/26, 22 January 2001.

¹²¹ WTO document WT/DSB/M/118, 18 February 2002. Canada and India participated as third parties in the case.

¹²² Arbitration on the level of nullification (retaliation) has concluded in two other cases: Brazil—Export Financing for Aircraft—Recourse to Arbitration by Brazil under Article 22.6 of the DSU and Article 4.11 of the SCM Agreement (WTO document WT/DS46/ARB, 28 August 2000) and United States—Section 110(5) of the US Copyright Act—Recourse to Arbitration under Article 25 of the DSU (WTO document WT/DS160/ARB/25/1, 9 November 2001). However, the complainants in these cases have yet to request the DSB to authorize the suspension of concessions.

¹²³ The consequence of retaliation through higher tariffs for example, is to raise domestic prices of the targeted goods, which affects consumers and other industrial users, thus having widespread implications far beyond the industry being targeted.

¹²⁴ Special transition rules apply where a developing country did not provide (in 1995) a product patent for certain technologies; in such cases, the transition period for introduction of such protection can be extended to 2005 although certain conditions apply (Article 70.9 of the TRIPS Agreement).

¹²⁵ This extension was approved by the TRIPS Council on 27 June 2002. The TRIPS Council also decided to recommend to the General Council the adoption of a waiver for least-developed countries from the exclusive marketing rights provisions of Article 70.9 of the TRIPS Agreement, also until 2006. This waiver was adopted by the General Council on 8 July 2002 (Press/301, 28 June 2002. [Online]. Available at: <http://www.wto.org>).

The issue of geographical indications is currently also being taken up under two different contexts. The Council is examining the possibility of extending the additional protection granted to wines and spirits under Article 23 of the TRIPS Agreement to geographical indications for other products granted lower minimum protection under Article 22; and it is reviewing the section on geographical indications.

Furthermore, the Council extended the period for non-violation type complaints which under the TRIPS Agreement could not be brought to Dispute Settlement until 2000, so that the issue can be examined further in the TRIPS Council and at the next Ministerial Conference at the end of 2003.

Other issues that are to be examined by the Council include a review of the provisions regarding biotechnological inventions; the relationship between the TRIPS Agreement and the Convention on Biological Diversity; and traditional knowledge and folklore. Ministers also asked industrialized country Members to submit before the end of 2002 detailed reports on the functioning of incentives provided under Article 66.2 on promoting technology transfer to LDCs.¹²⁶

¹²⁶ The information provided is to be updated annually and is to be reviewed by the TRIPS Council (Paragraph 11.2 of the Decision on Implementation Related Issues and Concerns, WTO document, WT/MIN(01)/17).

Appendix tables

Appendix Table II.1

Tariff escalation in the "Quad" by 2-digit ISIC industry

		United States 2001	Canada 2002	EU (15) 2002	Japan 2002/03
Food beverages and tobacco	First stage of processing	3.2	7.9	12.4	25.4
	Semi-processed	9.0	6.8	19.1	30.3
	Fully processed	13.1	34.3	18.8	22.6
Textiles and leather	First stage of processing	2.2	1.0	0.9	9.8
	Semi-processed	9.8	7.0	6.7	6.8
	Fully processed	10.3	13.5	9.7	12.0
Wood and furniture	First stage of processing	0.1	0.0	0.0	0.0
	Semi-processed	2.2	2.1	3.0	4.3
	Fully processed	2.3	5.2	2.1	2.0
Paper, printing and publishing	First stage of processing	0.0	0.0	0.0	0.0
	Semi-processed	0.6	0.4	2.1	0.6
	Fully processed	0.9	1.0	1.5	0.3
Chemicals	First stage of processing	2.0	1.5	1.7	2.5
	Semi-processed	4.6	2.9	4.5	2.8
	Fully processed	4.1	4.7	3.8	2.0
Non-metallic mineral products	First stage of processing	0.0	0.0	0.0	0.0
	Semi-processed	2.3	0.7	2.9	1.5
	Fully processed	5.4	3.8	4.0	1.1
Basic metal	First stage of processing	0.3	0.0	0.0	0.4
	Semi-processed	2.1	0.9	1.9	1.1
	Fully processed	2.5	3.0	0.0	3.0
Fabricated metal products and machinery	Semi-processed	2.7	1.3	2.0	1.6
	Fully processed	2.2	2.6	2.5	0.3
Other	First stage of processing	1.6	1.2	1.2	0.2
	Semi-processed	0.6	0.0	1.8	0.1
	Fully processed	3.5	4.8	2.9	2.7
All sectors	First stage of processing	2.2	3.9	7.3	14.6
	Semi-processed	5.2	3.9	4.9	4.9
	Fully processed	5.7	8.9	7.0	7.8

Note: For countries with non-*ad valorem* rates AVEs have been used as available. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the Members.

Tariff escalation by 2-digit ISIC industry

Country/year	Stage of process ^a	Food, beverages & tobacco	Textiles & leather	Wood & furniture	Paper, printing & publishing	Chemicals	Non-metallic mineral products	Basic metals	Fabricated metal products & machinery	Other	All sectors
North America											
United States 2001	1	3.2	2.2	0.1	0.0	2.0	0.0	0.3	n.a.	1.6	2.2
	2	9.0	9.8	2.2	0.6	4.6	2.3	2.1	2.7	0.6	5.2
	3	13.1	10.3	2.3	0.9	4.1	5.4	2.5	2.2	3.5	5.7
Canada 2002	1	7.9	1.0	0.0	0.0	1.5	0.0	0.0	n.a.	1.2	3.9
	2	6.8	7.0	2.1	0.4	2.9	0.7	0.9	1.3	0.0	3.9
	3	34.3	13.5	5.2	1.0	4.7	3.8	3.0	2.6	4.8	8.9
Mexico 2001	1	22.2	12.7	13.0	4.8	12.5	8.0	10.1	n.a.	14.2	15.1
	2	27.1	17.9	18.6	13.3	11.3	17.7	12.9	13.7	13.0	13.2
	3	34.5	31.4	21.9	14.9	13.5	18.3	23.0	15.4	20.8	18.5
Latin America											
Argentina 2000	1	9.5	11.4	5.0	6.6	9.2	9.0	5.2	n.a.	11.6	9.3
	2	14.1	18.8	9.9	14.6	10.1	10.3	13.2	16.7	14.2	12.0
	3	16.5	22.4	17.9	15.2	12.1	14.2	19.0	14.1	20.4	15.0
Brazil 2000	1	9.5	10.6	5.0	6.6	9.6	9.0	5.2	n.a.	11.6	9.3
	2	14.0	18.7	9.9	14.4	10.1	10.3	12.9	16.7	14.2	11.9
	3	16.3	22.2	17.7	14.9	12.0	14.3	19.0	15.6	20.3	15.8
Costa Rica 2000	1	10.2	2.9	6.6	1.7	2.5	6.0	1.9	n.a.	8.4	5.2
	2	12.7	8.5	8.2	3.8	2.2	3.1	3.0	2.5	3.0	3.3
	3	19.8	12.9	12.8	8.9	6.1	8.2	1.0	4.2	9.5	7.2
Guatemala 2001	1	9.8	1.9	0.0	0.0	2.8	5.0	0.0	n.a.	8.8	5.6
	2	10.4	14.3	7.0	3.4	1.3	2.3	2.0	1.7	1.3	5.1
	3	12.9	18.9	12.5	7.7	6.4	7.2	0.0	4.0	9.4	8.1
Haiti 2001	1	2.7	3.0	0.0	2.1	0.2	15.0	0.0	n.a.	8.7	2.3
	2	4.9	4.7	0.0	0.5	0.5	1.3	1.3	0.8	0.0	2.0
	3	6.7	5.1	5.3	1.5	3.2	5.1	0.0	1.6	4.4	3.2
Western Europe											
EU15 2002	1	12.4	0.9	0.0	0.0	1.7	0.0	0.0	n.a.	1.2	7.3
	2	19.1	6.7	3.0	2.1	4.5	2.9	1.9	2.0	1.8	4.9
	3	18.8	9.7	2.1	1.5	3.8	4.0	0.0	2.5	2.9	7.0
Switzerland 2000	1	8.2	2.9	2.4	1.4	0.9	0.0	0.4	n.a.	2.0	4.4
	2	27.7	5.7	2.4	6.2	0.9	2.9	1.8	1.5	3.7	4.0
	3	37.0	6.3	2.3	4.1	2.4	2.7	1.4	1.1	2.1	8.5
Eastern Europe											
Czech Republic 2001	1	0.9	0.2	0.6	0.0	1.9	0.0	0.3	n.a.	0.4	0.9
	2	17.6	4.6	2.7	7.6	3.8	8.2	3.8	2.3	8.7	4.7
	3	16.3	8.4	5.6	6.4	4.0	6.5	2.6	0.0	4.8	7.4
Slovak Republic 2001	1	0.9	0.2	0.6	0.0	1.9	0.0	0.3	n.a.	0.4	0.9
	2	17.6	4.6	2.7	7.6	3.8	8.2	3.8	2.3	8.7	4.9
	3	16.3	8.4	5.6	6.4	4.0	6.5	2.6	0.0	4.8	7.4
Slovenia 2001	1	4.3	1.8	1.2	0.4	3.9	0.0	0.1	n.a.	6.2	3.5
	2	16.2	9.6	4.6	8.7	7.7	5.4	6.9	6.8	10.0	8.3
	3	20.0	16.4	14.2	13.6	8.8	9.9	5.0	9.9	13.5	13.1
Middle East											
Bahrain 2000	1	4.8	9.5	7.0	5.0	6.4	10.0	5.0	n.a.	8.9	6.2
	2	2.8	10.0	5.2	5.2	5.3	5.1	5.0	5.0	5.0	6.2
	3	11.4	8.7	8.8	7.3	7.0	7.1	5.0	9.3	7.8	9.0
East Asia											
Brunei Darussalam 2000	1	0.0	0.3	12.0	0.0	0.0	0.0	0.0	n.a.	1.2	0.3
	2	0.0	0.1	19.4	0.0	0.1	0.0	0.0	0.0	0.0	0.4
	3	0.0	1.5	3.6	0.0	2.8	0.9	0.0	8.8	2.7	5.2
Hong Kong, China 2002	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan 2002/03	1	25.4	9.8	0.0	0.0	2.5	0.0	0.4	n.a.	0.2	14.6
	2	20.3	6.8	4.3	0.6	2.8	1.5	1.1	1.6	0.1	4.9
	3	22.6	12.0	2.0	0.3	2.0	1.1	3.0	0.3	2.7	7.8

Appendix Table II.2 (continued)

Tariff escalation by 2-digit ISIC industry

Country/year	Stage of process ^a	Food, beverages & tobacco	Textiles & leather	Wood & furniture	Paper, printing & publishing	Chemicals	Non-metallic mineral products	Basic metals	Fabricated metal products & machinery	Other	All sectors
Korea, Rep. Of 2000	1	62.5	5.2	4.4	1.8	6.6	5.0	1.7	n.a.	5.9	29.0
	2	99.3	8.8	5.9	7.8	8.0	7.5	6.0	8.0	8.0	10.9
	3	36.2	11.4	6.4	5.4	7.5	7.9	8.0	6.4	7.8	10.7
Malaysia 2001	1	1.4	0.3	12.0	0.0	7.6	0.0	0.3	n.a.	0.0	3.0
	2	5.3	13.4	2.2	6.4	7.1	22.0	9.3	3.3	7.5	7.7
	3	4.5	17.0	13.4	15.0	7.5	19.9	18.8	16.9	11.2	13.6
Singapore 1999	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Asia											
Bangladesh 2000	1	19.0	16.2	6.0	0.0	11.9	25.0	5.7	n.a.	25.1	14.2
	2	24.8	26.5	16.0	25.5	16.2	29.7	19.2	27.1	25.0	20.7
	3	29.5	36.3	30.2	28.1	24.4	25.2	25.0	18.5	32.3	24.1
Pakistan 2001	1	12.1	10.1	8.0	6.1	13.2	5.0	14.7	n.a.	14.7	11.8
	2	19.2	23.7	19.1	24.0	13.9	23.8	15.4	21.7	25.0	17.5
	3	29.9	29.2	28.4	23.5	21.1	25.6	30.0	21.2	22.0	23.6
India 2001/02	1	36.4	25.1	17.0	7.1	25.4	35.0	23.8	n.a.	35.0	28.1
	2	36.6	28.5	31.1	34.7	33.6	34.1	33.0	21.7	35.0	32.3
	3	48.3	34.2	34.8	29.4	33.2	34.1	35.0	29.2	33.5	33.0
Oceania											
Australia 2001/02	1	0.3	0.0	2.0	0.0	1.7	0.0	0.3	n.a.	0.3	0.7
	2	0.4	9.8	3.9	3.9	1.7	1.9	3.0	2.1	4.2	4.1
	3	2.2	14.5	3.9	3.4	3.4	4.0	0.0	3.4	3.0	5.1
Africa											
Gabon 2000	1	23.1	11.6	22.0	10.0	9.8	30.0	10.0	n.a.	23.3	16.2
	2	22.8	18.1	29.7	11.0	10.3	21.6	14.4	9.2	7.5	14.6
	3	25.8	27.9	27.4	18.2	17.0	22.8	30.0	159.0	27.0	20.2
Ghana 2000	1	15.8	15.1	16.0	12.2	10.2	15.0	15.6	n.a.	21.3	14.4
	2	18.8	16.6	19.6	19.3	10.8	11.3	11.0	11.7	20.0	13.1
	3	23.8	29.9	24.6	16.9	22.5	14.6	20.0	7.6	18.4	15.5
Madagascar 2000	1	4.6	0.3	0.0	0.0	0.0	5.0	0.0	n.a.	4.8	2.2
	2	6.5	13.8	2.2	1.5	0.2	5.0	1.8	4.2	1.0	4.9
	3	6.9	16.0	6.8	3.8	5.1	5.7	5.0	5.6	5.6	7.3
Mauritania 2001	1	16.2	2.6	0.0	0.0	2.7	20.0	5.5	n.a.	10.6	8.3
	2	10.9	12.6	9.3	6.9	4.6	9.7	8.3	7.5	5.0	8.0
	3	14.5	18.3	17.5	11.7	11.5	14.8	20.0	9.0	18.1	12.3
Mauritius 2001	1	10.5	6.3	0.0	0.0	2.0	0.0	0.0	n.a.	16.7	6.4
	2	18.9	0.8	1.8	0.0	3.8	5.9	12.3	0.0	7.5	5.5
	3	29.4	64.7	54.7	43.4	32.2	29.5	80.0	17.6	33.8	30.4
Mozambique 2000	1	22.3	3.8	2.5	7.5	3.4	7.5	2.5	n.a.	13.8	11.3
	2	17.7	21.4	7.5	10.3	3.8	7.3	5.6	7.5	23.1	9.5
	3	23.9	27.4	21.4	18.3	15.2	11.5	30.0	10.7	25.9	16.6
South Africa 2001	1	10.5	5.4	0.0	0.0	3.6	0.0	0.0	n.a.	3.5	5.6
	2	10.3	20.7	4.9	7.7	3.1	4.9	3.3	2.6	4.5	11.6
	3	15.3	29.1	15.7	8.0	7.7	6.8	0.0	5.2	7.2	10.5
Zambia 2002	1	19.3	14.6	21.0	5.0	6.5	25.0	2.8	n.a.	18.1	13.7
	2	19.1	14.0	22.8	10.0	6.0	13.1	7.1	18.3	12.5	8.8
	3	20.7	24.1	23.3	18.1	15.8	14.3	15.0	12.7	20.0	16.5

n.a. Not applicable.

^a 1 = First stage of processing; 2 = Semi-processed; 3 = Fully processed.Note: For countries with non-*ad valorem* rates AVEs have been used as available. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the Members.

Chapter Three

WTO ACTIVITIES

This chapter provides an outline of the main activities of the WTO during 2002.

I. The Doha Development Agenda (DDA)

The Fourth WTO Ministerial Conference was held in Doha, Qatar, from 9 to 14 November 2001. 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 mandated negotiations in agriculture and services which started in 2000 – as well as other activities and decisions designed to address the challenges facing the trading system and the interests of the diverse membership of the WTO.

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.

A Declaration on the TRIPS Agreement and Public Health was also adopted by Ministers, 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.

The negotiations should be concluded no later than 1 January 2005. Negotiations on the Dispute Settlement Understanding are to end in May 2003; those on a multilateral register of geographical indications for wines and spirits, by the next Ministerial Conference in 2003. Progress is to be reviewed at the Fifth Ministerial Conference in Cancún, Mexico, 10-14 September 2003.

The negotiations take place in a Trade Negotiations Committee which was set up by the Doha Declaration, which in turn assigned it to create subsidiary negotiating bodies to handle individual negotiating subjects. Other work under the work programme takes place in other WTO councils and committees.

Trade Negotiations Committee (TNC)

The first TNC meeting was held on 28 January and 1 February 2002. On the basis of proposals made by the General Council Chairman following consultations, the TNC appointed the Director-General in an *ex officio* capacity to chair the TNC until the deadline of 1 January 2005 established in the Doha Declaration. It also agreed to a structure for the work it would oversee, involving seven negotiating bodies: negotiating groups were established for market access and rules; and the negotiations on agriculture, services, TRIPS, dispute settlement and environment would take place in Special Sessions of existing bodies. The General Council subsequently agreed to the slate of names for the negotiating body Chairpersons proposed by its Chairman on 15 February.

At each of its four subsequent meetings in 2002, the TNC took up reports on the work of the negotiating bodies by the individual Chairpersons. During the year, the Chairpersons

reported on how their negotiating bodies moved from procedural discussions to substance, and on how they saw the work evolving. At the TNC's second meeting in April, the Chairman stressed that although the immediate post-Doha phase was almost over, there was no room for complacency; substantive progress would have to be made in the negotiations by the next meeting. The TNC also took note of understandings proposed by the Chairman on participation in the negotiations (concerning acceding Observers) and on the status of Observer governments for whom an accession working party had not been established.

At the third meeting in July, the Chairman said that work was moving at a steady and deliberate speed, and everyone was aware that time was the only thing that could not be replaced or recycled. He sensed a constructive mood among participants, and considered that a good start had been made on the negotiations. The Chairman concluded the fourth meeting in October by saying that he was encouraged that there was a widespread sense of the globality of the negotiations, of the need to make progress across a broad front and to build a balanced overall result. Everyone had a shared responsibility to move the negotiations on to a timely and positive conclusion. He warned against the use of delaying tactics, stressing again the importance of the upcoming deadlines. He urged delegations to break out of defensive positions – participants could not remind themselves often enough that this was not a zero-sum game. It was certainly about national interests, but it was also about shared interest in a system which delivered for all its members.

At the fifth meeting in December, delegations generally agreed with the Chairman's assessment – the situation was rather mixed, in as much as progress had been made on all fronts, but in an uneven way, and perhaps not as quickly as was needed. Under a separate agenda item, the TNC also took up a number of reports on outstanding implementation issues by relevant WTO bodies pursuant to paragraph 12(b) of the Doha Ministerial Declaration. The Chairman reported on his consultations on possible approaches to these issues, setting out a number of options. While the TNC was able to take note of the consensus reached on one issue, it was clear that no agreement was possible on appropriate action for the other 23 issues. The Chairman announced he would consult informally on possible next steps, and the TNC would take this matter up at its next meeting in February 2003.

Work Programme

The paragraphs below follow the order of the Work Programme as set out in the Doha Declaration and the Decision on Implementation-related issues and concerns. The relevant mandate is included after each heading.

Implementation-related issues and concerns

"12. We attach the utmost importance to the implementation-related issues and concerns raised by Members and are determined to find appropriate solutions to them. In this connection, and having regard to the General Council Decisions of 3 May and 15 December 2000, we further adopt the Decision on Implementation-Related Issues and Concerns in document WT/MIN(01)/17 to address a number of implementation problems faced by Members. We agree that negotiations on outstanding implementation issues shall be an integral part of the Work Programme we are establishing, and that agreements reached at an early stage in these negotiations shall be treated in accordance with the provisions of paragraph 47 below. In this regard, we shall proceed as follows: (a) where we provide a specific negotiating mandate in this Declaration, the relevant implementation issues shall be addressed under that mandate; (b) the other outstanding implementation issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiations Committee, established under paragraph 46 below, by the end of 2002 for appropriate action."

Agriculture The work in the regular meetings of the Committee on Agriculture covered three distinct implementation-related issues and concerns: (i) an examination of possible means of improving the effectiveness of the implementation of the Marrakesh Ministerial Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries; (ii) the implementation of Article 10.2 of the Agreement on Agriculture which relates to the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes, and (iii) the review of addenda to notifications submitted by Members with tariff quotas to ensure that their tariff quota regimes are administered in a transparent, equitable and non-discriminatory manner.¹

Anti-dumping At the Fourth Ministerial Conference, in their Decision on Implementation-Related Issues and Concerns, Ministers referred three implementation-related issues to the Committee on Anti-Dumping Practices ("the Committee") or its

¹ See related report by the Committee on Agriculture in document G/AG/14 dated 9 October 2002.

Working Group on Implementation for consideration and recommendations, to be completed within 12 months. The Working Group on Implementation was directed to examine modalities for the application of Article 15 of the Agreement and draw up recommendations on how to operationalize it, and to 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 was directed to 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).

The Chairman reported to the General Council on 12 December 2002 concerning the Committee's actions under the Ministerial mandate (G/ADP/11). The Chairman reported that the Committee had adopted recommendations with respect to the time-frame to be used in determining a *de minimis* volume of imports under Article 5.8 of the Agreement (G/ADP/8) and annual reviews (G/ADP/9) at a special meeting on 27 November 2002. With respect to the third matter, operationalizing Article 15, the Chairman reported that there continued to exist substantially divergent views, that he was unable to identify any significant basis for consensus on a recommendation, and that the issues raised in the proposals, as developed and clarified through the discussions, may yet form the basis for further discussion, should any Member submit proposals concerning them for discussion in an appropriate forum.

Balance of payments In accordance with paragraph 12(b) of the Doha Ministerial Declaration, the Committee on Balance-of-Payments Restrictions discussed outstanding implementation issues and submitted its report to the TNC. The Committee also completed its first annual review under the Transitional review mechanism of China's Protocol of Accession.

Customs valuation The Committee on Customs Valuation received a mandate from Ministers at Doha to address five outstanding implementation-related issues and to carry out the work in paragraph 8.3 of the Decision on Implementation-Related Issues and Concerns, in accordance with paragraph 12 of the Ministerial Declaration. The five outstanding issues concern specific provisions of the Agreement on Customs Valuation, and paragraph 8.3 deals with information exchange among customs administrations aimed at relieving concerns related to the accuracy of the declared value. The Committee addressed these issues in seven informal and formal meetings during the reporting period. In accordance with the mandates, it submitted its report on the outstanding implementation-related issues (G/VAL/49) to the TNC and its report on paragraph 8.3 concerns (G/VAL/50) to the General Council in December. An important feature of the latter is the attached Terms of Reference to the Technical Committee on Customs Valuation (administered by the World Customs Organization in Brussels). The Committee agreed to request the Technical Committee to examine specific technical issues and to report by 15 May 2003 with advice and technical input so that the Committee may continue its work under paragraph 8.3 of WT/MIN(01)/17.

Market access Paragraph 1.2 of the Ministerial Decision on Implementation-Related Issues and Concerns, directs the Market Access Committee to give further consideration to the issue of "substantial interest" in paragraph 2(d) of Article XIII of the GATT 1994 and make recommendations to the General Council as expeditiously as possible but in any event not later than the end of 2002. The Market Access Committee considered this issue during 2002 and made a report of its deliberations to the General Council in document G/MA/119. It indicated that it was unable to reach a consensus on any recommendations and referred the matter to the General Council for consideration.

In paragraph 13 of the Ministerial Decision on Implementation-Related Issues and Concerns reference is made to "Outstanding Implementation Issues which are compiled in document JOB(01)152/Rev.1". It was agreed that these issues should be addressed in accordance with paragraph 12 of the Ministerial Declaration.

One outstanding implementation issue (contained in Tired 99) was considered in the Market Access Committee during 2002, following a decision by the Council for Trade in Goods in March 2002, that this issue fell in the area of competence of that Committee. In accordance with paragraph 12(b) of the Ministerial Declaration a report was also to be made by that Committee to the TNC by the end of 2002 on this issue. Tired 99 refers to "Measures designed to secure a redistribution of negotiating rights in favour of small and medium-sized exporting members in trade negotiations".

In its report to the TNC (G/MA/118), the Committee indicated that it had undertaken a useful but inconclusive discussion on this matter which it noted went beyond its mandate. Accordingly, it referred the matter to the TNC for consideration and stated that this referral did not preclude an individual Member from raising this issue or aspects of this issue in any other forum as it deemed appropriate.

Safeguards In accordance with paragraph 12 of the Ministerial Declaration of 14 November 2001, and section 13 of the Ministerial Decision on Implementation-Related Issues and Concerns of 14 November 2001, the Committee on Safeguards ("the Committee") discussed outstanding implementation issue "tired 84" during 2002. Tired 84 set forth a proposal by Colombia to amend Article 9.1 of the Safeguards Agreement. The

Committee reported to the TNC on 5 December 2002 that there was no consensus on that proposal (document G/SG/59).

Sanitary and phytosanitary measures The Committee on Sanitary and Phytosanitary Measures received a mandate from Ministers at Doha to address two implementation-related issues. One concerned a proposal that the transparency provisions of the SPS Agreement should ensure that when the introduction of a sanitary or phytosanitary measure might have a significant effect on trade opportunities for products of interest to developing countries, the member taking the measure shall notify the WTO and inform the concerned member prior to the application of the measure, and further notify subsequent decisions derived from a previously notified measure. At its meeting in March 2002, the SPS Committee agreed to revised recommended procedures for implementing the transparency provisions of the SPS Agreement (G/SPS/7/Rev.2). These agreed procedures include recommendations that members should notify changes in the status of a previously notified regulation, including when the scope of application is extended in terms of members affected or products covered. Detailed guidance and formats for the notification of such addendums or revisions were also developed by the SPS Committee.

Subsidies and countervailing measures During 2002, the Committee on Subsidies and Countervailing Measures ("the Committee") conducted the review of the provisions of the Agreement regarding countervailing duty investigations, mandated by paragraph 10.3 of the Decision on Implementation-Related Issues and Concerns adopted on 14 November 2001 at the Doha Ministerial Conference. The substance of the review was conducted at a series of informal and special meetings on the basis of proposals from Brazil and India which were originally tabled prior to the Doha Ministerial Conference (see G/SCM/36 and G/SCM/38.) The Chairman submitted a report to the General Council on the review on 29 July 2002 (see G/SCM/45).

In addition, pursuant to Article 27.4 of the Agreement, developing country Members subject to the eight-year transition period in Article 27.2(b) for the elimination of export subsidies (which period expired 31 December 2002), had the possibility, not later than 31 December 2001, to enter into consultations with the Committee to seek extension of this transition period, if those Members deemed it necessary to apply such subsidies beyond the eight-year period. A total of 22 Members sought extensions in respect of specific programmes pursuant to Article 27.4.² Most of these were requests based on the special procedures contained in G/SCM/39 which had been approved by Ministers at Doha in the Decision on Implementation-Related Issues and Concerns; one Member's request in respect of two programmes was based on the language in paragraph 10.6 of that same Implementation Decision; and several others were based on Article 27.4 alone.³ In addition, four Members listed in Annex VII(b)⁴ reserved rights, as provided for in the special procedures in G/SCM/39, to seek extensions in the event that they graduate from Annex VII during the period in which other Members have extensions in effect pursuant to G/SCM/39. The Committee approved the requests for extension in respect of 43 programmes of 19 developing country Members on the basis of the special procedures in G/SCM/39; two programmes of one developing country Member on the basis of paragraph 10.6 of the Doha Implementation Decision; and eight programmes of four developing country Members on the basis of Article 27.4 alone (documents G/SCM/50-102).

In paragraph 10.1 of the Decision on Implementation-Related Issues and Concerns, Ministers agreed that Annex VII(b) to the Agreement included the Members that were listed therein until their GNP per capita reached US\$1,000 in constant 1990 dollars for three consecutive years. This decision was to enter into effect upon the adoption by the Committee of an appropriate methodology for calculating constant 1990 dollars or, if no such consensus was reached by the Committee, then, as of 1 January 2003, the methodology set forth in G/SCM/38, Appendix 2, shall be applied. In the absence of any proposals concerning methodology, the methodology in G/SCM/38, Appendix 2, therefore applies since 1 January 2003.

Technical barriers to trade Following the Second Triennial Review of the Operation and Implementation of the Agreement, the Committee continued to develop a demand driven TBT-related Technical Cooperation Programme as confirmed and mandated by Ministers at Doha and continued discussions on a number of elements taken up during that Review. The Committee carried out the mandate provided by Ministers at Doha to address the outstanding implementation issues, and also conducted the annual transitional review mandated in the Protocol of Accession of the People's Republic of China.

Textiles and clothing The Doha Ministerial Decision on Implementation-Related Issues and Concerns contains several proposals relating to textiles and clothing, of which two relate to possible market access improvements in the context of the ATC, through changes in the methodology for the application of quota growth rates. It called upon the CTG to examine these two proposals and to make recommendations for appropriate action to the General Council by the end of July 2002.

² Antigua & Barbuda; Barbados; Belize; Colombia; Costa Rica; Dominica; Dominican Republic; El Salvador; Fiji; Grenada; Guatemala; Jamaica; Jordan; Mauritius; Panama; Papua New Guinea; St. Kitts & Nevis; St. Lucia; St. Vincent and the Grenadines; Thailand; Uruguay. Suriname originally made a request, but subsequently withdrew it.

³ Paragraph 10.6 of the Doha Ministerial Decision on Implementation-Related Issues and Concerns states:

"Having regard to the particular situation of certain developing-country Members, directs the Committee on Subsidies and Countervailing Measures to extend the transition period, under the rubric of Article 27.4 of the Agreement on Subsidies and Countervailing Measures, for certain export subsidies provided by such Members, pursuant to the procedures set forth in document G/SCM/39. Furthermore, when considering a request for an extension of the transition period under the rubric of Article 27.4 of the Agreement on Subsidies and Countervailing Measures, and in order to avoid that Members at similar stages of development and having a similar order of magnitude of share in world trade are treated differently in terms of receiving such extensions for the same eligible programmes and the length of such extensions, directs the Committee to extend the transition period for those developing countries, after taking into account the relative competitiveness in relation to other developing-country Members who have requested extension of the transition period following the procedures set forth in document G/SCM/39."

⁴ Bolivia; Honduras; Kenya and Sri Lanka.

Given the differences in views and understandings among Members, the Chairman of the CTG presented an oral report on the situation to the General Council on 31 July 2002. In his summing-up remarks, the Acting Chairman of the General Council noted that, whereas the matter continued to be an important concern to many Members, fundamental differences existed on views and understandings and, consequently, no consensus was possible on how best to deal with this issue. In these circumstances, he noted that the CTG had carried out its mandate but had not been able to formulate any recommendations. Finally, he concluded that the General Council could take note of the statements without any prejudice to their positions and that Members should "continue to reflect on the various views that had been expressed".

Trade-related aspects of intellectual property rights (TRIPS) Article 66.2 of the TRIPS Agreement 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. Pursuant to paragraph 11.2 of the Doha Decision on Implementation-Related Issues and Concerns, developed country Members made information on their implementation of Article 66.2 available for the Council's meeting in November 2002. Furthermore, the Council discussed the implementation of Ministers' instruction in that same paragraph to put in place a mechanism for ensuring the monitoring and full implementation of Article 66.2. In the light of the suggestions and discussions in the Council and informal consultations, the Chair circulated for the Council's November meeting an informal note containing a draft decision for the consideration of the Council, but, at that point, some Members still needed more time to consider the draft decision. At its first meeting in 2003, the Council adopted a decision on "Implementation of Article 66.2 of the TRIPS Agreement" (IP/C/28).

Paragraph 11.1 of the Doha Decision on Implementation-Related Issues and Concerns directed 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. Ministers agreed that, in the meantime, Members will not initiate such complaints under the TRIPS Agreement. To facilitate the Council's work on this matter, the Secretariat prepared for the June meeting a note summarizing the points that had been raised in the substantive discussion on this item so far. Since then, the Council has continued its discussions on the basis of the Chair's annotated agenda aimed at suggesting a number of basic questions with a view to providing focus to the Council's discussion on this subject. The Council set its first meeting in 2003 as a target date for the submission of specific proposals.

Outstanding implementation issues

Many of the outstanding implementation issues raised by Members relating to the TRIPS Agreement referred to in paragraph 10 of document JOB(01)/152/Rev.1 overlap with issues that were discussed in the TRIPS Council under other mandates. For the sake of brevity, the Council's work on all of these issues is described in Part I section VI below.

Agriculture (Paragraphs 13 and 14)

"13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date

of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole."

The negotiations on agriculture started in January 2000 as separate negotiations under the built-in agenda of the Agreement on Agriculture (Article 20). They are now part of the Doha Development Agenda with an enhanced mandate and clear deadlines. In the first year of the negotiations 121 Members submitted, individually or as part of alliances of countries sharing common interests, 45 negotiating proposals. In the following year the talks were based on additional informal papers by participants setting out their negotiating proposals in greater detail. From the outset, the establishment of provisions to enhance the flexibility of developing countries (special and differential treatment) has been part of the negotiations. In March 2002, the negotiations moved into a new phase.⁵ Participants shifted their focus to the development of modalities for further commitments, including the rules and disciplines of the Agreement on Agriculture. In the area of market access, various tariff cutting formulas were proposed, including the Swiss formula and the Uruguay Round formula. Concrete proposals were made to increase the volumes available for imports under tariff quotas and reduce in-quota tariffs to zero, although not everyone agreed. There was widespread support for improved disciplines concerning tariff quota administration. Participants also held consultations on possible elements of a special developing country food security safeguard. Other market access issues that were pursued in the negotiations concern importing state-trading enterprises, tariff preferences, geographical indications, food safety and labelling. On export competition, there was substantial support for phasing out export subsidies but others favoured the Uruguay Round formula for reducing export subsidies. New or strengthened disciplines for export credits, food aid and exporting state-trading enterprises were also discussed. In the area of domestic support, the negotiations covered the Green Box, the Blue Box, Article 6.2 of the Agreement in favour of developing countries and the Amber Box. Participants discussed proposals to further reduce or eliminate trade-distorting domestic support under the Amber Box, as well as proposals concerning the status of the Blue Box. Some countries proposed to change the architecture of the Agreement on Agriculture by, for example, reducing the number of boxes to two, one for trade-distorting and one for non-trade distorting domestic support. Other proposals included spending limits for the Green Box and reductions of direct payments under the Green Box. In December 2002, the Chairman of the Special Session submitted an Overview Paper on the state of the negotiations.⁶ The paper identifies crucial issues which need to be resolved in order to establish modalities for further commitments by the mandated deadline of 31 March 2003. As the year ended, the positions of participants in the negotiations were still far apart in their level of ambition for further reform in agriculture.

Services (Paragraph 15)

"15. The negotiations on trade in services shall be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries. We recognize the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services, and the large number of proposals submitted by Members on a wide range of sectors and several horizontal issues, as well as on movement of natural persons. We reaffirm the Guidelines and Procedures for the Negotiations adopted by the Council for Trade in Services on 28 March 2001 as the basis for continuing the negotiations, with a view to achieving the objectives of the General Agreement on Trade in Services, as stipulated in the Preamble, Article IV and Article XIX of that Agreement. Participants shall submit initial requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003."

The Council for Trade in Services held five meetings in Special Session in 2002. Reports of the meetings are contained in documents TN/S/M/1 to 5. The Special Session addressed the following matters:

Proposals Relating to the Negotiations under Article XIX of the GATS

Under this agenda item, Members continued to discuss various negotiating proposals submitted to the Special Session on a number of services sectors, modes of supply and other horizontal issues.

At its meeting held on 19-22 March, the Council addressed all the proposals and structured the discussion according to sectors, modes of supply and horizontal issues. Sectors were taken up in the order in which they appear in the MTN.GNS/W/120 sectoral classification list. As it had done in its previous meeting, the Council sharpened the focus of the discussion by organizing the debate around the following items: 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.

⁵ See work programme in TN/AG/1 dated 9 April 2002 and meeting reports in TN/AG/R/1 to 5 dated 19 April, 10 July, 1 October, 18 October and 19 December 2002.

⁶ See document TN/AG/6 dated 18 December 2002.

Starting with its meeting held in June, the Council's discussion of this item was structured according to new proposals received. Substantive discussions were subsequently held on negotiating proposals relating to specific sectors, as well as on issues such as classification of certain services, small and medium-sized enterprises, and small economies as small suppliers of services.

The Secretariat produced a number of documents related to discussions under this item. As had been originally agreed under the "stock-taking" discussion held in March 2001, the Secretariat continued to update a paper which, while not substituting for the proposals, identifies the main elements they contain. These updates are contained in documents JOB(01)/63/Add. 2 to 4 and JOB(01)/63/Corr.2. As well, responding to a request from Members made at the Council meeting held on 5-6 June, the Secretariat presented an informal note compiling existing offers in Maritime Transport Services.

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.

The Council's deliberations under this item benefited from various submissions by Members, as well as an expert invited by a Member, describing national experiences with services liberalization (China, Norway, Southern Africa, Thailand). In addition, two joint submissions from groups of Members focused on problems encountered by developing economies.

In addition, the Council conducted two informal symposia. Experts from national and international institutions, representatives of trade unions and business associations, Uruguay Round trade negotiators, and government officials were invited to give presentations. The Symposium on Assessment of Trade was held in March, followed by the Symposium on the Movement of Natural Persons in April. The latter event was organized jointly by the WTO Secretariat and the World Bank.

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 figured as a standing item on the agenda of the Special Session in 2002.

Initial proposals on this item were presented in December 2001 and were followed by other proposals submitted at the meeting held in March 2002 by the European Communities (S/CSS/W/133), Hong Kong, China (S/CSS/W/134), and Paraguay (S/CSS/W/140) in addition to a communication from China (JOB(02)/41) and a Secretariat note suggesting possible elements for modalities for the treatment of autonomous liberalization (JOB(02)/23). The Council agreed that, on the basis of the Attachment to the Secretariat note and the extensive substantive written and oral communications made, the Chairman would produce a initial draft of the modalities, contained in JOB(02)/35. At its meetings in June, July, October and December the Council pursued its discussion on this item based on two revised drafts produced by the Chairman and a report by the Chairman focusing on the main substantive and outstanding issues (JOB(02)/75).

Modalities for the Special Treatment for Least-Developed Countries

Article XIX:3 of the GATS mandates that the negotiating guidelines establish modalities for the special treatment for least-developed country Members under the provisions of paragraph 3 of Article IV (Increasing Participation of Developing Countries).

Initial discussion on this item began at the meeting of the Council held in June and continued in a more substantive fashion at the meeting held in July on the basis of a communication from Uganda on behalf of least-developed countries (JOB(02)/30). In order to help structure further debate on this item, the Secretariat was tasked with producing a checklist of the issues raised (JOB(02)/135). Discussion on this item entered a new phase at the meeting of the Council in December with the presentation by Zambia, on behalf of least-developed country Members, of a draft text of the modalities for the special treatment for least-developed countries, contained in JOB(02)/205. Although a few concerns were expressed regarding some of the provisions of the draft, a large number of Members noted that the draft was an important document and a good basis upon which to move the negotiations forward.

Review of Progress in the Negotiations

At its meeting held on 23-25 July, the Council agreed to include this standing item on its agenda as a means to promote transparency, allow the Special Session to fulfil its function

as the body overseeing the negotiations, and provide Members with an opportunity to raise issues of concern that might emerge in the course of their consultations, as well as to communicate their impressions on how the negotiations were proceeding. At its meeting in October substantive discussion was held regarding a communication from Bolivia, Colombia, Cuba, Ecuador, Nicaragua, Peru, and Trinidad and Tobago on the Implementation of Paragraph 15 of the Guidelines and Procedures for the Negotiations on Trade in Services (S/L/93), contained in document TN/S/W/7. The Dominican Republic, Guatemala and Honduras subsequently indicated their wish to co-sponsor this proposal. At the meeting of the Council in December, discussion continued on this proposal as well as on the progress in the negotiations overall.

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 assumed 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 two informal meetings in 2002. Minutes of the formal meetings are found in WTO documents S/WPDR/M/15 to M/19. A formal paper was submitted by China (S/WPDR/W/20). Informal papers were submitted by the Chairperson, Members and the Secretariat.

Members in March 2002 discussed the organization of future work. They were generally of the view that it was time to focus more on the regulatory barriers and issues that service suppliers actually faced as opposed to general concepts and principles. This involved engaging in a review of the measures contained in the informal Secretariat paper *Examples of Measures to be Addressed by Disciplines under GATS Article VI:4*.

Regarding professional services, the Working Party held discussions on the informal Secretariat paper *Synthesis of Results to Date of the Domestic Consultations in Professional Services*. In October 2002, the WPDR agreed on Secretariat consultations with international professional services organizations, as selected by Members, concerning the potential suitability of the *Disciplines on Domestic Regulation in the Accountancy Sector (S/L/64)* for other professions.

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 five formal meetings during the period under consideration. The reports of these meetings are contained in documents S/FIN/M/34-38. The annual report of the Committee to the Council for Trade in Services is contained in document S/FIN/8, dated 4 December 2002. During the year 2002, the Committee continued monitoring the acceptance of the Fifth Protocol to the GATS, which entered into force on 1 March 1999 and that has yet to be accepted by Brazil, Dominican Republic, Jamaica, Philippines, Poland and Uruguay. As part of its work on technical issues, the Committee focused on the classification aspects contained in some negotiating proposals submitted to the Special Session of the Council for Trade in Services, and began to address matters related to the relationship between financial services liberalization and capital flows. As part of its review of recent developments in financial services trade, the Committee discussed the application of transparency to the regulatory process and reviewed developments on e-finance, on the basis of papers and presentations by Members. Also, the Committee invited the International Monetary Fund and the World Bank to make presentations on the Fund's Financial Sector Assessment Programme (FSAP) and the Bank's policy report "Finance for Growth: Policy Choices in a Volatile World", respectively. At its meeting on 21 October 2002, the Committee carried out the first transitional review of the implementation by China of its WTO commitments, pursuant to section 18 of the Protocol on the Accession of the People's Republic of China. The report submitted by the Committee to the Council for Trade in Services on this matter is contained in document S/FIN/7, dated 25 October 2002.

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 five formal meetings. The reports of those meetings are contained in documents *S/CSC/M/22* to *26*. Members addressed technical issues arising from commitments that result from current services negotiations and their relationship with existing commitments. Without prejudice to the ultimate legal relationship between pre-existing and new commitments, Members supported the concept of a single consolidated schedule at the end of the negotiations. It was agreed that offers should be submitted on the basis of draft consolidated schedules, to be prepared by the Secretariat for all Members except those who preferred to undertake the consolidation themselves.

During the reporting period, the Committee discussed new classification proposals regarding Legal Services, Postal and Courier Services, and Computer and related Services. The Annual Report of the Committee on Specific Commitments to the Council for Trade in Services is contained in document *S/CSC/7* of 6 December 2002.

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 2002, it held five formal meetings during which these three topics were discussed (*S/WPGR/M/36* to *40*). Different views continued to be expressed regarding the desirability and feasibility of an emergency safeguard mechanism in services, and various approaches were discussed. In March 2002, Members decided to extend the negotiating deadline for emergency safeguard measures until 15 March 2004. On government procurement, discussions focused on possible multilateral disciplines, as well as the scope of the negotiating mandate. The Working Party also considered the need for, and possible scope of disciplines on, subsidies which may have trade-distortive effects. On 22 July 2002, the Working Party adopted work programmes to organize its work under each of the three agenda items (*S/WPGR/7*). The annual report of the Working Party on GATS Rules to the Council for Trade in Services is contained in document *S/C/16* (9 December 2002).

Market access for non-agricultural products (Paragraph 16)

"16. We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a priori exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations."

During the first part of the year, the Negotiating Group on Market Access struggled with questions of procedure, which were finally resolved on 19 July 2002 with the adoption of its "Programme of Meetings for the Negotiations on Market Access on Non-Agricultural Products" (*TN/MA/3*). Two target dates are provided for in this Programme. The first is 31 December 2002 for the submission of proposals on modalities for the market access negotiations and the second one is 31 May 2003 for agreement on those modalities. The Group held its first substantive meeting on 2 August 2002, and has since then held three meetings in October, November and December 2002, respectively. A number of participants have sent in communications regarding their views on the negotiations as well as in some cases proposals on modalities in order to meet the first target date of 31 December 2002. In addition, participants at the request of the Chairman agreed to notify non-tariff barriers (NTBs) that their exporters are facing when exporting to various markets. The deadline for the submission of such notifications is 31 January 2003. The Group has also been looking at the question of trade and tariff data required for the negotiations, and has been examining ways in which gaps currently existing in the WTO trade and tariff database (Integrated Data Base) may be filled. In this connection, a letter was sent by the Chairman urging participants to make the necessary submission of trade and tariff data to the database and/or give authorization to the Secretariat to source data from other databases. The deadline for the submission of such authorization is 31 January 2003. The Group also noted the broad support in the Committee on Trade and Environment in Special Session for the idea that negotiations on environmental goods, as foreseen in paragraph 31(iii) of the Doha Declaration, be conducted in the Group. The Group will continue its work in early 2003 on

the basis of the various submissions, the notifications on NTBs and a paper which provides an overview of the various proposed modalities with a view to reaching agreement on such modalities by 31 May 2003.

Trade-related aspects of intellectual property rights (Paragraphs 17-19)

“17. We stress the importance we attach to implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines and, in this connection, are adopting a separate Declaration.

18. With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, we agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note 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 this Declaration.

19. We 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, 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 negotiations relating to the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits (“multilateral system”) are mandated by Article 23.4 of the TRIPS Agreement and the first sentence of paragraph 18 of the Doha Ministerial Declaration, which calls for the completion of this work by the Fifth Session of the Ministerial Conference. As decided by the TNC at its meeting of 1 February 2002, these negotiations have taken place in Special Sessions of the Council for TRIPS.

At the first meeting of the Special Session, the Chair noted that there seemed to be a general understanding to organize the work along his suggestions that provided for the work to proceed in two phases: after a first phase of discussions of oral or written proposals, there would be a final negotiating phase, which would be based on a common negotiating basis to be presented by participants and, if that were not the case, by the Chair on his own responsibility and without prejudice to participants’ positions and to the outcome of the negotiations. Pursuant to this “roadmap”, work in 2002 was organized on the basis of the following list of points and issues for discussion: definition of the term “geographical indications” and eligibility of geographical indications for inclusion in the system; the purpose of the notification and registration system; what is meant by a “system of notification and registration”; and participation. As requested by the Special Session, the Secretariat has prepared a factual compilation of the points made in the course of this discussion (TN/IP/W/7).

Relationship between trade and investment (Paragraphs 20-22)

“20. Recognizing the case for a multilateral framework to secure transparent, stable and predictable conditions for long-term cross-border investment, particularly foreign direct investment, that will contribute to the expansion of trade, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 21, 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.

21. 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.

22. In the period until the Fifth Session, further work in the Working Group on the Relationship Between Trade and Investment will focus on the clarification of: scope and definition; transparency; non-discrimination; modalities for pre-establishment commitments

based on a GATS-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; consultation and the settlement of disputes between Members. Any framework should reflect in a balanced manner the interests of home and host countries, and take due account of the development policies and objectives of host governments as well as their right to regulate in the public interest. The special development, trade and financial needs of developing and least-developed countries should be taken into account as an integral part of any framework, which should enable Members to undertake obligations and commitments commensurate with their individual needs and circumstances. Due regard should be paid to other relevant WTO provisions. Account should be taken, as appropriate, of existing bilateral and regional arrangements on investment.”

In 2002, the Working Group on the Relationship between Trade and Investment focused on the clarification of core issues related to a possible multilateral framework on investment, pursuant to Paragraph 22 of the Doha Ministerial Declaration. The issues are: scope and definition; transparency; non-discrimination; modalities for pre-establishment commitments, based on a GATS-type positive list approach; development provisions; exceptions and balance-of-payments safeguards; and consultation and dispute settlement among Members. The Working Group also took up the issues of foreign direct investment (FDI) and the transfer of technology, and investors and home governments' obligations, on the basis of submissions by some Members. The Working Group also monitored the extensive programme of technical assistance activities carried out in this area by the WTO Secretariat, in close cooperation with the UNCTAD Secretariat, pursuant to Paragraph 21 of the Doha Ministerial Declaration.

During 2002, the Committee on Trade-Related Investment Measures conducted work on a number of outstanding implementation-issues pertaining to the TRIMs Agreement, which were referred to it by the Council for Trade in Goods. The Committee's final report to the Council for Trade in Goods in respect of these issues is contained in document G/L/588.

Interaction between trade and competition policy (Paragraphs 23-25)

“23. 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.

24. 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.

25. 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.”

In 2002, the Working Group on the Interaction between Trade and Competition Policy, which was established at the Singapore Ministerial Conference and is chaired by Professor Frédéric Jenny of France, continued its work in response to the direction provided by paragraph 25 of the Doha Ministerial Declaration. Paragraph 25 provides that “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 hard core 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.”

Four meetings were held during the year. Specific elements of paragraph 25 received focused attention at three substantive meetings in 2002, as set out below:

First meeting (23-24 April): support for progressive reinforcement of competition institutions in developing countries through capacity-building.

Second meeting (1-2 July): provisions on hard core cartels and modalities for voluntary cooperation.

Third meeting (26-27 September): core principles, including transparency, non-discrimination and procedural fairness.

A fourth meeting was held on 20 November 2002, principally for the purpose of reviewing and adopting the Working Group's Report (2002) to the General Council. This document, entitled Report (2002) of the Working Group on the Interaction between Trade and Competition Policy to the General Council (document WT/WGTCP/6), is available on the WTO website (www.wto.org), under the symbol "wgtcp".

In addition to the elements set out in paragraph 25, the Working Group had a focus, at each of its substantive meetings in 2002, on technical assistance as called for by paragraph 24 of the Doha Ministerial Declaration. Under this item, the Working Group had an opportunity to monitor progress on activities such as workshops and seminars held in this area, whether organized by the WTO Secretariat, other intergovernmental organizations and/or by Members acting through bilateral and regional channels, and to take note of any specific needs expressed by Members.

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 2002, there had been a total of 221 formal contributions to the Group. Almost all of these are available on the WTO website. As called for by relevant provisions of the Singapore and Doha Declarations, the Working Group has benefited from extensive cooperation with other appropriate intergovernmental organizations. In 2002, representatives of UNCTAD and the OECD contributed actively to the work of the Group. As a further aspect of cooperation, representatives of the Secretariats of UNCTAD, the OECD and the World Bank participated on various occasions in regional and national workshops on trade and competition policy organized by the Secretariat during the year in various parts of the developing world.

Transparency in government procurement (Paragraph 26)

"26. 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."

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 2002, the Group held three meetings (on 29 May, 10-11 October and 29 November 2002). At the May and October meetings, the Working Group reverted to the discussion of the issues under the agenda item "transparency-related provisions of the existing international instruments on government procurement and national procedures and practices". The principal focus of discussion at the May meeting were sub-items I to V, namely definition and scope of government procurement; publication of information on national legislation and procedures; information on procurement opportunities, tendering and qualification procedures; time-periods. When the Group resumed its discussion of the issues under the same agenda item at the October meeting, the principal focus of discussion were sub-items VI to XII, namely transparency of decisions on qualification; transparency of decisions on contract awards; domestic review procedures; other matters related to transparency; information to be provided to other governments (notification); WTO dispute settlement procedures; and technical cooperation and special and differential treatment for developing countries. In addition to the notes by the Secretariat summarizing the work of the Working Group on the items under discussion (WT/WGTGP/W/32 and 33), submissions were made by Australia on procurement methods and on the transparency of decisions on qualifications and by Canada on transparency of contract awards. At the October meeting, the Group also addressed two communications submitted by the United States which contained, respectively, a proposal for a work plan to build on the progress of work in the Working Group and a note on capacity-building considerations relating to transparency in government procurement; and a communication by Japan on its views on transparency in government procurement. At the November meeting, the Group adopted its Annual report to the General Council (WT/WGTGP/6).

The other substantive agenda item at the May and October meetings related to technical assistance and capacity-building pursuant to paragraph 26 of the Doha Declaration under which the Group heard oral reports by the Secretariat on the status of work in this respect.

Trade facilitation (Paragraph 27)

"27. Recognizing the case for further expediting the movement, release and clearance of goods, including goods in transit, 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. In the period until the Fifth Session, the Council for Trade in Goods shall review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of Members, in particular developing and least-developed countries. We commit ourselves to ensuring adequate technical assistance and support for capacity building in this area."

Members agreed on a work programme for 2002 at a formal Council for Trade in Goods meeting on 22 March. In accordance with this work programme, the Goods Council met four times in formal session in May (23-24), July (22-23), October (1-2) and December (6) to address the following three core agenda items: (i) GATT Articles V, VIII and X, with each meeting focusing on one particular article; (ii) as a standing item, trade facilitation needs and priorities of Members, particularly of developing and least-developed countries; (iii) technical assistance and capacity-building, which was a standing item as well. The December session provided a forum for an overall discussion of items (i) - (iii) and also served to discuss the organization of future work.

In the course of these meetings, Members discussed proposals⁷ by several delegations on how to possibly improve and clarify GATT Articles V, VIII and X, outlined some of their trade facilitation needs and priorities and were briefed on various trade facilitation-related technical assistance and capacity building activities undertaken by donor Members, the WTO and other international organizations. The wrap-up meeting in December reviewed the previous discussions and saw Members agreement on how to organize work in the first half of 2003, with delegations deciding to hold sessions in March and June, with the option of holding a third meeting at the end of July if necessary.

WTO rules (Paragraphs 28 and 29)

"28. In the light of experience and of the increasing application of these instruments by Members, we agree to negotiations aimed at clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these Agreements and their 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. We note that fisheries subsidies are also referred to in paragraph 31.

29. We also agree to negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements. The negotiations shall take into account the developmental aspects of regional trade agreements."

The Negotiating Group on Rules held a formal meeting relating to organizational issues in March 2002. At that meeting, the Chairman indicated his assumption that the Group would proceed on the basis of written proposals. With respect to the organization of discussions, he stated his intention to group proposals and submissions on the basis of topics, under the broad headings of Anti-Dumping, Subsidies/Countervailing Measures and Regional Trade Agreements, taking into account overlapping issues under more than one of these headings. While proposals relating to fisheries subsidies would be grouped together under the Subsidies/Countervailing Measures heading, this approach was purely practical, was without prejudice to the priority of any issue, and was strictly neutral with respect to any policy outcomes or the future organization of the Group's work.

The Group held four further formal meetings during the course of the year 2002, on 6-8 May, 8-10 July, 16-18 October and 25-27 November. Because of the distinct nature of the subject-matter and of the delegations responsible, a separate day of each meeting was set aside for the issue of Regional Trade Agreements. The Group received 42 written proposals and other submissions from participants during the course of 2002. Unless otherwise requested by the participant(s) submitting a paper – an eventuality that did not

⁷ For an overview of all proposals by delegations in the discussion on trade facilitation, see document *"Review, clarification and improvement of GATT Articles V, VIII and X – Proposals made by Delegations"* (G/C/W/434).

arise during 2002 – papers submitted to the Group are circulated as unrestricted documents in the TN/RL/W... series.

With respect to Anti-Dumping and Subsidies/Countervailing Measures, including Fisheries Subsidies, paragraph 28 provides that “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”, and the work of the Group during 2002 focused on this process of issue identification. In his report to the TNC in December 2002, the Chairman indicated that, while the Group had made significant progress in identifying the range of issues to be discussed, it had much work to do before the Ministerial Conference in Cancún. Among the paragraph 28 issues, he indicated that the Group was furthest along in identifying issues for negotiation on Anti-Dumping. With respect to Subsidies and Countervailing Measures, the number of submissions was still relatively small, those submissions that had been received were not always precise, and various delegations that could be expected to make submissions had not yet done so. Participants were urged to identify any issues as soon and as precisely as possible.

The Group has substantively progressed in its work on regional trade agreements (RTAs). The fact that controversial issues related to RTAs had already been extensively debated in the Committee on Regional Trade Agreements (CRTA) facilitated the issue-identification phase of the negotiations, which is now virtually completed.⁸ Supported by a number of submissions, participants were quickly able to distinguish, as a working hypothesis, those issues that were more “procedural” in nature from those that had a higher “systemic” or “legal” content. Procedural issues, in particular “RTAs transparency”, were identified as priorities for the negotiations, as well as a few “systemic” issues.⁹ As from October 2002, the Group has addressed a number of elements involved in “RTAs transparency” issues in open-ended informal meetings. Informal discussions have been organized along four main headings: the obligation to notify RTAs; the timing of such notification; the nature and content of information to be supplied on each individual RTA; and the WTO body that should consider Members’ RTA notifications. The question of the retroactive application of any new WTO rules relating to RTAs, which emerged at the beginning of the negotiations, has been provisionally put aside.

Dispute Settlement Understanding (Paragraph 30)

“30. We agree to negotiations on improvements and clarifications of the Dispute Settlement Understanding. The negotiations should be based on the work done thus far as well as any additional proposals by Members, and aim to agree on improvements and clarifications not later than May 2003, at which time we will take steps to ensure that the results enter into force as soon as possible thereafter.”

Under paragraph 47 of the Doha Declaration, these negotiations are not to be treated as part of a single undertaking, the negotiations are conducted in a Special Session of the Dispute Settlement Body.

The first phase of the work of the Special Session in the year 2002 was conducted under a “two-track” approach. Track 1 consisted of a general discussion allowing participants to express their priorities and discuss the objectives of the negotiations. In parallel, specific negotiating proposals were invited, and were discussed under Track 2. The work of the Special Session gradually shifted towards greater emphasis on the discussion of proposals under Track 2.

The summer break (end of July) was identified as the target date for the submission of negotiating proposals, and from September until the end of the year, the specific proposals were explored in more detail, on an issue-by-issue basis. By the end of 2002, 19 proposals had been submitted¹⁰. These proposals cover a very broad range of issues relating to virtually all phases of the dispute settlement process, including special and differential treatment for developing countries.

At the end of the year, after an initial discussion of all negotiating issues put forward had been completed, the Chairman invited participants to submit specific drafting proposals. These would allow the work of the Special Session to proceed in a focused manner in the first months of 2003, on the basis of specific text, with the objective of reaching agreement on improvements and clarifications to the Dispute Settlement Understanding by May 2003, as mandated by Ministers.¹¹

Trade and environment (Paragraphs 31-33)

31. With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on:

- (i) the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs). The negotiations shall be limited in*

⁸ The Secretariat was requested to submit a background note summarizing the discussions held in the CRTA. The note was circulated as document TN/RL/W/8/Rev.1 (*Compendium of Issues Related to Regional Trade Agreements*), on 1 August 2002.

⁹ Among the latter are the meaning of “substantially all trade” and “other (restrictive) regulations of commerce”; preferential rules of origin; and developmental aspects of RTAs.

¹⁰ These proposals are circulated in the document series TN/DS/W/... These proposals were submitted by the following Members or groups of Members: Australia, Chile, Chinese Taipei, Costa Rica, Cuba, Ecuador, the European Communities, Honduras, India, Jamaica, Japan, Korea Rep. of, Malaysia, Mexico, Pakistan, Paraguay, the Philippines, Sri Lanka, Tanzania, Thailand, the United States and Zimbabwe; the African Group and the LDC Group.

¹¹ The Chairman’s periodic reports to the TNC for 2002 can be found in documents TN/DS/1 to TN/DS/4.

scope to the applicability of such existing WTO rules as among parties to the MEA in question. The negotiations shall not prejudice the WTO rights of any Member that is not a party to the MEA in question;

- (ii) procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status;*
- (iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.*

We note that fisheries subsidies form part of the negotiations provided for in paragraph 28.

32. We instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

- (i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;*
- (ii) the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights; 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) 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.

33. We recognize the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them. We also encourage that expertise and experience be shared with Members wishing to perform environmental reviews at the national level. A report shall be prepared on these activities for the Fifth Session.

The Committee on Trade and Environment's work programme spans over a broad range of issues, including goods, services, and intellectual property rights.¹² Its origins and the terms of reference can be found in Marrakesh Ministerial Decision on Trade and Environment of April 1994.

The mandate of the CTE is twofold:

- "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".*

Since the Doha Ministerial Session, in November 2001, work has split into two separate tracks: (i) the negotiating track (Paragraph 31¹³) conducted in the CTE Special Session (CTESS), and, (ii) the regular work of the CTE (Paragraphs 32 and 33), conducted under the CTE Regular.

The full list of documents that have been circulated in both the CTE Regular and the CTESS since January 1995 (including 2002) is contained in document WT/CTE/INF/5/Rev.1, available on the WTO website.

Negotiations (CTESS)

The discussions of the CTESS, spanning over four meetings, were guided by paragraph 31 of the Doha Ministerial Declaration. The last of these meetings was an information session held with the participation of multilateral environmental agreements (MEAs). In paragraph 31 Members agreed, with a view to enhancing the mutual supportiveness of trade and environment, to negotiations, without prejudging their outcome, on three specific areas. The first area is about the relationship between existing WTO rules and specific trade obligations set out in MEAs. These negotiations are limited in scope to the applicability of such existing WTO rules as among parties to the MEA in question. Also, the negotiations are not to prejudice the WTO rights of any Member that is not a party to the MEA in question, nor should they add or diminish the rights and obligations of Members under existing WTO agreements.

The second area is about procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, as well as criteria for the granting of observer status. The third area of negotiations is about the reduction, or, as appropriate, elimination of

¹² The 10 items of the CTE work programme are listed on the WTO website.

¹³ Paragraph numbers refer to the Doha Ministerial Declaration unless otherwise stated.

tariff and non-tariff barriers to environmental goods and services. During 2002, proposals were submitted in all three areas (see below).

Paragraph 31(i) – WTO rules and “specific trade obligations” in MEAs

European Communities	21 March 2002	TN/TE/W/1
Argentina	23 May 2002	TN/TE/W/2
Switzerland	6 June 2002	TN/TE/W/4
Australia	7 June 2002	TN/TE/W/7
Saudi Arabia	23 September 2002	TN/TE/W/9
Japan	3 October 2002	TN/TE/W/10
Chinese Taipei	3 October 2002	TN/TE/W/11
New Zealand	3 October 2002	TN/TE/W/12
Korea, Rep. of	8 October 2002	TN/TE/W/13
Switzerland	6 November 2002	TN/TE/W/16

Paragraph 31(ii) – Information exchange and criteria for observer status

United States	6 June 2002	TN/TE/W/5
European Communities	17 October 2002	TN/TE/W/15

Paragraph 31(iii) – Environmental goods and services

New Zealand	6 June 2002	TN/TE/W/6
United States	9 July 2002	TN/TE/W/8
Qatar	9 October 2002	TN/TE/W/14
Japan	20 November 2002	TN/TE/W/17 + Corr.1

A long-standing issue in the CTE prior to the Doha Ministerial Conference, has been fish subsidies. In the Doha Declaration, the issue is referred to the Negotiating Group on Rules in the context of negotiations on the Agreement on Subsidies and Countervailing Measures (paragraph 28). Hence the substantive discussion on fish subsidies has largely moved away from the CTE.

Regular Work (CTE Regular)

Following the Doha Ministerial Declaration, the CTE restructured its work so as to better reflect the mandate therein. The Declaration instructs the CTE, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to the following issues:

- 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;
- the relevant provisions of the agreement on TRIPS; and
- labelling requirements for environmental purposes.

During the three meetings held in 2002, each of these items was discussed in turn.

The Doha mandate further instructs the Committee to identify any need to clarify relevant WTO rules and report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations.

Members also discussed technical assistance and capacity building pursuant to Paragraph 33. The Doha Declaration recognizes the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the LDCs. In 2002, as part of continued technical assistance in the trade and environment area, the Secretariat organized, in cooperation with the UNEP, UNCTAD, as well as a number of MEAs, seven regional seminars on trade and environment for government officials from developing and least-developed countries. These were held in St. Lucia, Bogotá, Singapore, Windhoek, Riga, Tunis and Suva. The objective of these 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, transition and least-developed WTO Member (and acceding) governments. Paragraph 33 also encourages the sharing of expertise and experience on national environmental reviews. The CTE will report on this work to the 5th Ministerial Conference, in Cancún.

Regarding sustainable development (paragraph 51), Ministers agreed in Doha that the CTE and the CTD 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. In 2002, Members began to discuss how to approach part of this mandate.

Electronic commerce (Paragraph 34)

"34. We take note of the work which has been done in the General Council and other relevant bodies since the Ministerial Declaration of 20 May 1998 and agree to continue the Work Programme on Electronic Commerce. The work to date demonstrates that electronic commerce creates new challenges and opportunities for trade for Members at all stages of development, and we recognize the importance of creating and maintaining an environment which is favourable to the future development of electronic commerce. We instruct the General Council to consider the most appropriate institutional arrangements for handling the Work Programme, and to report on further progress to the Fifth Session of the Ministerial Conference. We declare that Members will maintain their current practice of not imposing customs duties on electronic transmissions until the Fifth Session."

At the Doha Ministerial Conference, Ministers agreed to continue the Work Programme on Electronic Commerce, and instructed the General Council to consider the most appropriate institutional arrangements for handling the Work Programme and to report on further progress to the Fifth Session of the Ministerial Conference. In pursuance of this mandate, the General Council, in December 2001, agreed that a further dedicated discussion on cross-cutting issues would be held under the auspices of the General Council early in 2002, that its Chairman would conduct informal consultations on the most appropriate institutional arrangements for handling the Work Programme, and that the General Council would continue to oversee progress made in the four subsidiary bodies involved in e-commerce, i.e. the sectoral Councils and the CTD, and would keep future work under periodic review, as appropriate.

Regarding institutional arrangements for handling the Work Programme, in October 2002 the General Council agreed to maintain, for the duration of the work until the Fifth Ministerial Conference, the current institutional arrangements, namely, that the Councils for Trade in Services, Trade in Goods and TRIPS, and the CTD would examine and report on aspects of electronic commerce relevant to their respective areas of competence, and that the General Council would play a central role in the entire process, would keep the Work Programme under continuous review and would consider any trade-related issue of a cross-cutting nature.

The second dedicated discussion on cross-cutting issues, held in May 2002, was mainly devoted to the classification issue which many Members felt was key to addressing other e-commerce issues. There were very different views on how this issue might be resolved, indicating the need for further discussion. Prior to the second dedicated discussion, a seminar on the revenue implications of e-commerce was held in April 2002 under the auspices of the CTD. This provided for an exchange of information between country and private-sector representatives, and was a valuable input to the work under the Work Programme.

The third dedicated discussion, held in October 2002, had a narrowed agenda in line with Members' decision at the July 2002 General Council to focus the debate, and included only two items: "classification" issues and fiscal and other revenue-related issues. While the classification issue – i.e. whether a product that can be traded electronically should be considered a good and subject to the disciplines of the GATT, or a service and subject to the disciplines of the GATS – continued to elicit a wide range of views, there was broad agreement that what was at issue was a very narrow range of products that could be traded either physically or electronically. Thus, a large part of the discussion centered on the treatment of software, and indicated very different views on how this issue might be resolved. On fiscal implications of e-commerce, it was suggested that the focus – which was typically on the imposition of customs duties on electronic transmissions – should instead be on how liberalizing key services sectors could help improve overall economic efficiencies.

The fourth dedicated discussion, held in February 2003, continued to examine the classification and, particularly, fiscal implications issues, and also heard a proposal regarding general objectives in the area of e-commerce.

Small economies (Paragraph 35)

"35. We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference."

Following the Doha Ministerial Declaration, the General Council instructed the CTD to carry out a programme of work on small economies which should be conducted in dedicated sessions of the CTD (WT/L/447). Three such Dedicated Sessions of the CTD to Small

Economies were held in 2002. The reports of those meetings are contained in documents WT/COMTD/SE/M/1, WT/COMTD/SE/M/2, and WT/COMTD/SE/M/3. The 1st and 3rd Dedicated Sessions were scheduled to coincide with the “Geneva Week” for WTO Members and Observers without permanent missions in Geneva to enable the participation of non-resident Members in the meetings.

At its 1st Dedicated Session the delegations of Barbados, Belize, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji, Guatemala, Haiti, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, Sri Lanka, Trinidad and Tobago submitted a document which identified the trade-related issues of particular concern to small economies (WT/COMTD/SE/W/1). The authors were requested to take the comments made on their document into account and develop a “road-map” to be presented at the second dedicated session.

Two submissions were made to the 2nd Dedicated Session. The first submission was made by the delegation of Macao, China (WT/COMTD/SE/W/2) and addressed the structural impediments of small economies and the nature of their economic vulnerabilities. The second submission was made by the delegations of Barbados, Belize, Bolivia, Dominican Republic, Guatemala, Honduras, Mauritius, and Sri Lanka (WT/COMTD/SE/W/3). At the meeting, the delegations of Cuba, El Salvador, Fiji, Nicaragua and Paraguay added their delegations to the list of Members co-sponsoring the paper. The paper contained proposals for changes to some existing agreements.

At informal consultations held on 10 September 2002, Members referred to a paper prepared by the Secretariat entitled “Small Economies: A Literature Review” (WT/COMTD/SE/W/4). It contained an overview of how the issue of smallness has been dealt with in the economic literature. Members suggested that further analysis be made with respect to points they had raised during the discussion on the Secretariat document. Members welcomed a suggestion by the Chairman that the Secretariat identify WTO provisions that related particularly to small economies.

At the 3rd Dedicated Session a group of small economies presented a document (WT/COMTD/SE/W/7) containing responses to a number of questions posed by the delegation of the United States regarding previous proposals made by a group of small economies. These Secretariat documents were before that meeting. The first contained the literature review previously discussed in informal consultations. The second was a more analytical document entitled “Trade and Economic Performance – The role of economic size?” (WT/COMTD/SE/W/5), which aimed to provide Members with an in-depth analysis of the variables of relevance to small economies in the multilateral trading system. The third document (WT/COMTD/SE/W/6) contained a list of provisions which could be of particular relevance to small economies (WT/COMTD/SE/W/4, WT/COMTD/SE/W/5, WT/COMTD/SE/W/6).

The document containing the framework and procedures for the conduct of the work programme on small economies also instructed the CTD to report regularly to the General Council on the progress of that work. Reports on the progress made in the Dedicated Sessions of the CTD were given to the meetings of the General Council held on 13-14 May 2002, 31 July 2002, and 15 October 2002 (WT/GC/M/74, WT/GC/M/75, and WT/GC/M/76 respectively).

Trade, debt and finance (Paragraph 36)

“36. We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade, debt and finance, and of any possible recommendations on steps that might be taken within the mandate and competence of the WTO to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.”

The mandate reflects concern of Members about the effects on trade and the trading system of a variety of international financial problems, most importantly unstable capital flows, the threat of recurring financial crises, and unsustainable foreign indebtedness.

The work programme for 2002 was largely analytical and aimed primarily at examining the links between trade, indebtedness, and financial instability. Four meetings were held during the year, focusing on trade-finance and trade-debt linkages, and on the topic of “Coherence” in global economic policy-making.

In the Working Group on Trade Debt and Finance in 2002, the IMF, UNCTAD, the OECD, the World Bank, the Asian Development Bank, UNECLAC and UNECA provided a number of written and oral submissions. Cooperation with other intergovernmental organizations is

essential, since to the extent agreement can be reached on solutions to problems in this area, they are likely to involve action beyond the mandate and competence of the WTO.

Trade and transfer of technology (Paragraph 37)

"37. We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination."

The Working Group on Trade and Transfer of Technology (WGTTT) held four formal sessions in 2002. The reports of these meetings are contained in documents WT/WGTTT/M/1 - WT/WGTTT/M/4.

Observer status in the WGTTT was granted to the two organizations that requested such status: the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO). Observer status was also granted to the IMF and the World Bank pursuant to the cooperation agreements with the World Bank and the IMF concluded in November 1996 (WT/L/195).

The work undertaken by the WGTTT in 2002 included presentations on trade and transfer of technology by intergovernmental organizations and academia; presentations on country experiences relating to trade and transfer of technology; consideration of submissions by Members and background papers prepared by the Secretariat; information on work being done in other WTO Bodies on trade and transfer of technology; and discussions on the way forward.

At three of the formal meetings presentations were made by other intergovernmental organizations. Introductions to the subject of trade and transfer of technology was given by representatives from UNCTAD and the Institute for New Technologies of the United Nations University (UNU/INTECH). They explained the work carried out by their respective organizations in the area of trade and transfer of technology. At a subsequent meeting a presentation was made by a representative of the Industrial Promotion and Technology Branch of UNIDO. He outlined work that UNIDO had been doing to facilitate transfer of technology and explained the services offered by UNIDO's International Technology Centres and Investment and Technology Promotion Offices. A representative of the World Bank made a presentation of their work in the field of trade and transfer of technology.

Members also presented their country experiences. A representative of Brazil highlighted some of the key issues that his Government had addressed in trying to promote the acquisition and diffusion of technology in Brazil. A representative of China mentioned issues such as foreign direct investment flows and intellectual property rights regimes. A representative of Canada made a presentation explaining the function and operation of the Industrial Research Development Program and other Canadian technology development models and programmes.

At the request of Members, the WTO Secretariat produced background papers on trade and transfer of technology. The first background paper was entitled "Trade and Transfer of Technology" (WT/WGTTT/W/1), attached to it was a bibliography of reference materials on the subject of trade and technology transfer (WT/WGTTT/W/1/Add.1). The second background paper prepared by the Secretariat, "A Taxonomy of Country Experiences on International Technology Transfers" contained case studies relating to the relationship of trade and transfer of technology and illustrated some governmental policies which had facilitated the transfer of technology.

Several submissions were made to the Working Group throughout the year. Those included a joint submission made by the delegations of Bangladesh, Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Jamaica, Kenya, Mauritius, Pakistan, Sri Lanka, Tanzania, Uganda, and Zimbabwe (WT/WGTTT/M/2) regarding the objectives and possible terms of reference for the WGTTT. The submission stressed that the terms of reference of the WGTTT should reflect the emphasis in the Doha Ministerial Declaration on the relationship between trade and transfer of technology and possible steps that might be taken, within the mandate of the WTO, to increase flows of technology to developing countries, with a view to ensuring that the latter participate in, and implement more adequately, international trade disciplines established in the context of the WTO.

A subsequent submission was made by the delegation of the European Communities (WT/WGTTT/1). That submission stated that, in its examination of the relationship between trade and transfer of technology, the WGTTT needed to focus on (1) developing a common understanding of the definition of technology transfer; (2) an identification of the various channels of transfer of technology; and (3) the conditions under which those channels could be most effective.

A joint communication was introduced by the delegations of Cuba, Egypt, Honduras, India, Indonesia, Jamaica, Kenya, Mauritius, Pakistan and Zimbabwe on "Provisions Relating

to Transfer of Technology in WTO Agreements” (WT/WGTTT/3/Rev.1) The delegation of Zambia later associated itself as a sponsor of the submission. The introduction to the paper stated that, as a first step in fulfilling the WGTTT’s mandate, it would be important to examine the extent to which the existing WTO provisions relating to technology transfer had been effectively implemented, the difficulties experienced in utilizing those provisions, and then to come up with concrete proposals in the context of the Doha Ministerial mandate. The delegation of Canada also introduced a submission on “Technology Transfer – the Canadian Experience” (WT/WGTTT/2). That submission provided an overview of factors that Canada had identified as crucial to the development and growth of Canada’s technology transfer system and looked at technology transfer within the context of Canada’s new innovation strategy.

A request was made by the Chairman of the WGTTT to other WTO bodies for information regarding any work that they might have undertaken or that they planned to undertake in relation to trade and transfer of technology. When considering the responses it was clear that, of the 22 responses received, only 6 bodies indicated that some work had been undertaken with respect to trade and transfer of technology, or that the issue had been touched upon during the discussions held in those bodies. At the final formal meeting of 2002, held on 28 November, Members adopted the Work Programme for 2003.

Technical cooperation and capacity building (Paragraphs 38-41)

“38. We confirm that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system, and we welcome and endorse the New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration. We instruct the Secretariat, in coordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance shall be 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, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to Members and Observers without representation in Geneva. We reaffirm our support for the valuable work of the International Trade Centre, which should be enhanced.

39. We underscore the urgent necessity for the effective coordinated delivery of technical assistance with bilateral donors, in the OECD Development Assistance Committee and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable. In the coordinated delivery of technical assistance, we instruct the Director-General to consult with the relevant agencies, bilateral donors and beneficiaries, to identify ways of enhancing and rationalizing the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries and the Joint Integrated Technical Assistance Programme (JITAP).

40. We agree that there is a need for technical assistance to benefit from secure and predictable funding. We therefore instruct the Committee on Budget, Finance and Administration to develop a plan for adoption by the General Council in December 2001 that will ensure long-term funding for WTO technical assistance at an overall level no lower than that of the current year and commensurate with the activities outlined above.

41. We have established firm commitments on technical cooperation and capacity building in various paragraphs in this Ministerial Declaration. We reaffirm these specific commitments contained in paragraphs 16, 21, 24, 26, 27, 33, 38-40, 42 and 43, and also reaffirm the understanding in paragraph 2 on the important role of sustainably financed technical assistance and capacity-building programmes. We instruct the Director-General to report to the Fifth Session of the Ministerial Conference, with an interim report to the General Council in December 2002 on the implementation and adequacy of these commitments in the identified paragraphs.”

At the 4th WTO Ministerial Conference in Doha, Qatar, WTO Members undertook a number of commitments in technical cooperation and capacity building. Ministers agreed that technical cooperation and capacity building were core elements of the development dimension of the multilateral trading system and, consequently, integral to the Doha Development Agenda. These commitments involved an explicit distribution of responsibilities encompassing not only the WTO Secretariat, but also bilateral donors and relevant multilateral and regional institutions. In early 2002, a strategic response was defined, comprising, *inter alia*, the following elements:

(i) **The Joint Integrated Technical Assistance Programme (JITAP).** Concrete and practical benefits on human and institutional capacity building have been delivered by this Programme. At the end of 2002, it was decided to extend it to a further eight countries. As a

result, a total of 16 African countries are now beneficiaries under JITAP, namely Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Kenya, Malawi, Mali, Mauritania, Mozambique, Seychelles, Tanzania, Tunisia, Uganda, and Zambia.

(ii) **The Integrated Framework (IF).** The IF has emerged as the principal mechanism for integrating trade priorities into national development plans/poverty reduction strategy papers, to help make trade an engine for economic growth. It is also important as a mechanism to assist in the coordinated delivery of trade-related technical assistance. Ministers have endorsed the IF as a viable model for LDCs' trade development. The Pilot Phase began in three LDCs and has since been extended to another 11 LDCs. While still in its early stages in most of those countries, satisfactory progress in the implementation of the IF process was made in most of the 14 countries.

(iii) **Regional Development Banks (RDBs).** Two meetings with six major RDBs were organized in 2002. In the first meeting in May, the foundations of a closer collaboration between the WTO and the RDBs were established. The second meeting, in October, defined concrete modalities, including the provision of matching financial resources and intellectual expertise in the implementation of agreed joint activities. At the second meeting, the establishment of "trade facilities" along the lines of the one existing at the Inter-American Development Bank was also positively considered.

(iv) **UN Regional Economic Commissions (RECs).** A first meeting was held with the RECs on the same date as the RDB meeting. As a result, RECs are now more engaged with the WTO Secretariat in the delivery of joint activities, principally based on training for systematic, cumulative and sustainable capacity building for trade negotiators and trade policy specialists.

(v) **The Development Assistance Committee of the OECD.** The WTO and the OECD/DAC have developed in 2002 a web-based Trade Capacity Building Data Base, which is available for consultation by any interested party at the following internet address: <http://tcbdb.wto.org>. Based on detailed information reported by technical assistance providers, the WTO and the OECD have, in November 2002, produced the First Joint Report on trade capacity building activities pursuant to the DDA. This report shows, in volume and value terms, projects and activities being delivered in response to the Doha mandates by technical assistance providers (countries as well as multilateral and regional institutions). Moreover, to ensure coordination in the delivery of trade capacity building and improve complementarity between the trade and development communities, the OECD/DAC and the Integrated Framework Working Group Agencies (IFWG) started to meet jointly in 2002 on a regular basis. They have met twice in 2002, and will continue to meet periodically. The purpose of these meetings is for the trade and development communities, *inter alia*, to purposefully work together to support the mainstreaming of trade into development plans and strategies for poverty reduction, and to ensure that trade capacity building (agreed by the international community) are funded mandates, through an appropriate allocation of resources.

(vi) **Collaboration with other IGOs.** In 2002 the WTO Secretariat has established a few Memoranda of Understanding and is re-formulating pre-existing ones to render them DDA-relevant. New ones are under negotiation and completion such as with UNCTAD, the ACP, etc.

(vii) **WTO Annual TA Plans.** In addition to leading the implementation of TC/CB commitments in the DDA, as above, the Secretariat has focused on the implementation of the First Annual TA Plan, authorized by the membership on 6 March 2002. In this context, it should be noted that 2002 has been the year when the WTO has undertaken the largest number of TA activities ever, i.e. 481 activities. Effective implementation of the 2002 TA Plan stands at over 95% for planned regional activities and 90% for planned national activities. The WTO TA Plan for 2003 was proposed to the membership for authorization on 8 October 2002. The Plan, following consultations amongst the membership, was adopted on 22 November 2002. The agreed Plan for 2003 will build on the progress made in the implementation of the 2002 TA Plan and includes 441 discrete activities. It is worth noting that a number of key new products have been developed in 2002 and will continue to be programmed in 2003, including, *inter alia*, two 12-week Regional Trade Policy Courses for Africa and several two-week Regional Advanced Doha Development Agenda Negotiations Training Courses for Senior Government Officials.

(viii) **Technical Assistance for Non-Residents.** Twenty-three Members of the WTO and 12 countries in accession do not have a mission in Geneva. In addition to activities in the field, TA for these countries is mainly focused on providing hands-on experience and fuller participation through two instruments: a periodic newsletter and Geneva weeks. For the first time in a calendar year, two Geneva weeks were organized in 2002.

(ix) **Funding.** Members have agreed to a target of CHF 24 million for the Doha Development Agenda Global Trust Fund in order to provide secure and predictable resources needed to implement the Doha mandates on technical cooperation and capacity building in 2003.

Least-developed countries (Paragraphs 42 and 43)

“42. We acknowledge the seriousness of the concerns expressed by the least-developed countries (LDCs) in the Zanzibar Declaration adopted by their Ministers in July 2001. We recognize that the integration of the LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building. We agree that the meaningful integration of LDCs into the trading system and the global economy will involve efforts by all WTO Members. We commit ourselves to the objective of duty-free, quota-free market access for products originating from LDCs. In this regard, we welcome the significant market access improvements by WTO Members in advance of the Third UN Conference on LDCs (LDC-III), in Brussels, May 2001. We further commit ourselves to consider additional measures for progressive improvements in market access for LDCs. Accession of LDCs remains a priority for the Membership. We agree to work to facilitate and accelerate negotiations with acceding LDCs. We instruct the Secretariat to reflect the priority we attach to LDCs’ accessions in the annual plans for technical assistance. We reaffirm the commitments we undertook at LDC-III, and agree that the WTO should take into account, in designing its work programme for LDCs, the trade-related elements of the Brussels Declaration and Programme of Action, consistent with the WTO’s mandate, adopted at LDC-III. We instruct the Sub-Committee for Least-Developed Countries to design such a work programme and to report on the agreed work programme to the General Council at its first meeting in 2002.

43. We endorse the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) as a viable model for LDCs’ trade development. We urge development partners to significantly increase contributions to the IF Trust Fund and WTO extra-budgetary trust funds in favour of LDCs. We urge the core agencies, in coordination with development partners, to explore the enhancement of the IF with a view to addressing the supply-side constraints of LDCs and the extension of the model to all LDCs, following the review of the IF and the appraisal of the ongoing Pilot Scheme in selected LDCs. We request the Director-General, following coordination with heads of the other agencies, to provide an interim report to the General Council in December 2002 and a full report to the Fifth Session of the Ministerial Conference on all issues affecting LDCs.”

Accessions

The Doha Ministerial Declaration welcomes new Members of the WTO and states that importance is attached to “concluding accession proceedings as quickly as possible. In particular, we are committed to accelerating the accession of least-developed countries.” (paragraph 9).

A separate section on the accession of LDCs notes that “... Accession of LDCs remains a priority for the membership. We agree to work to facilitate and accelerate negotiations with acceding LDCs. We instruct the Secretariat to reflect the priority we attach to LDCs’ accessions in the annual plans for technical assistance...” (paragraph 42).

The commitment to accelerate the accession of LDCs is being addressed in the Sub-committee on LDCs. The Sub-committee is mandated to report on the issue to the General Council by early 2003 with recommendations. The Director-General will submit a status report to the Fifth Ministerial Conference on “Implementation of the Commitment by Ministers to Facilitate and Accelerate the Accession of LDCs”. The Sub-committee has prepared a background document on the State of Play of LDCs’ Accession Working Parties (WT/COMTD/LDC/27 and WT/ACC/12) It also agreed to Guidelines on LDC Accessions (WT/COMTD/12) which were subsequently adopted by the General Council (WT/L/508) in December 2002.

Special and differential treatment (Paragraph 44)

“44. We reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. We note the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries. In that connection, we also note that some Members have proposed a Framework Agreement on Special and Differential Treatment (WT/GC/W/442). We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, we endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns.”

Paragraph 44 of the Doha Ministerial Declaration reaffirmed that “provisions for special and differential treatment are an integral part of the WTO Agreements” and directed that “all special and differential treatment provisions shall be reviewed with a view to

strengthening them and making them more precise, effective and operational." In this connection, Ministers endorsed the Work Programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns. Pursuant to paragraph 12.1 of this Decision, the CTD was instructed to carry out this review, in particular by identifying the S&D provisions which were mandatory and those which were not, considering the implications of making non binding ones mandatory, examining additional ways in which S&D provisions could be made more effective, and reporting to the General Council with clear recommendations on these issues by 31 July 2002. The CTD was also instructed to consider how S&D treatment could be incorporated into the architecture of WTO rules.

Further to these instructions TNC in its meeting held on 28 January-1 February 2002, agreed that "... the review of all special and differential treatment provisions... provided for in paragraph 44 of the Ministerial Declaration" would be carried out by the CTD in Special Sessions, and accordingly the Special Session of the CTD was established.

The first meeting of the Special Session was held on 5 March 2002, after which 14 formal meetings and a very large number of informal meetings were held during the year. The Special Session received 30 submissions during the course of 2002, which put forward, in particular, Agreement-specific proposals made by Members with a view to strengthening the relevant S&D provisions and make them more precise, effective and operational, as well as questions and answers in that connection; cross-cutting issues, including views on whether S&D treatment should be provided in a non-discriminatory way or whether some differentiation was needed; ideas on how to structure the work in the Special Session of the CTD at various stages, as well as on how the review of S&D provisions should be approached; and the Monitoring Mechanism.

The proposals on specific provisions of the WTO Agreements, Understandings and Decisions, for examination in the context of the Doha Ministerial mandate, were introduced and considered in meetings held during this period in view of the July 2002 deadline. During the initial discussions clarifications were sought and a number of Members cited the large number of Agreement-specific proposals (approximately 80), what they viewed as the complexity and potential implications of some of the proposals and a shortage of time, as factors that prevented them from being able to engage in more than a preliminary consideration of many of the proposals.

The cross-cutting issues raised both in submissions from Members and in the ensuing discussions, included the principles and objectives of special and differential treatment and the utility of a clearer definition and understanding of these principles for the work of the Special Session; a single or multi-tiered structure of rights and obligations; coherence; benchmarking; technical assistance and capacity building; transition periods; trade preferences; utilization; and universal or differentiated treatment, including graduation. In particular, a series of submissions made on the Enabling Clause led to a debate on whether preferential treatment, except to least-developed countries (LDCs), should be provided on a universal and non-discriminatory basis. Some Members felt that granting preferential treatment to some developing country Members, while excluding other developing country Members, gave rise to discrimination inconsistent with the Enabling Clause, other Members expressed the view that flexibility was needed so as to be able to address effectively the constraints and circumstances of different developing countries. A number of other cross-cutting institutional issues were also discussed including (i) the establishment of a Monitoring Mechanism; (ii) an Annual Special Session of the General Council on LDCs participation; (iii) a Facility under the Doha Development Agenda Trust Fund; and (iv) proposals on technical assistance and training.

In view of the fact that a large number of issues, including some that were complex, had been raised, both in the written submissions and the ensuing discussions, and since a significant amount of work remained to be carried out, the Special Session in its report to the General Council (TN/CTD/3) recommended that the General Council extend the deadline for it to complete its work. The General Council considered and adopted the report contained in document TN/CTD/3 on 31 July 2002, and gave the Special Session additional time until December 2002 to fulfil its mandate. The Council also gave specific instructions to the Special Session regarding the consideration of the Agreement-specific proposals, the analysis and examination of cross-cutting issues, the establishment of the Monitoring Mechanism, consideration of proposals on institutional arrangements and on technical and financial assistance and training, and consideration of how special and differential treatment may be incorporated into the architecture of WTO rules.

After a series of informal consultations held in September 2002, the Special Session adopted an intensive indicative work programme, so as to fulfil the mandate given by the General Council. As a result, the Special Session held eight formal meetings between October and December 2002. Five of the meetings were scheduled as close as possible to the meetings of other WTO bodies, in order to utilize the expertise in those bodies, and were

dedicated to discussions on the Agreement-specific proposals that had been made in those areas. At two meetings there were discussions on (i) the remaining Agreement-specific proposals in thematic clusters based primarily on the categories identified in document WT/COMTD/W77/Rev.1; and (ii) systemic and cross-cutting issues. Discussions on the incorporation of special and differential treatment into the architecture of WTO rules, and consultations on the Monitoring Mechanism for special and differential treatment were also held during the period.

In the discussions on Agreement-specific proposals, while the level of engagement increased significantly, and the discussions benefited from the back-to-back format and the involvement of capital-based participants, wide differences continued to be apparent between the responses provided to many proposals and the views expressed by proponents as to the possible outcome they expected from the consideration of their proposals. Many responses included requests for more information, and for clarification, especially in regard to the specific difficulties faced in utilizing existing S&D provisions to which changes were being sought. In regard to a number of proposals, the view was expressed that these were of a nature that would affect the existing balance of rights and obligations and/or went beyond the Doha mandate. There also continued to be notable differences of views as to what a "clear recommendation for decision" entailed in regard to the proposals, as well as on the *fora* in which some of the proposals should be considered. Some Members noted that a number of proposals were already under consideration within other WTO bodies and could be best addressed in those bodies, including in the context of the negotiations. Other Members maintained that the Special Session was the appropriate *forum* to consider all proposals, and that the mandate given by Ministers, in their view, envisaged the possibility of making changes to provisions, especially since the non-mandatory and imprecise character of many S&D provisions was cited frequently as being a source of difficulty in utilizing these provisions.

The cross-cutting issues discussed during this period included the principles and objectives of special and differential treatment, coherence, bench-marks, technical assistance and capacity building, transition periods, utilization, trade preferences and related issues, differentiated treatment and graduation. While the discussions showed convergent views in some areas, especially on the proposals relating to coherence and bench-marking, they also revealed major differences of opinion on most cross-cutting issues. There were also further discussions on the Enabling Clause. Many Members emphasized the importance of the non-discriminatory application of the Enabling Clause to all developing countries. The need to provide special and differential treatment, including though waivers, in a manner that would not prejudice the interests of other developing countries was again raised. Some Members were of the view that there should be flexibility in the application of special and differential treatment, including through preferential treatment. They considered that some differentiation amongst developing country Members would be necessary if special and differential treatment was to be made effective and targeted.

A number of possible elements relating to the establishment of the Monitoring Mechanism were discussed. There was convergence of views on some matters, such as aspects of the role of the Mechanism and the sources of information for it to conduct its work. Many Members emphasised that the structure to be agreed for the mechanism should be simple, streamlined, and not administratively burdensome. There was also a general receptivity to the view that the Mechanism should monitor the implementation and utilisation of special and differential provisions; that WTO Committees should keep special and differential treatment as a standing or regular item on their agenda; and that the General Council could consider, probably on an annual basis, and possibly in special session, the Mechanism's report on the implementation and utilisation of special and differential treatment provisions. However, there were still some important areas of difference, including on the institutional structure of the Mechanism and the timing for its coming into force. The general view was that it should be an open-ended body. Some Members felt that the monitoring of special and differential treatment should be carried out by the Regular CTD, or by the CTD in dedicated sessions, while other Members were of the view that a Sub-Committee of the CTD should be established for this purpose. There were also significant differences of opinion on the timing for coming into force of the Mechanism.

Notwithstanding the intense schedule of work adopted by the Special Session, numerous issues and proposals remained unresolved, with the continued differences on Agreement-specific proposals constituting the main stumbling block for progress. On 20 December 2002, the General Council therefore agreed to further extend the deadline given to the Special Session for it to carry out its work, and directed the Special Session to report to the General Council with clear recommendations for decision by its meeting scheduled for 10 February 2003.

TRIPS and Public Health

The Doha Declaration on the TRIPS Agreement and Public Health set two specific tasks for the WTO. First, its paragraph 6 instructed the Council for TRIPS to find an expeditious solution to the problems countries may face in making use of compulsory licensing if they have too little or no pharmaceutical manufacturing capacity and to report to the General Council on this by the end of 2002. This matter was discussed at the Council's formal and a number of informal meetings. Proposals for possible solutions were submitted by a number of Members. However, despite his intensive consultations, the Chair of the Council reported to the General Council at its meeting on 21 December that he was not yet in a position to present a draft legal instrument that the TRIPS Council might forward to the General Council for adoption. The General Council agreed that the TRIPS Council should resume work promptly at the beginning of 2003 to resolve the outstanding issues in the text the TRIPS Council Chair had circulated on 16 December 2002 and to report to the General Council so that a decision implementing a solution to the problem identified in paragraph 6 could be taken at the first General Council meeting in 2003.

Second, paragraph 7 of the Declaration made provision for the extension of the deadline for least-developed countries for the application of the TRIPS Agreement as it relates to pharmaceutical products. Pursuant to this, the Council adopted, at its meeting in June, a decision on the "Extension of the Transition Period under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members for Certain Obligations with Respect to Pharmaceutical Products" (IP/C/25). This Decision gives effect to the extension of the transition period for LDCs until 1 January 2016 in the respects referred to in paragraph 7 of the Doha Declaration on the TRIPS Agreement and Public Health. The Council also approved a draft waiver in respect of the obligations of LDC Members under Article 70.9 of the TRIPS Agreement until 1 January 2016, and agreed to forward it to the General Council for adoption. The draft waiver was designed to supplement the decision on the extension of transition periods by waiving the obligations of LDC Members relating to the grant of exclusive marketing rights under Article 70.9 for the same period. The draft waiver was adopted by the General Council in July 2002 (WT/L/478).

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 145 Members of the WTO (as of 5 February 2003) 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 2002, the WTO received one new Member: Chinese Taipei. The General Council also agreed to the accession of the Former Yugoslav Republic of Macedonia and Armenia.

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 26 governments for which a WTO working party was current as of 31 December 2002:

Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia-Herzegovina, Cambodia, Cape Verde, Kazakhstan, Lao PDR, Lebanon, 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. (See section I on the Doha Development Agenda above).

III. Work of the General Council

The General Council (GC) is entrusted with carrying out the functions of the WTO, and taking actions 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:

Matters arising from the Fourth Session of the Ministerial Conference

Ministers at Doha in November 2001, in agreeing to a broad and balanced work programme for the WTO for the coming years, tasked the General Council with taking specific actions to implement elements of the work programme and to oversee their operation and progress. At the same time, Ministers agreed that the overall conduct and progress of the elements of the work programme involving negotiations should be supervised by a TNC under the authority of the General Council. In addressing the question of follow-up to the results of the Doha Conference, Ministers also instructed that in addition to the negotiating elements, high priority should also be accorded to the elements of the work programme which did not involve negotiation. These are to be pursued under the overall supervision of the General Council with a progress report submitted to the Fifth Session of the Ministerial Conference. The Fifth Session will take stock of progress in the negotiations, provide any necessary political guidance, and take decisions as necessary. Early in 2002, the General Council reached agreement on the date and venue of the Fifth Session (to be held 10-14 September 2003 in Cancún, Mexico), thus enabling Governments to plan adequately for the substantive work to be accomplished until that meeting under the Doha Development Agenda, and also allowing the host Government to make the necessary logistics arrangements.

As part of specific actions to implement elements of the work programme and Ministers' directives, the General Council in December 2001 established a Doha Development Agenda Global Trust Fund to provide secure and predictable long-term funding for WTO technical cooperation activities. At a pledging conference held in March 2002 in pursuance of the General Council's decision, announced pledges for 2002 amounted to CHF 25 million, surpassing the target of CHF 15 million set for that year by the Council. Early in 2002, the General Council adopted a work programme for least-developed countries agreed by the Sub-Committee on LDCs, which included, as one of its seven broad elements, measures to facilitate and accelerate the accession of LDCs to the WTO. As a follow-up, and in recognition of the fact that the accession of LDCs remains a priority for the membership, the General Council in December adopted Guidelines aimed at facilitating and accelerating negotiations with acceding LDCs. In March, following intensive consultations, the General Council agreed on a framework and procedures for the conduct of the work programme on small economies, following which substantive work has been undertaken in dedicated sessions of the CTD. This matter is a standing item on the Council's agenda. In December 2001, the General Council also agreed on modalities for future work on electronic commerce and, with regard to institutional arrangements for handling the work programme, agreed in October 2002 to maintain the arrangements currently in place, namely, that the Councils for Trade in Services, Trade in Goods and TRIPS, and the CTD would examine and report to the General Council on aspects of electronic commerce relevant to their respective areas of competence, and that the General Council would play a central role in the entire process, keep the work programme under continuous review and consider any trade-related issue of a cross-cutting nature. Two dedicated discussions on e-commerce cross-cutting issues were held under the auspices of the General Council in 2002.

The General Council also devoted considerable attention in 2002 to ways to try to resolve the blockages that have kept Members from concluding the harmonization work programme in the rules of origin area. In view of the technically complex and politically important issues involved, the General Council extended to July 2003 the deadline for completion of negotiations on core policy issues. Following resolution of the core policy issues, the WTO Committee on Rules of Origin will complete the remaining technical work by 31 December 2003.

As part of its overall review and oversight function, the General Council kept under regular review the work of the TNC under a standing item on its agenda. It also received interim reports from the Director-General in December on all issues affecting LDCs, as well as on the implementation and adequacy of the technical cooperation and capacity-building

commitments in the Doha Ministerial Declaration. The Director-General will submit full reports to the Cancún Ministerial Conference.

With regard to the issues and concerns raised by many Members relating to the implementation of existing WTO agreements, Ministers at Doha, *inter alia*, mandated specific action to a number of WTO bodies by way of concrete follow-up, directing many of them to report to the General Council at various times in 2002. In fulfilment of its follow-up function in this area, the General Council considered and took appropriate action over the year on reports from the Goods Council, and from the Committees on Agriculture, Anti-dumping, Customs Valuation, Market Access and Subsidies, as well as the CTD in Special Session, on the specific implementation-related issues and concerns referred to them. Members have been engaged in intensive efforts to find a satisfactory solution with regard to the review of special and differential treatment provisions in the WTO agreements with the aim of strengthening them and making them more precise, effective and operational. The General Council will revert to this matter in 2003.

Pursuant to the Ministerial Declaration on the TRIPS Agreement and Public Health, and on the recommendation of the TRIPS Council, the General Council in July adopted a waiver for least-developed countries from the exclusive marketing rights provisions of Article 70.9 of the TRIPS Agreement until 2016. The Declaration also noted that "Members with insufficient or no manufacturing capacities in the pharmaceuticals sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement" and instructed the TRIPS Council to find an expeditious solution to this problem and report to the General Council before the end of 2002. This issue is also currently before the General Council, which will revert to it in 2003.

Systemic issues

In the course of the past year, the General Council adopted a decision on simplified procedures for the circulation and derestriction of WTO documents. With this Decision, Members have made the WTO's operations more transparent, including through more effective and prompt dissemination of information, as reflected in paragraph 10 of the Doha Ministerial Declaration. Following extensive work in the course of the year, Members in December also agreed to a more predictable, transparent process for the selection of future Directors-General. Also in December, the General Council agreed to procedures that will provide greater clarity and transparency in the process for appointing Chairpersons to WTO Councils and Committees each year. The General Council further engaged in substantive discussions in 2002 to explore ways in which the functioning of WTO processes might be improved, particularly with regard to the preparation and organization of Ministerial Conferences, on the basis of submissions by two groups of countries.

Accessions

The General Council adopted decisions authorizing the accession of two new Members, namely Armenia and the Former Yugoslav Republic of Macedonia (see section II on WTO accession negotiations above). Armenia became the 145th Member of the WTO on 5 February 2003. A Decision on the Accession of LDCs (WT/L/508) to facilitate and accelerate the accession negotiations of LDCs was also adopted (see section I on Doha Development Agenda above).

Following China's accession to the WTO in December 2001, and in accordance with the transitional review provisions in China's Protocol of Accession, the General Council in December 2002 conducted its first review of China's implementation of its WTO commitments. The following issues were addressed by the General Council in the course of the review: reports of subsidiary bodies on China's implementation of the WTO Agreement and of the related provisions of the Protocol; development of China's trade with WTO Members and other trading partners; and recent developments and cross-sectoral issues regarding China's trade regime. All Members acknowledged the efforts made by China in implementing its WTO obligations, including in the area of transparency of its trade regime; the enactment of appropriate trade legislation; and measures to increase market access. Under the provisions of the Protocol, this review will take place subsequently in each of the eight years following the first review, with a final review in the tenth year, or at an earlier date decided by the General Council.

Waivers under Article IX of the WTO Agreement

The General Council granted a number of waivers from obligations under the WTO Agreement (see Table III.1 below).

Table III.1

Waivers under Article IX of the WTO Agreement

During the period under review, the General Council granted the following waivers from obligations under the WTO Agreements (still in effect as at 1 January 2003):

Waivers	Granted	Expires	Decision
Colombia – Extension of Application of Article 5.2 of the Agreement on Trade-Related Investment Measures	20 December 2001	31 December 2003	WT/L/441
Cuba – Article XV:6 of the GATT 1994	20 December 2001	31 December 2006	WT/L/440
Dominican Republic – Minimum Values under the Customs Valuation Agreement	20 December 2001	1 July 2003	WT/L/442
Haiti – Agreement on the Implementation of Article VII of the GATT 1994	20 December 2001	30 January 2003	WT/L/439
Argentina, Australia, Bulgaria, Canada, China, Colombia, Croatia, Czech Republic, Estonia, European Communities, Hungary, Iceland, India, Korea Rep. of, Latvia, Lithuania, Malaysia, Mexico, New Zealand, Norway, Romania, Singapore, Slovak Republic, Slovenia, Switzerland, Thailand, Turkey, United States, Uruguay and Hong Kong, China – Introduction of the Harmonized System 2002 changes into WTO Schedules of Tariff Concessions	13 May 2002	1 Year ^a	WT/L/469
Malaysia – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	13 May 2002	30 April 2003	WT/L/465
Pakistan – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	13 May 2002	30 April 2003	WT/L/466
Panama – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	13 May 2002	30 April 2003	WT/L/458
Paraguay – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	13 May 2002	30 April 2003	WT/L/461
El Salvador – Agreement on the Implementation of Article VII of the GATT 1994	8 July 2002	7 March 2003 ^b 7 March 2005 ^c	WT/L/476
LDCs – Article 70.9 of the TRIPS Agreement with respect to pharmaceutical products	8 July 2002	1 January 2016	WT/L/478
Argentina – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/485
El Salvador – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/486
Israel – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/487
Morocco – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/488
Norway – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/489
Thailand – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/490
Venezuela – Introduction of the Harmonized System 1996 changes into WTO Schedules of Tariff Concessions	15 October 2002	30 April 2003	WT/L/491
Sri Lanka – Establishment of a new Schedule VI	15 October 2002	30 April 2003	WT/L/492
Zambia – Renegotiation of Schedule LXXVIII	15 October 2002	30 April 2003	WT/L/493
Argentina, Australia, Bulgaria, Canada, China, Croatia, Czech Republic, Estonia, European Communities, Hungary, Iceland, India, Korea Rep. of, Latvia, Lithuania, Mexico, Nicaragua, Norway, Romania, Singapore, Slovak Republic, Slovenia, Switzerland, Thailand, United States, Uruguay, Hong Kong, China and Macao, China – Introduction of the Harmonized System 2002 changes into WTO Schedules of Tariff Concessions	12 December 2002	31 December 2003	WT/L/511

^a Expires after one year of each Member's (covered under this waiver) date of implementation of HS2002 changes.^b For goods listed in Annex 1.^c For goods listed in Annex 2.

In December 2001 and October and December 2002, the General Council conducted annual reviews of waivers as 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);
Colombia – Extension of the application of Article 5.2 of the Agreement on Trade-Related Investment Measures, granted on 20 December 2001 until 31 December 2003 (WT/L/441);
Cuba – Article XV:6 of GATT 1994, granted on 20 December 2001 until 31 December 2006 (WT/L/440);

Dominican Republic – Minimum values under the Customs Valuation Agreement, granted on 20 December 2001 until 1 July 2003 (WT/L/442);

EC – Autonomous preferential treatment to the countries of the Western Balkans, granted on 8 December 2000 until 31 December 2006 (WT/L/380 and Corr.1);

EC – The ACP-EC Partnership Agreement, granted on 14 November 2001 until 31 December 2007 (WT/L/436);

EC – Transitional regime for the EC autonomous tariff rate quotas on imports of bananas, granted on 14 November 2001 until 31 December 2005 (WT/L/437);

Madagascar – Customs Valuation Agreement, granted on 18 July 2001 until 17 November 2003 (WT/L/408);

Switzerland – Preferences for Albania and Bosnia-Herzegovina, granted on 18 July 2001 until 31 March 2004 (WT/L/406);

Turkey – Preferential treatment for Bosnia-Herzegovina, granted on 8 December 2000 until 31 December 2006 (WT/L/381);

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);

Preferential Tariff Treatment for Least-Developed Countries, granted on 15 June 1999 until 30 June 2009 (WT/L/304).

Other issues

Several other issues were brought to the General Council for discussion and further consideration. These included: review of the exemption provided under paragraph 3 of GATT 1994; a proposal to remove and avoid inconsistencies in the texts of the WTO Agreements; a report from the Joint Advisory Group of the UNCTAD/WTO; issues relating to the scheduling of WTO meetings.

IV. Trade in Goods

Council for Trade in Goods

During the year 2002 the Council for Trade in Goods (CTG) met eight times in formal session. The Council carried out China's Transitional review in connection with paragraph 18 of the Protocol of the Accession of China with respect to the information requirements stipulated in Annex I(A) of the Protocol; the Council report, together with the reports of its subsidiary bodies were sent to the General Council. On textiles, the following three areas were covered: first, the CTG conducted the major review of the implementation of the Agreement on Textiles and Clothing during the second stage of the integration process pursuant to Article 8.11 of the ATC; at its July meeting the Council adopted the report on the major review. Second, the Council examined proposals contained in paragraph 4.4 and 4.5 of the Doha Ministerial Decision on implementation-related issues and concerns; due to fundamental differences of views, the Chairman was not in a position to put a draft report with recommendations before the CTG. Third, the Council discussed a request by some Members on the CTG's oversight function regarding certain restrictions previously commented upon by the TMB. On TRIMs, the Council discussed the review of the operation of the TRIMs Agreement under Article 9 and also discussed implementation issues related to TRIMs. Finally, the Council took note of the periodic reports of the Committee on Market Access and discussed and/or approved a number of waiver requests under Article IX of the WTO Agreement, details of which can be found in document G/L/595.

The Council for Trade in Goods also addressed the issue of trade facilitation. Mandated by paragraph 27 of the Doha Development Agenda (WT/MIN(01)/DEC/1) to carry out a specific work program for the time until the Fifth Ministerial. The Council met four times (May, July, October and December) in formal session to discuss the following three core agenda items: (i) GATT Articles V, VIII and X; (ii) trade facilitation needs and priorities of Members, particularly developing and least-developed countries and (iii) technical assistance and capacity building. A total of 35 written contributions were submitted to the Council, of which 21 originated from Members (Australia {1}, Canada {4}, Chinese Taipei {1}, Colombia {1}, European Communities {4}, Hong Kong, China {1}, Japan, {3} Korea {3}, New Zealand {1}, and United States {2}), 9 came from observers (OECD {4¹⁴}, UNCTAD {1} and WCO {4}) and 5 were prepared by the WTO Secretariat. For a summary of CTG work on trade facilitation, see its 2002 Report (G/L/595).

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

¹⁴ The OECD papers were not circulated as CTG documents.

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 (July 1998).

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 and 19 in 2002, as a result of which the number of unresolved issues is now reduced to 137. At the GC meeting in July 2002, the CRO had forwarded 94 core policy issues to the GC for discussion and decision (G/RO/52). In December 2002, the GC set July 2003 as the new deadline for completion of the 94 core policy issues. The GC also mandated the CRO, following resolution of the core policy issues, to complete its remaining technical work by 31 December 2003. The negotiating texts are contained in documents G/RO/45 and its addenda.

Market access

In 2002, the Committee held three formal meetings and 11 informal meetings. The Committee continued its work related to the transposition of schedules of concessions into the Harmonized System (HS), and the introduction of HS96 and HS2002 changes to schedules of concessions. In addition several waiver decisions elaborated in connection with these exercises were approved and forwarded to the Council for Trade in Goods for approval. After much discussion, the Committee in June 2002 adopted the dissemination policy of the Integrated Data Base (IDB) and the Consolidated Tariff Schedules (CTS) database (G/MA/115). In addition, the Committee considered two implementation issues transmitted to it by the General Council and the Council for Trade in Goods, respectively. The first one related to the "Meaning to be given to the phrase 'substantial interest' in paragraph 2 (d) of Article XIII of GATT 1994" (paragraph 1.2 of WT/MIN(01)17). The second one related to "Measures designed to secure a redistribution of negotiating rights in favour of small and medium-sized exporting members in trade negotiations" (Tiret 99 of Job(01)/152/Rev.1 – paragraph 12(b) of the Doha Declaration). A report of the Committee's deliberations on the first issue was provided to the General Council in document G/MA/119, and a report on the second issue was provided to the TNC in document G/MA/118. In addition, the Committee reviewed the status of notifications under the "Decision on Notification Procedures for Quantitative Restrictions" and under the "Decision on Reverse Notification of Non-Tariff Measures", on the basis of Secretariat documents G/MA/NTM/QR/1/Add.8 and G/MA/NTM/W/3/Rev.1, respectively. The Committee also conducted the review foreseen under paragraph 18 of the Protocol of Accession of the People's Republic of China at its meeting of 23 September 2002. The Committee took note of document G/MA/TAR/3/Rev.7 which reflected the latest tariff information available in the Secretariat. Various delegations also raised issues of concern in the Committee with respect to the trading practices of their trading partners.

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 held two meetings during this period, noted that the lack of compliance of Members with the transparency obligations of the Agreement has been the main preoccupation of the Committee for some time now and was informed of the steps taken by the Chairperson and the Secretariat to improve the situation, reviewed 88 notifications submitted by 42 Members under various provisions of the Agreement, carried out its first transitional review pursuant to Section 18 of the Protocol of Accession of China,

and conducted the fourth biennial review of the implementation and operation of the Agreement under Article 7.1.

Trade in information technology products (ITA)

The Ministerial Declaration on Trade in Information Technology Products (ITA) was agreed to in Singapore in 1996 and 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, while the remaining items will gradually reach zero by 1 January 2005. The details are contained in each participant's schedule of commitments. During 2002, the Committee continued its work on the non-tariff measures' (NTMs) work programme to identify NTMs that impact IT trade and to examine the economic and developmental impacts. In this respect a survey was conducted and preparations for a pilot project workshop on one particular NTM had been initiated. Additionally, the Committee examined classification divergences and reviewed the implementation during 2002. The formal participation of the People's Republic of China in the Committee remained pending during the year and will be reverted to in 2003.

Customs valuation

During 2002 the Committee on Customs Valuation has held eight formal meetings, on 26 February (G/VAL/M/25), 27 March (G/VAL/M/26), 6-7 May (G/VAL/M/27 and Corr.1, G/VAL/M/28); 26 June (G/VAL/M/29); 3 and 26 July (G/VAL/M/30 and Corr.1 and Add.1); 30 September-1 October (G/VAL/M/31); 4-5 November (G/VAL/M/32), and 29 November and 10 December (G/VAL/M/33).

Much of the work this year focused on implementation matters. During the period under review, no developing country Members maintained delayed application of the provisions of the Agreement in accordance with the provisions of Article 20.1 of the Agreement. One Member (Sri Lanka) was granted an extension of the delay period in accordance with the provisions of paragraph 1, Annex III. Two requests for extensions are still pending agreement by Members. In addition, at circulation of the report, six Members maintain reservations which have been granted under paragraph 2, Annex III for minimum values (Colombia, Gabon, Guatemala, Honduras, Nicaragua, and Jamaica). One Member has a request to maintain minimum values pending.

Further implementation-related work was carried out during the year following the mandate from Ministers at Doha for the Committee to address outstanding implementation-related issues and the issues in paragraph 8.3 of document WT/MIN(01)/17 (see the relevant paragraphs on the Doha Development Agenda). 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. To date, 73 Members have notified their national legislation on customs valuation (this figure includes the 14 Members which have submitted communications indicating that their legislation notified under the Tokyo Round Customs Valuation Agreement remained valid under the WTO Customs Valuation Agreement and does not include individual EEC Members). 56 Members, (including Members which have been granted extensions of the application period) have not yet made any notification. 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 its activities. In addition, the WTO organized a seminar on technical assistance and capacity-building on 6-7 November, following the mandate in the work programme on technical assistance, adopted in July 2001.

At its meeting of 4-5 November, the Committee adopted its 2002 report to the Council for Trade in Goods. Adoption of the fourth, fifth, sixth, seventh and eighth annual reviews remains blocked by an unresolved issue concerning one Member's interpretation of paragraph 2, Annex III of the Agreement. At this meeting, the Committee also completed China's Transitional review mechanism in accordance with Section 18 of the Protocol of Accession of China. It submitted its report on this Review to the Council for Trade in Goods in G/VAL/48. 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 Fourteenth and Fifteenth 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). At the beginning of the third stage, on 1 January 2002, a further 18% of products were integrated, 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 have been liberalized by the main importing Members in 2002. The process will be completed on 31 December 2004 with the integration of all remaining products and the full removal of the quota regime.

The exporting, developing Members have expressed concerns on the implementation of the Agreement by the Members maintaining restraints (EU, US and Canada). In their view, such implementation did not result in the increased market access they had anticipated. In 2002, the Council for Trade in Goods took up these concerns in two situations. The first was in the Council's major review of the implementation of the ATC, while the second was in the Council's examination of the two proposals relating to the ATC in the Doha Ministerial Decision on Implementation-Related Issues and Concerns.

The report on the major review of the second stage of implementation of the ATC was adopted by the Council for Trade in Goods on 23 July 2002 (document G/L/556). In it, the Council set out a number of conclusions which were broad in the treatment of their respective issues, generally pointing to areas to be borne in mind during the remaining period. Key among these was a reaffirmation of the commitment of Members to achieve the full and faithful implementation of the ATC by 2005. A further area which was highlighted in the conclusions was the importance of overseeing and regularly evaluating the functioning of the ATC by the CTG. On several other important issues, the developing and the restraining Members could not reach agreed conclusions and, consequently, their separate views were set out in the report.

The Doha Ministerial Decision on Implementation-Related Issues and Concerns contains several proposals relating to textiles and clothing, of which two relate to possible market access improvements in the context of the ATC, through changes in the methodology for the application of quota growth rates. It called upon the CTG to examine these two proposals and to make recommendations for appropriate action to the General Council by the end of July 2002. The results of this work are reported under Section I, the Doha Development Agenda above.

Given the differences in views and understandings among Members, the Chairman of the CTG presented an oral report on the situation to the General Council on 31 July 2002. In his summing-up remarks, the Acting Chairman of the General Council noted that, whereas the matter continued to be an important concern to many Members, fundamental differences existed on views and understandings and, consequently, no consensus was possible on how best to deal with this issue. In these circumstances, he noted that the CTG had carried out its mandate but had not been able to formulate any recommendations. Finally, he concluded that the General Council could take note of the statements without any prejudice to their positions and that Members should "continue to reflect on the various views that had been expressed".

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 the TMB's membership for the third stage of the integration process under the ATC (2002-2004) was decided by the General Council in December 2001. 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 2002 the following WTO Members appointed individuals to serve as member (or alternate) in the TMB: Canada (Norway); China (Pakistan; Macao, China); Egypt

(India); the European Communities; Guatemala (Peru, Brazil); Japan; Korea Rep. of (Hong Kong, China; Bangladesh); the Philippines (Thailand); Romania (Turkey, Switzerland); 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 2002 to 31 January 2003, the TMB held ten formal sessions. The detailed reports of these meetings are contained in documents G/TMB/R/86 to 95. The TMB adopted an annual report to the CTG covering the period 15 September 2001 to 15 October 2002 and providing an overview of the issues handled by the TMB during that time (G/L/574).

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 and a number of issues in respect of other obligations under the ATC.

More specifically, during the period covered by this report the TMB, *inter alia*, took note of a notification made pursuant to Article 6.1 of the ATC by Chinese Taipei stating that it wished to retain the right to use the transitional safeguard provided for in Article 6.1. The TMB took note of the programmes for the first and second stages of the integration process of China, and it started its examination of those for Chinese Taipei.

The TMB completed its detailed review of the integration programmes for the third stage (2002-2004) submitted by 5 Members (China, Egypt, Guatemala, Paraguay and Venezuela), while with respect to four others it was still waiting for the responses to the additional information or clarification it had decided to seek from them. 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.

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 considered and took note of the notifications made by Canada and the European Communities, respectively, of the quantitative restrictions maintained with reference to Article 2 of the ATC on imports from those Members; the TMB considered and took note, similarly, of the notifications of the quantitative restrictions maintained by Turkey and the United States on imports from Chinese Taipei. In so doing, the TMB requested additional information and clarification as necessary and also considered, when applicable, the observations made with respect to those notifications, as deemed appropriate by the Member concerned. Furthermore, the TMB started to consider the notifications made by Turkey and the United States of quantitative restrictions maintained on imports of the products covered by the ATC from China, together with observations made by China with respect to these two notifications. On a number of occasions, it requested additional information and clarification from the Members concerned with respect to different specific elements related to these notifications.

In this context, the TMB considered it necessary to address, in a focused discussion, the cross-cutting issue of the manner in which the growth-on-growth provisions provided for in Articles 2.13 and 2.14 of the ATC had to be implemented with respect to recently acceded Members, such as China and Chinese Taipei. As regards implementation with respect to China, the TMB concluded that the minimum requirements could be summarized in the following: as from 1 January 2002, the base levels in force on 10 December 2001 had to be increased by the respective growth rates applied for the year 2001 (prior to China's accession), increased by the full 25% applicable to Stage 2 and further increased by the 27% applicable to Stage 3. It was noted that the manner in which Canada, the European Communities and Turkey had implemented the growth-on-growth provisions met these requirements. Since the United States had reported an implementation which did not meet the minimum requirements, as defined above, the TMB decided to invite it to reconsider its respective position in light of the TMB's comments, observations and conclusion and to implement the necessary adjustments in its respective methodology applied. The United States stated in response that after having carefully examined the relevant TMB report, it had concluded that the methodology used by the United States was in line with its obligations as provided for in the Working Party Report of the Accession of China to the WTO. The United States' reasoning on this matter remained unchanged and it was of the view that it would not be appropriate to make any adjustment to the methodology applied. The TMB started to consider this communication, noting with concern that it had taken almost three months for the United States to respond to the TMB's invitation. As regards the implementation of the growth-on-growth provision with respect to Chinese Taipei, the TMB concluded that the minimum requirements which had to be implemented by the Members concerned implied that on 1 January 2002, the base levels in force on 31 December 2001 had to be increased by the respective growth rates applied in 2001, as further increased by

27% which was applicable for Stage 3. The TMB noted that the manner in which Canada, the European Communities, Turkey and the United States had implemented the respective provisions met these minimum requirements.

The TMB also examined the notifications made by the European Communities, Japan and Turkey of the restrictions maintained on imports of certain textile and clothing products from China other than those covered by the provisions of Article 2, as well as those maintained by Brazil on imports of certain textile and clothing products from Chinese Taipei. In so doing, the TMB took note of the corresponding programmes for the phasing-out of such restrictions presented by the restraining Member. The TMB also examined the notification made by China pursuant to Article 3 of the ATC of restrictions applied on exports of certain silk products. It also considered different aspects involved in or related to this notification, such as the scope of the application of Article 3; how the recourse to the provisions of Article 3 fits with provisions of the Report of the Working Party on the Accession of China dealing with export restrictions; the management and administration of the restrictions in question and their system of allocation, including the availability of information, or the lack thereof, on the possible breakdown of export quotas according to destinations. The TMB took note of what constituted a phase-out programme, in the sense of Article 3.2(b), of these export restrictions. The TMB, furthermore, took note of a notification made by Poland of a safeguard measure on imports of synthetic fabrics originating in Chinese Taipei. The measure had been introduced at a date prior to Chinese Taipei's accession to the WTO. At the same time, Poland informed the TMB that the measure would be withdrawn on 15 September 2002. The TMB observed, *inter alia*, that the withdrawal of the measure on 15 September 2002 fulfilled the requirements of Article 3.2.

The TMB reviewed in details the notifications made under Article 2.17 of the ATC of the administrative arrangements concluded between China and Canada, the European Communities and the United States, respectively, as well as between Chinese Taipei and Canada, the European Communities and the United States, respectively. The TMB sought additional information or clarification from these Members with respect to a number of issues related to the respective notifications. In taking note of the administrative arrangements, the TMB made a number of observations, in particular with respect to their implementation by the respective Members in conformity with the relevant provisions of the ATC.

Agriculture

The Committee on Agriculture continued its systematic review of the implementation of WTO commitments resulting from the Uruguay Round or accession to the WTO. This review is undertaken on the basis of notifications submitted by Members. Since 1995, the Committee has reviewed well over 1,000 notifications submitted by Members in the areas of tariff quota administration and utilization, special safeguards, domestic support and export subsidies, as well as export restrictions.¹⁵ In the course of Committee's four meetings in 2002, a number of general issues relating to the implementation of commitments were also raised. In particular, several Members were concerned about the impact of the new farm legislation of the United States, the Farm Security and Rural Investment Act of 2002. Venezuela's administration of its tariff quotas was another matter of concern. The implementation of tariff quota commitments was also the main issue addressed during the Committee's first review of China's accession commitments under the Transitional review mechanism.¹⁶ The Committee made considerable efforts to advance the implementation of the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and Net Food-Importing Developing Countries. An Inter-agency panel of commodity and financial experts was established to explore possibilities for improving access to short-term credit from the international financial institutions to finance food imports of these countries, and examine a proposal by the Net Food-Importing Developing Countries for the establishment of a revolving fund for food importers.¹⁷ The Committee pursued, in particular, the panel recommendation to study the feasibility of an ex-ante financing facility.¹⁸ However, a number of donors remained unconvinced that there is a need for establishing a new financing scheme and expressed doubts that such financing facility would be viable. The Committee is to take a decision on this matter by March 2003.

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,

¹⁵ See meeting reports G/AG/R/30 to 33 dated 17 June, 27 August, 6 November 2002 and 7 January 2003, respectively.

¹⁶ See document G/AG/R/32.

¹⁷ See report of the Inter-agency panel WT/GC/62 – G/AG/13 dated 28 June 2002.

¹⁸ See document G/AG/W/58 and Corr.1 dated 28 October 2002 and 19 November 2002.

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 the least-developed countries.

By 31 December 2002, the Committee had received 3,290 SPS notifications since the entry into force of the WTO in 1995. One-hundred-and-twenty-six Members had established and identified Enquiry Points to respond to requests for information regarding sanitary and phytosanitary measures, and 118 had identified their national authority responsible for notifications.¹⁹

In 2002, the SPS Committee held three regular meetings. At each of these, the Committee discussed specific trade concerns identified by Members.²⁰ 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 revised the recommended procedures for implementing the transparency provisions of the agreement (G/SPS/7/Rev.2 and Add.1), and proceeded with further clarifications providing guidance on the recognition of the equivalence of sanitary measures which provide a similar level of health protection (G/SPS/19/Add.1 and G/SPS/20). A number of intergovernmental organizations have been granted observer status by the Committee, either on a regular or an *ad hoc* basis.²¹

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 programs or through WTO presentations in programs 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 2002, the WTO Secretariat participated in SPS technical assistance to China, Mauritius, and Zambia, as well as in regional seminars in the Gulf States, Central America, the Caribbean, and the Baltic states.

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*. A panel was established in June 2002 to examine a US complaint regarding Japan's phytosanitary restrictions on apples. Another panel was established in July 2002 to examine Ecuador's complaint regarding Turkey's measures affecting imports of bananas, but a mutually agreed solution was announced in November 2002. Formal requests for consultations relating to alleged violations of the SPS Agreement were requested on Turkey's restrictions on imports of pet food, Australia's restrictions on imports of pineapple and other fresh fruit, and India's Export and Import policy.

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, the Committee on Safeguards held two regular meetings, on 29-30 April 2002 and 28 October 2002. The Committee also held an additional formal meeting on 5 December 2002. In addition, the Committee held an informal meeting on 4 October 2002, concerning an outstanding implementation issue.

Notification and examination of safeguards laws and/or regulations of Members

The Committee continued its review of notifications under Article 12.6 of the Agreement concerning national legislation and/or regulations in the area of safeguards. For Members with such legislation and/or regulations, these notifications consist of the full and integrated

¹⁹ For the most recent listing see G/SPS/GEN/27/Rev. 10.

²⁰ See G/SPS/GEN/204/Rev. 3.

²¹ G/SPS/W/98/Rev. 2.

text thereof. For Members without such legislation and/or regulations, these notifications inform the Committee of this fact.

As of 31 December 2002, 99 Members²² had notified the Committee of their domestic safeguards legislation and/or regulations or made communications in this regard to the Committee (G/SG/N/1 and addenda). 30 Members had not as of that date made such a notification. The extent of the non-compliance with this notification obligation, and the implications of this situation, were discussed at the regular meetings of the Committee held during the review period (G/SG/M/19 and G/SG/M/20).

Notifications of actions related to safeguard measures

During 2002, the Committee received and reviewed a variety of notifications of actions related to safeguard measures. The Committee reviewed 40 notifications under Article 12.1(a) regarding the initiation of an investigation. The Committee reviewed 15 notifications of application of a provisional measure under Article 12.4. The Committee also reviewed 18 notifications concerning findings of serious injury or threat thereof caused by increased imports.

During 2002 the Committee reviewed ten notifications of termination of a safeguard investigation with no safeguard measure imposed. Furthermore, the Committee reviewed 25 notifications concerning decisions to apply safeguard measures and 22 notifications concerning the non-application of a safeguard measure to developing country Members. The Committee reviewed one notification concerning the results of the mid-term review of safeguard measures. The Committee also discussed seven notifications regarding the proposed suspension of concessions and other obligations during the period under review.

Subsidies and countervailing measures

The Agreement on Subsidies and Countervailing Measures (the "Agreement"), which entered into force on 1 January 1995, regulates the provision of subsidies and the imposition of 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.²³ 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.

Transitional review of China

During the regular autumn 2002 meeting, the Committee undertook the review of the implementation by China of the WTO Agreement and of the related provisions of its Protocol of Accession, as provided for in Paragraph 18 of the Protocol of Accession of the Peoples' Republic of China to the WTO. The Committee submitted a report on the review to the CTG, document G/SCM/49.

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 notification of specific subsidies by 30 June of each year. 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. The Committee will review the situation in 2003. As of 31 December 2002, 54 Members (counting the EC as a single Member) had submitted a 2001 new and full notification, including 15 which notified that they provided no notifiable specific subsidies. Seventy-five Members had not submitted a 2001 new and full notification. The 2001 notifications may be found in document series G/SCM/N/71/... The Committee continued its review of these new and full subsidy notifications, as well as updating notifications from previous years, at its regular and special meetings in April and October 2002.

Working party on subsidy notifications and subsidy notification seminar for capital-based officials

The Working Party on Subsidy Notifications met on 30 April 2002 to continue its discussion of difficulties encountered by Members in notifying subsidies. In light of these discussions, it also addressed the structure and content of the subsidy notification seminar for capital-based officials, a technical assistance activity within the purview of the Committee, which then took place on 29 and 30 October 2002 in Geneva. The Chairman reported on the seminar, which involved a valuable and constructive exchange of views

²² Counting the EC as a single Member for purposes of the legislative notification.

²³ 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.

among capital-based officials working specifically in the area of subsidies notifications, at the Committee's fall 2002 regular meeting (G/SCM/M/44).

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.²⁴ 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.

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 thereof) to the Committee by 15 March 1995. As of 31 December 2002, 95 Members (counting the EC as a single Member) had submitted such a notification. Of these, 70 Members notified countervailing duty legislation, and 25 Members notified that they had no such legislation. Thirty-four Members had not submitted a notification. At its spring 2002 meeting, the Committee continued its review of legislative notifications. The autumn 2002 meeting was suspended with respect to the agenda item pertaining to legislative notifications.

Countervailing actions

Countervailing actions taken during the period 1 July 2001–30 June 2002 are summarized in Tables III.3 and III.4. While notifications are incomplete, the data available indicate that 18 new countervailing duty investigations were initiated in the review period. As of 30 June 2002, Members reported 98 countervailing measures (including undertakings) in force.

Table III.2

Exporters subject to initiations of countervailing investigations, 1 July 2001–30 June 2002^a

Affected Country	Initiations	Affected Country	Initiations
Argentina	1	India	5
Brazil	2	Indonesia	1
Canada	1	Korea, Rep. of	1
European Communities ^b	4	Trinidad and Tobago	1
Hungary	1	Turkey	1
		Total	18

^a 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 or notifications not providing information required by the notification format adopted by the Committee.

^b Includes initiations in respect of individual EC Member States: Austria, Germany, France.

Table III.3

Summary of countervailing duty actions, 1 July 2001–30 June 2002

Reporting party	Initiations	Provisional measures	Definitive duties	Undertakings	Measures in force on 30.06.2002
Argentina	0	0	2	0	3
Australia	0	0	0	0	4
Brazil	1	0	0	0	0
Canada	0	0	1	0	10
European Communities	5	1	1	0	20
Mexico	0	0	0	0	1
New Zealand	0	0	0	0	1
Peru	0	0	1	0	0
South Africa	0	4	2	0	3
United States	11	9	13	0	53
Venezuela	1	0	0	0	3
Total	18	14	20	0	98

²⁴ The current membership of the PGE is as follows: Mr. Okan Aktan, Mr. Marco Bronckers; Mr. Jorge Castro Bernieri; Mr. Renato Galvao Flores Junior, and Mr. Hyung-Jin Kim. At its May 2002 regular meeting, the Committee re-elected Professor Aktan to serve another term.

Table III.4

Rules notifications submitted by WTO Members – Status as of 31 December 2002

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. 2001	Jan.-June 2002		July-Dec. 2001	Jan.-June 2002	New & Full 2001	New & Full 2001	
Albania									
Angola									
Antigua and Barbuda	X	X		X	X		X		
Argentina	X	X	X	X	X	X		X	X
Australia	X	X	X	X	X	X	X		X
Bahrain	X	X			X				X
Bangladesh		X			X				X
Barbados	X			X	X	X	X		
Belize							X		
Benin	X			X					X
Bolivia	X	X	X	X	X	X	X	X	X
Botswana	X						X		X
Brazil	X	X	X	X	X	X			X
Brunei Darussalam	X	X		X	X				X
Bulgaria	X	X	X	X	X	X		X	X
Burkina Faso	X								
Burundi	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
China	X		X	X		X		X	X
Colombia	X	X	X	X	X		X		X
Congo									
Congo, Dem. Rep.									
Costa Rica	X	X	X	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	X			X
Czech Republic	X	X	X	X	X	X		X	X
Djibouti									
Dominica	X	X		X			X		X
Dominican Republic	X			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
Estonia	X	X	X	X	X	X	X	X	X
Fiji	X	X		X			X		X
Gabon							X		
Gambia									
Georgia	X	X		X	X			X	X
Ghana	X			X			X	X	X
Grenada	X	X	X	X		X	X		
Guatemala	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	X

Table III.4 (continued)

Rules notifications submitted by WTO Members – Status as of 31 December 2002

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. 2001	Jan.-June 2002		July-Dec. 2001	Jan.-June 2002	New & Full 2001	New & Full 2001	
Iceland	X	X	X	X	X	X			X
India	X	X	X	X	X	X	X	X	X
Indonesia	X	X	X	X	X	X		X	X
Israel	X	X	X	X	X	X			X
Jamaica	X	X	X	X	X	X	X	X	X
Japan	X	X	X	X	X	X	X	X	X
Jordan	X	X	X	X	X	X	X	X	X
Kenya	X			X					X
Korea, Rep. of	X	X	X	X	X	X	X		X
Kuwait									
Kyrgyz Republic	X	X	X	X	X	X			X
Latvia	X	X	X	X	X	X	X	X	X
Lesotho									X
Liechtenstein	X	X	X	X	X	X	X	X	X
Lithuania	X	X	X	X	X	X		X	X
Macao, China	X	X	X	X	X	X	X	X	X
Madagascar	X				X				X
Malawi	X			X	X		X		X
Malaysia	X	X	X	X	X	X			X
Maldives	X			X					X
Mali	X						X		
Malta	X			X				X	X
Mauritania									
Mauritius	X	X		X	X		X		X
Mexico	X	X	X	X	X	X			X
Moldova	X			X				X	X
Mongolia	X			X				X	X
Morocco	X	X		X	X				X
Mozambique									
Myanmar	X			X					X
Namibia	X			X			X		X
New Zealand	X	X	X	X	X	X	X	X	X
Nicaragua	X			X					X
Niger									
Nigeria								X	X
Norway	X	X	X	X	X	X	X	X	X
Oman	X			X			X	X	X
Pakistan	X	X		X	X			X	X
Panama	X	X		X	X	X	X	X	X
Pap. New Guinea	X		X				X		
Paraguay	X	X		X			X		X
Peru	X	X	X	X	X	X			X
Philippines	X	X	X	X	X	X		X	X
Poland	X	X	X	X				X	X
Qatar	X			X					X
Romania	X	X	X	X	X	X		X	X
Rwanda									
Saint Kitts & Nevis							X		
Saint Lucia	X			X	X		X		X
Saint Vincent & Grenadines							X		
Senegal	X			X					X
Sierra Leone									
Singapore	X	X	X	X	X	X	X		X
Slovak Republic	X	X	X	X	X	X		X	X

Table III.4 (continued)

Rules notifications submitted by WTO Members – Status as of 31 December 2002

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. 2001	Jan.-June 2002		July-Dec. 2001	Jan.-June 2002	New & Full 2001	New & Full 2001	
Slovenia	X	X		X	X		X	X	X
Solomon Islands									
South Africa	X	X	X	X	X	X		X	X
Sri Lanka	X			X					X
Suriname	X			X			X		X
Swaziland	X								
Switzerland	X	X	X	X	X	X	X	X	X
Chinese Taipei	X	X	X	X		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
Uganda	X			X					X
United Arab Emirates	X			X					X
United States	X	X	X	X	X	X	X		X
Uruguay	X	X	X	X	X	X	X		X
Venezuela	X	X	X	X	X	X		X	X
Zambia	X	X	X	X	X			X	X
Zimbabwe	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, as well as 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.

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 2002, 104 Members (counting the EC as a single Member) had submitted notifications regarding anti-dumping legislation or regulations. 25 Members have not yet submitted a notification in this regard. The status of notifications pursuant to Article 18.5 may be found in Table III.4. 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 on Anti-Dumping Practices 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 regular meetings in April and October 2002, 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. The Working Group agreed, at its October 2002 meeting, to consider proposals for new and additional topics of discussion.

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 2002, and continued discussions on the first three topics under the agreed framework for discussions, "what constitutes circumvention", "what is being done by Members confronted with what they consider to be circumvention", and "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 2001 - 30 June 2002 are summarized in Tables III.5 and III.6. The tables are incomplete because certain Members have not submitted the required semi-annual reports of anti-dumping actions for this period or have not provided all the information required by the format adopted by the Committee for those reports. The data available indicate that

Table III.5

Summary of Anti-Dumping Actions, 1 July 2001-30 June 2002^a

	Initiations	Provisional measures	Definitive Duties	Price Undertakings	Measures in force on 30 June 2002 ^b
Argentina	26	30	26	4	58
Australia	16	13	9	0	56
Brazil	16	0	0	1	53
Bulgaria	1	0	0	0	n.a. ^c
Canada	6	3	10	0	90
Chile	0	0	0	0	0
China	0	6	5	0	17
Colombia	6	1	0	0	n.a. ^c
Czech Republic	0	0	0	0	1
Egypt	8	0	1	0	11
European Communities	23	22	22	8	219
India	76	73	41	1	150
Indonesia	5	0	0	0	n.a. ^c
Israel	3	2	0	0	n.a. ^c
Jamaica	2	2	1	0	2
Japan	0	0	0	0	n.a. ^c
Korea, Rep. of	2	1	1	0	19
Lithuania	0	0	0	0	7
Malaysia	6	1	1	0	n.a. ^c
Mexico	11	5	1	0	61
New Zealand	0	0	0	0	7
Peru	11	8	3	0	18
Philippines	0	0	0	0	n.a. ^c
Poland	3	0	0	0	6
Singapore	0	0	0	0	2
South Africa	2	18	8	0	98
Chinese Taipei	3	0	0	0	7
Thailand	7	0	0	0	n.a. ^c
Trinidad and Tobago	1	0	0	0	n.a. ^c
Turkey	15	0	9	0	24
United States	58	62	36	0	264
Uruguay	2	1	0	0	0
Venezuela	0	0	0	0	19
Total	309	248	174	14	1189

^a The reporting period covers 1 July 2001-30 June 2002. The table is based on information from Members having submitted semi-annual reports for that period and is incomplete due to missing reports and/or missing information in reports.

^b Includes definitive price undertakings.

^c Did not submit a report of measures in force.

Table III.6

Exporters subject to two^a or more initiations of anti-dumping investigations, 1 July 2001-30 June 2002^b

Affected country	Total	Affected country	Total
China	46	Canada	4
European Communities and/or member States	39	Hong Kong, China	4
Indonesia	15	Malaysia	4
Korea, Rep. of	14	Venezuela	4
Brazil	13	Chile	3
Chinese Taipei	13	Egypt	3
India	12	Hungary	3
Japan	11	Israel	3
Singapore	11	Kazakhstan	3
South Africa	11	Australia	2
Thailand	11	Colombia	2
United States	11	Iran	2
Russia	10	Lithuania	2
Romania	7	Mexico	2
Ukraine	7	New Zealand	2
Turkey	6	Poland	2
Argentina	4	Viet Nam	2
		Total	288^c

^a Exporters the subject of only one initiation of an anti-dumping investigation were: Belarus, Bulgaria, Czech Republic, Dominican Republic, Ecuador, Estonia, Georgia, Guatemala, Jordan, Korea, PDR, Libya, Macau, Macedonia, Moldova, Nepal, Norway, Philippines, Qatar, Slovak Republic, Trinidad and Tobago, and United Arab Emirates.

^b The reporting period covers 1 July 2001-30 June 2002. The table is based on information from Members having submitted semi-annual reports for that period and is incomplete due to missing reports and/or missing information in reports.

^c Does not include exporters subject to only one initiation (see note c in Table III.5 above). The total number of initiations was 309.

309 investigations were initiated during the period. The most active Members during this period, in terms of initiations of anti-dumping investigations, were India (76), the United States (58), Argentina (26), the European Communities (23), Australia and Brazil (16 each), Turkey (15), and Mexico and Peru (11 each). Products exported from China were the subject of the most anti-dumping investigations initiated during the period, (46), followed by products exported from the European Communities or member States (39), Indonesia (15), Korea Rep. of (14), Chinese Taipei (13), Brazil (13) India (12), Japan, Singapore, South Africa, Thailand and United States (11 each) and Russia (10).

As of 30 June 2002, 22 Members reported that they maintained anti-dumping measures (including undertakings) in force. The data are incomplete, since, as indicated in Table III.5, a number of Members failed to report the number, if any, of measures in force. Of the 1189 measures reported to be in force as of 30 June 2002, 22% were maintained by the United States, 18% by the European Communities, 13% by India, and 8% each by South Africa and Canada.²⁵ Other Members reporting measures in force each accounted for 5% or less of the total number of measures in force.

Technical barriers to trade

During 2002, the Committee on Technical Barriers to Trade held three meetings where a number of Members informed it 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 of those measures with the Agreement. 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/26-28).

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 2002 Annual Report, the Working Party has held one formal meeting, in November 2002. The Working Party's main task is to review the notifications and counter-notifications submitted by Members on their state trading activities.

²⁵ These figures have been rounded.

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 CTG 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 CTG 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 30 June 1995, and subsequent new and full notifications are required every third year, also by 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 19 November 2002, the Working Party reviewed 50 notifications:

- 2002 updating notifications of Bulgaria; Chinese Taipei; Czech Republic; Estonia; Georgia; Guatemala; Hong Kong, China; Hungary; Indonesia; Jordan; Liechtenstein; Macao, China; Malta; Mauritius; Nigeria; Pakistan; Panama; Romania; South Africa; Switzerland and Zambia;
- 2001 new and full notifications of Argentina; Bulgaria; Chile; Costa Rica; the European Communities; Georgia; Honduras; Hungary; India; Indonesia; Jordan; Lithuania; Moldova; Nigeria; Norway; Pakistan; Philippines; Poland; Venezuela; and Zambia;
- 2000 updating notifications of Argentina; Costa Rica; the European Communities; Nigeria; Philippines; and Tunisia;
- 1999 updating notifications of Costa Rica; the European Communities; Nigeria; Philippines; and Tunisia;
- 1998 new and full notifications of Canada; Nigeria; Philippines; and Tunisia;
- 1997 updating notifications of the European Communities and Tunisia.

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 CTG 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 end-2003. Consideration of one further request for an extension of the transition period is pending.

At its October 1999 meeting, the CTG began the Article 9 review of the operation of the TRIMs Agreement.

Council for Trade In Services (Regular Session)

The Council for Trade in Services held six formal meetings during 2002. Reports of the meetings are contained in documents *S/C/M/58*, *S/C/M/59*, *S/C/M/60*, *S/C/M/61*, *S/C/M/63* and *S/C/M/64*. The Council also held one special meeting dedicated to the review of air transport under the Annex on Air Transport Services, the report of which is contained in document *S/C/M/62*. The reports of the meetings, as well as the annual report by the Council, contained in document *S/C/16*, should be read in conjunction with this report. During the reporting period, the Council addressed the following matters:

Procedures for the Termination, Reduction and Rectification of Article II (MFN) Exemptions

At its meeting of 5 June 2002, the Council adopted the Procedures for the Termination, Reduction and Rectification of Article II (MFN) Exemptions (document *S/L/106*).

Proposals for a Technical Review of GATS Provisions – Article XX:2

In light of its discussions held at the meeting on 19 March 2002, the Council agreed to focus its consideration of this item on Article XX:2, which was one of the provisions of the GATS which some Members had earlier proposed be the object of a technical review. The Secretariat produced two notes, the first on the drafting history of this provision, *JOB(02)/89* presented in July, and the second a consideration of some practical examples of cases where scheduled commitments might lack clarity, *JOB(02)/153*, discussed in October.

Transitional Review Under Section 18 of the Protocol of Accession of the People's Republic of China

At its meeting held on 25 October 2002 the Council for Trade in Services conducted and concluded the first transitional review under Section 18 of the Protocol of Accession of the People's Republic of China. The Council took note of the report from the Committee on Trade in Financial Services on its review, contained in document *S/FIN/7*, which formed part of the Services Council's report on this matter to the General Council, contained in document *S/C/15*.

Negotiations Under Article X of the GATS (Emergency Safeguards) – Extension of the Deadline for Negotiations

At a special meeting held on 15 March 2002, the Council received a communication from the Chair of the Working Party on GATS Rules proposing to extend the deadline on the negotiations under Article X (Emergency Safeguard Measures). The Council adopted the Fourth Decision on Negotiations on Emergency Safeguard Measures (*S/L/102*), which extended the deadline for negotiations to 15 March 2004.

Other issues addressed by the Council for Trade in Services

At its meeting held on 19 March 2002, 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*. In subsequent meetings the Council decided to re-open the Fourth Protocol to the GATS relating to basic telecommunications for acceptance by Papua New Guinea as well as the Fifth Protocol to the GATS relating to financial services for acceptance by the Republic of Bolivia. At three meetings discussions were held under the item "Implementation of Commitments by the People's Republic of China – Statement by the United States".

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

An important part of the work of the Council for TRIPS in 2002 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, as well as of the reviews of the legislation of newly acceded Members. In 2002, the Council initiated reviews of legislation of China, Chinese Taipei, Moldova, Nigeria, Qatar, and Saint Vincent and the Grenadines. It completed the reviews of the legislation of Albania, Antigua and Barbuda, Barbados, Botswana, Brunei Darussalam, Chinese Taipei, Côte d'Ivoire, Gabon, Ghana, Guyana, India, Lithuania, Malaysia, Namibia, Oman, Sri Lanka, Thailand, Tunisia, the United Arab Emirates and Uruguay. At the end of the year, the completion of 20 reviews initiated in 2001 and 2002 was pending.

At its meeting in September, the Council undertook the review under the transitional review of the implementation by China of its WTO commitments, pursuant to Section 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432), in combination with its normal review of China's TRIPS implementing legislation.

Throughout the year, the Council carried out intensive work relating to the tasks set out in paragraphs 6 and 7 of the Doha Declaration on the TRIPS Agreement and Public Health. This work is described in section I on the Doha Development Agenda above.

Paragraph 18 of the Doha Ministerial Declaration provides 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 this Declaration". The Council had an extensive exchange of views on this matter at its meetings in March and June. From the September meeting, the discussions were based on the Chair's checklist of issues that covered both legal and broader policy issues, as well as possible impacts of extension. The Council received a number of written submissions on the matter. The Secretariat was requested to prepare a compilation of the elements contained in the oral statements and written submissions. The Council received two proposals on further action to be decided by the TNC: one proposing the adoption of guidelines for the negotiations on the matter (JOB(02)/194, subsequently circulated also as TN/C/W/7), and the other suggesting that no further action be taken (IP/C/W/395).

Pursuant to paragraph 19 of the Doha Ministerial Declaration, the Council discussed the review of the provisions of Article 27.3(b), the relationship between the TRIPS Agreement and the Convention on Biological Diversity, and the protection of traditional knowledge and folklore at its meetings in 2002. The Council's work on these items also covered the related outstanding implementation issues. The Council received a number of papers from Members, and the Secretariat prepared three notes, upon a request by the Council, summarizing previous discussions and inputs in the Council relevant to these items. One of them contained a proposal that the Council recommend that the TNC decide that the TRIPS Agreement should be amended to the effect that patent applications must disclose the source of biological resources and traditional knowledge used in inventions, as well as contain evidence of prior informed consent and of fair and equitable benefit sharing (IP/C/W/356). Furthermore, the Council received information from a number of Members on how they had implemented Article 27.3(b), as well updated information from a number of intergovernmental organizations on their activities in relation to these three agenda items.

The Council's work on implementation of Article 66.2 to of the TRIPS Agreement and on non-violation and situation complaints is described in section I on the Doha Development Agenda above.

At each meeting of the TRIPS Council, the item "Other outstanding implementation issues (tires 93 and 94 and proposal by LDCs on their transition period)" was on the Council's agenda. At its meeting in November, the Council received a communication from one Member on these three issues (IP/C/W/394).

The Council again agreed that developed country Members would update the information on their technical and financial cooperation activities pursuant to Article 67 of the Agreement in time for the Council's meeting in September. Other Members who also made available technical cooperation were encouraged to share information on these activities if they so desired. Updated information was also received from a number of intergovernmental organizations observers to the Council, as well as from the WTO Secretariat. Furthermore, at each Council meeting, the WTO and WIPO Secretariats reported on the implementation of their Joint Initiative on Technical Cooperation for Least-Developed Countries launched in June 2001.

Other issues discussed in the TRIPS Council included the review of implementation of the TRIPS Agreement under Article 71.1, electronic commerce, and the review of the application of the provisions of the Section on geographical indications under Article 24.2.

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, which met 23 times during 2002, 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 2002

In the year 2002, the DSB received 37 notifications from Members of formal requests for consultations under the DSU. During this period, the DSB also established panels to deal with 11 new cases and adopted panel and/or Appellate Body reports in 12 cases, concerning 11 distinct matters. In addition, mutually agreed solutions were notified in four cases. One panel suspended its work at the request of the parties, this panel was then subsequently reactivated and in one case 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 2002 until 1 January 2003 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.²⁶

Appellate Body and/or Panel reports adopted

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

This dispute concerns certain measures affecting the automotive sector being applied by India. The European Communities contended that under these measures, imports of complete automobiles and of certain parts and components were subject to a system of non-automatic import licences; also, in accordance with Public Notice No. 60, issued by the Indian Government import licences might be granted only to local joint venture manufacturers that had signed an MoU with the Indian Government, whereby they undertook, *inter alia*, to comply with certain local content and export balancing requirements; and moreover that the measures violated Articles III and XI of GATT 1994, and Article 2 of the TRIMs Agreement.

On 15 May 2000, the United States requested the establishment of a panel. The DSB established a panel at its meeting on 27 July 2000 (WT/DS175). The European Communities, Japan and Korea reserved their third-party rights. On 12 October 2000, the European Communities also requested the establishment of a panel. The DSB established a panel at its meeting of 17 November 2000 (WT/DS146). Pursuant to Article 9.1 of the DSU, the DSB decided that this complaint would be examined by the same panel as that established at the request of the United States. Japan and Korea reserved their third-party rights.

The Panel concluded that India had acted inconsistently with its obligations under Articles III:4 and XI of the GATT 1994 (*for further details on the Panel's findings, see also WTO Annual Report 2002, "Panel reports pending before the Appellate Body", p. 102*). On 21 December 2001, the Panel circulated its report to the Members.

On 31 January 2002, India appealed the Panel Report. In particular, India sought review of the following Panel conclusions on the grounds that they were in error and based upon the erroneous findings on issues of law and related legal instruments: (i) Articles 11 and 19.1 of the DSU required the Panel 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) the enforcement of the export obligations that automobile manufacturers incurred until 1 April 2001 under India's former import licensing scheme was inconsistent with Articles III:4 and XI:1 of the GATT.

²⁶ 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.

On 14 March 2002, India withdrew its appeal. Further to India's withdrawal of its appeal, the Appellate Body issued a short report outlining the procedural history of the case. At the DSB meeting on 5 April 2002, the DSB adopted Appellate Body and Panel reports.

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.

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, the Republic of Korea (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.

The Panel found that the United States had imposed its safeguard measure inconsistently with the GATT 1994 and the Agreement on Safeguards (*for further details on the Panel's findings see also WTO Annual Report 2002, "Panel reports pending before the Appellate Body", p. 101*).

On 29 October 2001, the Panel circulated its report to the Members. 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. The Appellate Body report was circulated to Members on 15 February 2002.

The Appellate Body upheld, albeit for different reasons, the Panel's finding, in paragraph 8.1(7) of the Panel Report, that the United States acted inconsistently with its obligation under Article 12.3 of the *Agreement on Safeguards* by failing to provide an adequate opportunity for prior consultations with Korea, a Member having a substantial interest in exports of line pipe, and with its obligation under Article 8.1 of the *Agreement on Safeguards* to endeavour to maintain a substantially equivalent level of concessions and other obligations. In addition, the Appellate Body upheld the Panel's finding, in paragraph 8.1(5) of the Panel Report, that the United States did not comply with its obligation under Article 9.1 of the *Agreement on Safeguards* that safeguard measures shall not be applied against a product originating in a developing country Member as long as its imports do not exceed the individual and collective thresholds in that provision. However, the Appellate Body reversed the Panel's finding that the United States acted inconsistently with its obligations under Articles 3.1 and 4.2(c) of the *Agreement on Safeguards*, by failing to include in its published report a discrete finding that increased imports had caused serious injury, or that increased imports were threatening to cause serious injury. It also reversed the Panel's findings that the United States was entitled to exclude Canada and Mexico from the scope of the safeguard measure and that Korea had failed to make a prima facie case that the United States had applied the safeguard measure beyond the maximum extent permitted under Article 5.1 of the *Agreement on Safeguards*.

On 8 March 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report.

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

This dispute concerns the imposition by the United States of anti-dumping measures on certain cut-to-length carbon steel plate (steel plate) from India. India argued that these determinations were erroneous and based on deficient procedures contained in various provisions of United States anti-dumping and countervailing duty law. According to India, these determinations and provisions raised questions concerning the obligations of the United States under the GATT 1994, the Anti-Dumping Agreement, the SCM Agreement, and the Agreement establishing the WTO (WTO Agreement). The DSB established a Panel at its meeting of 24 July 2001. Chile, the European Communities and Japan reserved their third-rights.

On 28 June 2002, the Panel circulated its report to Members. The Panel concluded that the United States statutory provisions governing the use of facts available, sections 776(a) and 782(d) and (e) of the Tariff Act of 1930, as amended, were not inconsistent with Articles 6.8 and paragraphs 3, 5, and 7 of Annex II of the Anti-Dumping Agreement. The Panel also concluded that the United States did not act inconsistently with Article 15 of the Anti-Dumping Agreement with respect to India in the anti-dumping investigation underlying this dispute. The Panel also concluded that the "practice" of the United States Department of Commerce concerning the application of "total facts available" was not a measure which could give rise to an independent claim of violation of the Anti-Dumping Agreement, and therefore did not rule on India's claim in this regard. However, the panel found that the United States Department of Commerce's reliance on "facts available" in the investigation underlying the measure in question was inconsistent with Article 6.8 and paragraph 3 of Annex II of the Anti-Dumping Agreement.

At its meeting on 29 July 2002, the DSB adopted the panel report.

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

This dispute concerns two distinct matters: Argentina had claimed that: (a) Chile's Price Band System ("PBS") applicable to imports of wheat, wheat flour, and edible vegetable oils,

was inconsistent with Article II:1(b) of the GATT 1994 and Article 4.2 of the Agreement on Agriculture; and (b) Chile's provisional and definitive safeguards measures on imports of wheat, wheat flour and edible vegetable oils, as well as the extension of those measures, were inconsistent with Article XIX of the GATT 1994 and Articles 2, 3, 4, 5, 6 and 12 of the Agreement on Safeguards. 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.

The Panel found that Chile's PBS is a measure "of the kind which ha[d] been required to be converted into ordinary customs duties", within the meaning of Article 4.2 of the Agreement on Agriculture. Specifically, the Panel found that Chile's PBS is a measure similar to a variable import levy and a minimum import price. The Panel found that, by maintaining a measure which should have been converted, Chile had acted inconsistently with Article 4.2 of the Agreement on Agriculture.

Since it had found that Chile's PBS was a border measure other than an "ordinary customs duty", the Panel concluded that the consistency of the PBS with Article II:1(b) of GATT 1994 could not be assessed under the first sentence of that provision, because that sentence applies only to "ordinary customs duties". The Panel considered that the duties resulting from Chile's PBS ("PBS duties") were "other duties and charges of any kind", thus falling under the second sentence of Article II:1(b). According to that provision, such "other duties or charges" must not exceed the bindings recorded in the respective column of a Member's schedule. Because the PBS duties are not recorded in Chile's schedule, but are nevertheless levied, the Panel found that, in the light of the Understanding on the Interpretation of Article II:1(b) of GATT 1994, Chile had acted inconsistently with the second sentence of Article II:1(b). The report was circulated on 3 May 2002, on 24 June 2002, Chile 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.

On 23 September 2002 the report of the Appellate Body was circulated to WTO Members. As a procedural matter, the Appellate Body found that the Panel acted inconsistently with Article 11 of the DSU in finding that the PBS duties are inconsistent with the second sentence of Article II:1(b) of the GATT 1994, an issue that was not before the Panel, and, therefore, reversed that finding. With respect to Article 4.2 of the Agreement on Agriculture, the Appellate Body: (i) upheld the Panel's finding that Chile's PBS was a border measure that was similar to a variable import levy and a minimum import price; and (ii) upheld the Panel's finding that Chile's PBS was inconsistent with Article 4.2. The Appellate Body, however, reversed the Panel's finding that the term "ordinary customs duties", as used in Article 4.2 of the Agreement on Agriculture, was to be understood as "referring to a customs duty which is not applied on the basis of factors of an exogenous nature", i.e. not based exclusively on the value of a product in the case of *ad valorem* duties or the volume of a product in the case of specific duties. Having found that Chile's PBS is inconsistent with Article 4.2 of the Agreement on Agriculture, the Appellate Body did not find it necessary to rule on whether that system is consistent with the first sentence of Article II:1(b) of GATT 1994.

At its meeting on 23 October 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report.

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

This dispute concerns the imposition by Egypt of anti-dumping measures on steel rebar from Turkey. 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; 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; and also 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 Anti-Dumping Agreement. At its meeting of 20 June 2001, the DSB established a panel. Chile, the European Communities, Japan and the United States reserved their third party rights.

On 8 August 2002, the Panel Report was circulated to WTO Members. The Panel concluded that Egypt acted inconsistently with its obligations under: (a) Article 3.4 of the Anti-Dumping Agreement, in that while it gathered data on all of the factors listed in Article 3.4, the Egyptian investigating authority failed to evaluate all of the factors listed in Article 3.4 as it did not evaluate productivity, actual and potential negative effects on cash flow, employment, wages, and ability to raise capital or investments; and (b) Article 6.8 of the Anti-Dumping Agreement, and paragraph 6 of Annex II thereto, with regard to two of the

Turkish exporters, as the Egyptian investigating authority, having received the information that it had identified to these two respondents as being necessary, nevertheless found that they had failed to provide the necessary information, and further, did not inform these two exporters of this finding and did not give them the required opportunity to provide further explanations before resorting to facts available.

On 1 October 2002, the DSB adopted the Panel Report.

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

This dispute concerns the obligations that Article 21.3 of the Agreement on Subsidies and Countervailing Measures (the “SCM Agreement”) imposes on Members in their conduct of five-year, or “sunset”, reviews of countervailing duties. The European Communities claimed that certain United States laws and practices regarding sunset reviews, as well as their application in a sunset review of countervailing duties on certain carbon steel products from Germany, are inconsistent with United States’ obligations under the SCM Agreement and the WTO Agreement. In particular, the European Communities challenged: the United States’ failure to apply in sunset reviews the same 1% *de minimis* standard that must be applied in original countervailing duty investigations; and the automatic self-initiation of sunset reviews by United States authorities in each and every case. Further, the European Communities claimed that United States law precludes the domestic authorities from making a determination in a sunset review consistent with the requirements of Article 21.3. 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.

In its report circulated to Members on 3 July 2002, the Panel made a number of rulings on the scope of its terms of reference. With respect to the substantive claims, the Panel found the automatic self-initiation of sunset reviews by domestic authorities to be consistent with United States’ obligations under Article 21.3 of the SCM Agreement. Regarding the determination to be made in sunset reviews, the Panel found that United States law, as such, applicable to such determinations was not inconsistent with Article 21.3 of the SCM Agreement, but that the specific determination made in the sunset review of carbon steel products from Germany had violated the requirements of that provision. With respect to the *de minimis* issue, the Panel found that a 1% *de minimis* standard is “implied” in Article 21.3 of the SCM Agreement. The Panel found, therefore, that by failing to apply such a standard, United States law, as such, and as applied in the sunset review of carbon steel products from Germany, was inconsistent with that provision. One member of the Panel issued a dissenting opinion on this issue, concluding instead that no *de minimis* standard applies in sunset reviews. On 30 August 2002, the United States notified its decision to appeal to the Appellate Body certain issues of law covered in the panel report. The United States appealed the Panel’s findings regarding the *de minimis* standard in sunset reviews. The European Communities appealed the Panel’s findings regarding the automatic self-initiation of sunset reviews, and regarding the consistency of United States law, as such, with obligations relating to the determination to be made in sunset reviews. The United States and the European Communities each appealed different aspects of the Panel’s treatment of its terms of reference. However, the Panel’s finding that the application of United States law in the sunset review of carbon steel products from Germany was inconsistent with Article 21.3 of the SCM Agreement was not appealed.

In its report, circulated 28 November 2002, the Appellate Body reversed the Panel’s findings relating to the *de minimis* standard in sunset reviews. The Appellate Body disagreed with the Panel that the *de minimis* standard that applies to original investigations pursuant to Article 11.9 of the SCM Agreement must be “implied” in Article 21.3 of that Agreement, the provision governing sunset reviews. The Appellate Body found no support for such implication in the text of the relevant provisions, read in their context and in the light of the object and purpose of the SCM Agreement. Having found that the *de minimis* standard of Article 11.9 is not applicable in sunset reviews conducted under Article 21.3, the Appellate Body reversed the Panel’s findings that United States law, as such, and, as applied in the sunset review of carbon steel products from Germany, is inconsistent with Article 21.3 by virtue of its failure to apply a 1% *de minimis* standard in sunset reviews. The Appellate Body upheld the Panel’s findings that United States law, as such, and, as applied in the sunset review of carbon steel products from Germany, is consistent with Article 21.3 of the SCM Agreement with respect to the automatic self-initiation of sunset reviews. The Appellate Body agreed with the Panel that, when interpreted in accordance with customary rules of interpretation of public international law, Article 21.3 of the SCM Agreement does not require WTO Members to satisfy any particular evidentiary standard in order to self-initiate such reviews. The Appellate Body also upheld the Panel’s finding with respect to the consistency of United States law, as such, with obligations regarding the determination to be

made in a sunset review. The European Communities' appeal on this issue was, in large part, based upon an assertion that the Panel had failed to make an objective assessment of the matter, as required by Article 11 of the DSU. The Appellate Body, however, found that the Panel acted within the bounds of its discretion in its treatment of this issue and thus saw no reason to disturb the Panel's finding. Finally, the Appellate Body upheld, with respect to each of the appeals relating to jurisdiction, the Panel's interpretation of its terms of reference.

At its meeting of 19 December 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report.

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

This dispute concerns Section 129 of the Uruguay Round Agreements Act which established a procedure by which the United States Administration might obtain advice it requires to determine its response to an adverse WTO panel or Appellate Body report (hereafter "WTO report") concerning United States obligations under the Anti-Dumping Agreement or the SCM Agreement. Section 129 also established a mechanism that permitted the agencies concerned to issue a second determination (hereafter a "section 129 determination"), where such action was appropriate, to respond to the recommendations in a WTO panel or Appellate Body report. At issue in this dispute was the latter mechanism, specifically section 129(c)(1). Canada claimed that section 129(c)(1) had the effect of precluding the United States from implementing adverse WTO reports with respect to what it termed "prior unliquidated entries" (i.e., entries that occurred before end of the reasonable period of time for implementing adverse WTO reports, but remained unliquidated as of that date). At its meeting of 23 August 2001, the DSB established a panel. Chile, European Communities, India and Japan reserved their third-party rights.

In its report circulated on 15 July 2002, the Panel found that section 129(c)(1) only spoke to the treatment of unliquidated entries that occurred *after* the end of the reasonable period of time and was not convinced by Canada's assertion that section 129(c)(1) nevertheless had the effect of precluding the United States from implementing adverse WTO reports with respect to "prior unliquidated entries". Since Canada did not succeed in establishing that section 129(c)(1) had such an effect, the Panel did not consider it necessary to examine whether Canada was correct in arguing that the GATT 1994, the Anti-Dumping Agreement and the SCM Agreement required the United States to implement adverse WTO reports with respect to "prior unliquidated entries". For these reasons, the Panel concluded that Canada had failed to establish that section 129(c)(1) was inconsistent with the GATT 1994, the Anti-Dumping Agreement or the SCM Agreement. Because Canada had failed to establish that section 129(c)(1) is inconsistent with the GATT 1994, the Anti-Dumping Agreement or the SCM Agreement, the Panel did not uphold Canada's additional claim under the WTO Agreement, *viz.*, that the United States had failed to ensure the conformity of its laws with its WTO obligations.

At its meeting on 30 August 2002, the DSB adopted the Panel report.

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

This dispute concerns subsidies which were allegedly being granted to Canada's regional aircraft industry. Brazil claimed that export credits, within the meaning of Item (k) of Annex I to the SCM Agreement, were being provided to Canada's regional aircraft industry by the Export Development Corporation (EDC) and the Canada Account; that loan guarantees, within the meaning of Item (j) of Annex I to the SCM Agreement, were being provided by EDC, Industry Canada, and the Province of Quebec, to support exports of Canada's regional aircraft industry. Brazil took the view that all of the above-mentioned measures were subsidies, within the meaning of Article 1 of the SCM Agreement, since they were financial contributions that confer a benefit. According to Brazil, they were also contingent, in law or in fact, upon export, and constituted, therefore, a violation of Article 3 of the SCM Agreement.

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 *IQ* 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 *IQ* 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 *IQ* 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. (*For a more detailed description of the Panel reports, see also Annual Report 2002, "Panel reports circulated" p. 102*).

The report of the Panel was circulated to WTO Members on 28 January 2002, and was adopted by the DSB at its meeting on 19 February 2002.

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

This dispute concerns the European Communities concerning Regulation (EEC) 2136/89 (the "EC Regulation") which, according to Peru, prevented Peruvian exporters to continue to use the trade description "sardines" for their products. Peru submitted that, according to the relevant Codex Alimentarius standards (STAN 94-181 rev. 1995), the species "*sardinops sagax sagax*" are listed among those species which can be traded as "sardines". Peru, therefore, considered that the above Regulation constituted an unjustifiable barrier to trade, and, hence, in breach of Articles 2 and 12 of the Agreement on Technical Barriers to Trade (TBT Agreement) and Article XI:1 of GATT 1994. In addition, Peru argued that the Regulation was inconsistent with the principle of non-discrimination, and, hence, in breach of Articles I and III of GATT 1994. A panel was established at the DSB meeting of 24 July 2001. Canada, Chile, Colombia, Ecuador, Venezuela and the United States reserved their third-party rights.

The Panel Report was circulated to Members on 29 May 2002. The Panel found that the EC Regulation was inconsistent with Article 2.4 of the TBT Agreement. The Panel held that the European Communities, by not allowing Peruvian sardines to be marketed as "sardines" combined with the name of the country, the name of the geographical area, the name of the species or the common name of the species, did not use the relevant international standard, i.e., Codex Stan 94, as a basis for its technical regulation even though it would be an effective or appropriate means to fulfil the legitimate objectives of consumer protection, market transparency and fair competition.

On 28 June 2002, the European Communities notified its decision to appeal to the Appellate Body certain issues of law covered in the in the Panel report and certain legal interpretations developed by the Panel. On 26 September 2002, the report of the Appellate Body was circulated. The Appellate Body upheld the Panel's finding that the EC Regulation was inconsistent with Article 2.4 of the TBT Agreement because the European Communities did not use the standard developed by the Codex Alimentarius Commission Codex Stan 94 – a relevant international standard – as a basis for the EC Regulation. However, the Appellate Body reversed the Panel's finding that the European Communities had the burden of proving that the relevant international standard is ineffective and inappropriate under Article 2.4 and found, instead, that the burden rests on Peru to prove that the standard was effective and appropriate to fulfil the legitimate objectives pursued by the European Communities through the EC Regulation. In any event, the Panel's ultimate finding was upheld because the Panel also found that Peru had proved that Codex Stan 94 is effective and appropriate to fulfil those objectives. The Appellate Body also made rulings on two procedural issues. First, the Appellate Body found that it was permissible for the European Communities to withdraw its Notice of Appeal and replace it with another one. Second, the Appellate Body confirmed that it could accept and consider *amicus curiae* briefs submitted by private individuals and found, for the first time, that it could accept and consider *amicus curiae* briefs submitted by WTO Members that were not parties to the dispute. Nevertheless, the Appellate Body did not find it necessary to consider the *amicus curiae* briefs submitted, because their contents were not of assistance to them in this appeal.

On 23 October 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report.

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

This dispute concerns the 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 dispute also concerns United States law on expedited and administrative reviews in the context of countervailing measures. As far as the preliminary countervailing duty determination was concerned, Canada considered 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 SCM Agreement and Article VI(3) of GATT 1994. With respect to the preliminary critical circumstances determination, Canada considered 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 considered these measures to be 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 asserted that the United States had failed to ensure that its laws and regulations 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. 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. On 17 December 2001, Japan requested to participate in the proceedings as a third party.

The Panel circulated its report on 27 September 2002. The Panel found that imposition of provisional countervailing measures by the United States was inconsistent with the United States' obligations under Articles 1.1(b), 14, 14(d) SCM Agreement as well as Articles 10 and 17.1(b) of the SCM Agreement, as these provisional measures were imposed on the basis of an inconsistent preliminary determination of the existence of a subsidy. According to the Panel, the United States Department of Commerce's preliminary countervailing duty determination failed to determine the existence and amount of benefit to the producers of the subject merchandise on the basis of the prevailing market conditions in Canada as required by Article 1.1(b) and Article 14 and 14(d) of the SCM Agreement. The Panel also found that the Canadian "stumpage" practices constituted the provision of a good or service by the government which, if conferring a benefit, could be considered as a subsidy. With regard to the preliminary critical circumstances determination, the Panel found that the application of provisional measures in the form of cash deposits or bonds under the Department of Commerce's preliminary critical circumstances determination was inconsistent with Article 20.6 of the SCM Agreement, as this provision did not allow for the retroactive application of provisional measures. In addition, the Panel found that the provisional measures at issue were applied in violation of Article 17.3 and 17.4 SCM Agreement as they were imposed less than 60 days after initiation and covered imports for a period of more than four months. Finally, the Panel found that the United States laws and regulations challenged by Canada on expedited and administrative reviews were not inconsistent with the SCM Agreement as they did not require the executive authority to act in a manner inconsistent with the United States obligations under Articles 19 and 21 of the SCM Agreement concerning expedited and administrative reviews.

The DSB adopted the Panel report at its meeting of 1 November 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 2001, please see Annual Report 2000, p. 69, Annual Report 2001, p. 95 and Annual Report 2002, p. 89.)*

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.

Canada – Measures affecting the importation of milk and the exportation of dairy products, complaints by the United States and New Zealand (WT/DS103 and WT/DS113)

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 regimes for both the importation and exportation of dairy products. 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 modified Canadian measures with Canada’s obligations under the Agreement on Agriculture. The Panel found that Canada continued to act 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 ruled that it did not have a sufficient factual record to enable it to determine whether CEM involved “export subsidies” under the Agreement on Agriculture. *(For more detailed information relating to the implementation of the reports up until December 2001, please see Annual Report 2002, p. 94.)*

On 17 January 2002, a second compliance panel was composed under Article 21.5 of the DSU. On 26 July 2002, the report was circulated to the Members. The Panel concluded that Canada, through the CEM scheme and the continued operation of certain special milk classes, 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) of the Agreement on Agriculture in excess of its quantity commitment levels specified in its Schedule for exports of cheese and “other dairy products”. It also concluded that, in the alternative, Canada had acted inconsistently with its obligations under Article 10.1 of the Agreement on Agriculture and that therefore Canada had acted inconsistently with its obligations under Article 8 of the Agreement on Agriculture. Accordingly, the Panel recommended that the DSB request Canada to bring its dairy products marketing regime into conformity with its obligations in respect of export subsidies under the Agreement on Agriculture.

On 23 September 2002, Canada notified its intention to appeal certain issues of law and legal interpretations developed by the second compliance panel. The report of the Appellate Body on compliance was circulated on 20 December 2002. The Appellate Body upheld the Panel’s finding that the measure at issue – the supply of CEM by Canadian milk producers to Canadian dairy processors – involved export subsidies in the form of “payments” on the export of milk that were “financed by virtue of governmental action” within the meaning of Article 9.1(c) of the Agreement on Agriculture. The Appellate Body reversed the Panel’s interpretation of the rules on burden of proof in Article 10.3 of the Agreement on Agriculture. However, the Appellate Body held that this error did not affect any of the Panel’s other findings under the Agreement on Agriculture. In view of its conclusion under Article 9.1(c) of the Agreement on Agriculture, the Appellate Body declined to rule on the Panel’s alternative finding under Article 10.1 of that Agreement.

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"). 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 and Article 4.11 of the SCM Agreement. 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 Report which was circulated to WTO Members on 20 August 2001, found that the ETI Act (the amended FSC legislation) was also inconsistent with Articles 3.1(a) and 3.2 of the SCM Agreement, with Articles 8 and 10.1 of the Agreement on Agriculture and with Article III:4 of the GATT 1994. 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 had 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. (For a further description of the compliance Panel and Appellate Body reports, see also *WTO Annual Report 2002*, p. 95.)

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. In accordance with the procedural agreement concluded by the parties to the dispute in September 2000 (WT/DS108/12), the Article 22.6 arbitration on the amount of countermeasures and suspension of concessions was automatically reactivated. On 30 August 2002, the Arbitrator's award was circulated. The Arbitrator determined that the suspension by the European Communities of concessions under the GATT 1994 in the form of the imposition of a 100% *ad valorem* charge on imports of certain goods from the United States in a maximum amount of \$4,043 million per year, as described in the European Communities request for authorization to take countermeasures and suspend concessions, would constitute appropriate countermeasures within the meaning of Article 4.10 of the SCM Agreement.

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.)

At the DSB meeting on 18 December 2001, Thailand announced that it had fully implemented the DSB's recommendations. Poland said that it could not accept the way in which Thailand had implemented the DSB's recommendations because it 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 Articles 21 and 22 of the DSU. Pursuant to the understanding, in the event that Poland initiated proceedings under Articles 21.5 and 22 of the DSU, Poland agreed 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 had 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. (For more detailed information relating to implementation of the reports, please see *Annual Report 2002*, p. 96.)

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 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 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. 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. At the DSB meeting on 18 January 2002, the matter was referred to arbitration. *(For more detailed information relating to the implementation of the reports up until 31 January 2002, please see Annual Report 2002, p. 97.)*

On 25 February 2002, the United States submitted to the DSB a status report regarding implementation of the DSB recommendations and rulings. On 27 February 2002, the parties requested the arbitrator to suspend the arbitration proceeding noting that a proposal to repeal the 1916 Act and to terminate cases pending under the Act was being examined by the United States Congress. The parties noted, however, that the arbitration proceeding could be reactivated at the request of either party after 30 June 2002 if no substantial progress had been made in resolving the dispute by then. At the DSB meeting on 17 April 2002, the United States submitted its status report regarding implementation of the DSB recommendations and rulings. The United States stated that a bill had already been introduced to repeal the 1916 Act and terminate some pending cases. While acknowledging the progress made, the European Communities and Japan stressed the necessity for prompt compliance. Japan noted that under its bilateral agreement with the United States, either party could re-activate the arbitration proceedings after 30 June 2002. At the DSB meeting on 22 May 2002, the United States submitted its status report regarding the implementation of the DSB recommendations and rulings. The United States stated that on 23 April 2002 a bill had been introduced in the United States Senate which would repeal the 1916 Act and apply to all pending court cases. At consecutive DSB meetings the European Communities and Japan expressed concern about the lack of progress in this matter and urged the United States to repeal the 1916 Act as soon as possible; they indicated that swift action was imperative to prevent their companies from incurring huge expenses under WTO-inconsistent legislation.

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, recommending that India bring its measures found to be inconsistent with the Anti-Dumping Agreement into conformity with its obligations under that Agreement. *(For a description of the Panel report, see also Annual Report 2001, p. 97; for a description of the Appellate Body report, see Annual Report 2002, p. 81, for more detailed information relating to implementation of the reports up until 31 December 2001, see Annual Report 2002, p. 98.)*

On 8 March 2002, India sought recourse to Article 21.5 of the DSU, stating that there was disagreement as to the existence or consistency with a covered agreement of measures taken to comply with the recommendations and rulings. On 4 April 2002, India requested the establishment of a compliance panel. At the DSB meeting on 17 April 2002, India informed the DSB, that pursuant to an understanding reached between the European Communities and India, it was requesting the withdrawal of the item from the agenda in accordance with Rule 6 of the Rules of Procedure for WTO meetings. The DSB agreed to India's request.

On 7 May 2002, India again requested the establishment of a compliance panel. At the DSB meeting on 22 May 2002, it was agreed that, if possible, the matter would be referred to the original panel. The United States reserved its third-party rights to participate in the proceedings.

The Panel circulated its report to Members on 29 November 2002, the Panel concluded that the European Communities' definitive anti-dumping measure on imports of bed linen from India, based on a re-determination of injury and a recalculation of dumping margins for Indian producers, was not inconsistent with the Anti-Dumping Agreement or the DSU, and

therefore considered that the European Communities had implemented the recommendation of the original Panel, the Appellate Body, and the DSB to bring its measure into conformity with its obligations under the Anti-Dumping Agreement.

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

At the DSB meeting on 5 April 2002, the DSB adopted the Appellate Body and Panel reports. (*For further details on the Panel's findings, see also WTO Annual Report 2002, "Panel reports pending before the Appellate Body, p. 102; for further details of the Appellate Body report, see section "Appellate Body and/or Panel reports adopted" above.*)

On 2 May 2002, India informed the DSB that it would need a reasonable period of time to implement the recommendations and rulings of the DSB and that it was ready to enter into discussions with the European Communities and the United States in this regard.

On 18 July 2002, the parties informed the DSB that they had mutually agreed that the reasonable period of time to implement the recommendations and rulings of the DSB, would be five months, from 5 April 2002 to 5 September 2002.

On 6 November 2002, India informed the DSB that it had fully complied with the recommendations of the DSB in this dispute by issuing Public Notice No. 31 on 19 August 2002 terminating the trade balancing requirement. India also informed that on 4 September 2001, it had removed the indigenization requirement in respect of Public Notice No. 30.

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

At the DSB meeting on 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 Annual Report 2002, p. 82; for details of implementation up until 31 December 2001, see Annual Report 2002, p. 98.*)

The reasonable period of time determined by binding arbitration pursuant to Article 21.3(c) of the DSU expired on 28 February 2002. In view of the concrete action undertaken by Argentina to comply with the DSB recommendations and rulings during the reasonable period of time in this dispute, and in light of the economic problems that Argentina is currently facing, the parties agreed on the following procedures: the parties would pursue their discussions on compliance by Argentina with the DSB recommendations and rulings; and the European Communities would retain the right to make a request for authorization to suspend concessions or other obligations under the DSU at any time after the expiry of the reasonable period of time, but only after completion of proceedings under Article 21.5 DSU. On 25 February 2002, the parties requested the DSB to circulate their agreement on procedures under Articles 21 and 22 of the DSU. On 8 March 2002, the parties notified the DSB of their agreement.

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; for details of implementation up until 31 December 2001, see Annual Report 2002, p. 99.*)

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. On 25 February 2002, the United States submitted a status report regarding implementation of the DSB recommendations and rulings. On 26 February 2002, the parties requested the arbitrator to suspend the arbitration proceeding, while noting that the proceeding could be reactivated at the request of either party after 1 March 2002.

At the DSB meetings throughout 2002, the United States presented status reports where it stated that the United States and the European Communities were committed to finding a

positive and mutually acceptable solution to the dispute and that the United States Administration would continue to engage the United States Congress with a view to settling this dispute as soon as practicable. The European Communities expressed disappointment with the lack of implementation by the United States and urged the United States to take rapid and concrete action to settle this dispute.

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

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 1 February 2002 recommending that the United States bring its measure found to be inconsistent with the TRIPS Agreement into conformity with its WTO obligations. *(For a description of the Panel and Appellate Body reports, see Annual Report 2002, p. 88.)*

At the DSB meeting on 19 February 2002, the United States stated that it needed a reasonable period of time to comply with the rulings and recommendations of the DSB. On 28 March 2002, the United States and the European Communities informed the DSB that they had reached a mutual agreement on the reasonable period of time for the United States to implement the recommendations and rulings of the DSB. The reasonable period of time was due to expire on 31 December 2002, or on the date on which the current session of the United States Congress adjourned, and in no event later than 3 January 2003. On 20 December 2002, the European Communities and the United States informed the DSB that they had mutually agreed to modify the reasonable period of time for the United States to implement the recommendations and rulings of the DSB, so as to expire on 30 June 2003.

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 Annual Report 2002, p. 84; for details of implementation up until 31 December 2001, see Annual Report 2002, p. 100.)*

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 was to be made no later than 19 February 2002. On 19 February 2002, the arbitrator circulated his award. The arbitrator concluded that the reasonable period of time for implementation by the United States of the DSB's recommendations was 15 months from 23 August 2001. Accordingly, this period expired on 23 November 2002.

At the DSB meeting on 1 October 2002, the United States presented its status report regarding the implementation of the recommendations and rulings of the DSB. At the DSB meeting of 28 November 2002, the United States stated that the Department of Commerce had issued a new final determination in the hot-rolled steel anti-dumping duty investigation, which implemented the recommendations and rulings of the DSB with respect to the calculation of anti-dumping margins in that investigation. Regarding the recommendations and rulings of the DSB with respect to the United States anti-dumping statute, the United States stated that the United States Administration was continuing to consult and to work with the United States Congress with a view to resolving this dispute in a mutually satisfactory manner. To that end, the United States was consulting with Japan and had sought its agreement to extend the reasonable period of time in this case to 31 December 2003 or the end of the first session of the next Congress, whichever is earlier. Japan stated that whilst it would probably agree to an extension of the reasonable period of time, it expected the United States to bring its measures into compliance as soon as practicable. Japan also reserved its right to take appropriate action in the event of non-compliance occurring again by the United States. At its meeting on 5 December 2002, the DSB agreed to the request by the United States for an extension of the reasonable period of time for the implementation of the recommendations and rulings of the DSB in this dispute.

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 detailed description of the Panel report, see Annual Report 2002, p. 86.)*

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. At the DSB meeting of 22 May 2002, Argentina announced that on 24 April 2002, the Ministry of Production had enacted Resolution 76/02 revoking the anti-dumping measures at issue in this case. With the publication of this Resolution, Argentina considered that it had now fully implemented the DSB's recommendations and rulings in this dispute. The European Communities welcomed Argentina's prompt implementation in this case.

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

On 8 March 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report recommending that the United States bring the line pipe measure found to be inconsistent with the obligations of the United States under the Agreement on Safeguards and the GATT 1994, into conformity with its obligations under those Agreements. *(For a detailed description of the Panel and Appellate Body reports see section "Appellate Body and/or Panel reports adopted" above.)*

On 29 April 2002, Korea requested the DSB that the "reasonable period of time" be determined by binding arbitration pursuant to Article 21.3(c) of the DSU. On 13 May 2002, Korea requested the Director-General to appoint an arbitrator. The issuance of the award was scheduled for 12 July 2002. By joint letter of 12 July 2002, the parties requested the Arbitrator to delay the issuance of the award until 22 July 2002 in order to allow time for additional bilateral negotiations between the parties. The Arbitrator acceded to the request. Further joint requests for delay were requested and agreed. By letters dated 24 July 2002, the parties informed the Arbitrator that they had reached agreement on the reasonable period of time for compliance in this matter. Accordingly, the Arbitrator did not issue his award and, instead, issued a Report setting out the procedural history of this arbitration.

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

At its meeting on 29 July 2002, the DSB adopted the Panel Report recommending that India bring its disputed measure into conformity with its obligations under the Anti-Dumping Agreement. *(For a description of the Panel report, see section "Appellate Body and/or Panel reports adopted" above.)*

On 1 October 2002, the United States and India informed the DSB that pursuant to Article 21.3(b) of the DSU they had mutually agreed that the reasonable period of time to implement the DSB recommendations and rulings in this dispute shall be five months; from 29 July 2002 to 29 December 2002.

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

At its meeting on 23 October 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report requesting Chile to bring its price band system into conformity with its obligations under the Agreement on Agriculture. *(For a description of the Panel and Appellate Body reports, see section "Appellate Body and/or Panel reports adopted" above.)*

At the DSB meeting of 11 November 2002, Chile stated that it intended to comply with the recommendations and rulings of the DSB. To that end, Chile was engaged in consultations with Argentina to find a mutually satisfactory solution to the dispute. Chile further stated that it would need a reasonable period of time to bring its measures into conformity with the recommendations and rulings of the DSB. On 6 December 2002, Chile informed the DSB, that to date Chile and Argentina had been unable to agree on the length of the reasonable period of time and thus Chile was requesting that the determination of the reasonable period of time be the subject of binding arbitration in accordance with Article 21.3(c) of the DSU. On 16 December 2002, Argentina and Chile informed the DSB that they had agreed to postpone the deadline for the binding arbitration which would now be completed no later than 90 days from the appointment of the arbitrator (instead of 90 days from the date of adoption of the rulings and recommendations of the DSB).

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

On 1 October 2002, the DSB adopted the Panel Report, recommending that Egypt brings its definitive anti-dumping measures on imports of steel rebar from Turkey into conformity with the relevant provisions of the Anti-Dumping Agreement. *(For a description of the Panel report, see section "Appellate Body and/or Panel reports adopted" above.)*

On 14 November 2002, Egypt and Turkey informed the Chairman of the DSB that they had mutually agreed that the reasonable period of time to implement the recommendations and rulings of DSB should not be more than nine months, that is from 1 November 2002 until 31 July 2003.

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

The report of the Panel, recommending that Canada withdraw the disputed subsidies was adopted by the DSB at its meeting on 19 February 2002. *(For a description of the Panel report, see section “Appellate Body and/or Panel reports adopted” above.)*

On 23 May 2002, on the grounds that Canada had failed to implement the recommendations of the DSB within the 90-day time-period granted by the DSB, Brazil requested authorization to suspend concessions pursuant to Article 22.2 of the DSU. Brazil proposed that the suspension of concessions took the form of some or all of the following countermeasures: (i) suspension of its obligations under paragraph 6(a) of Article VI of GATT 1994 to determine the effect of subsidization under EDC Canada Account and EDC Corporate Account programmes; (ii) suspension of application of obligations under the Agreement on Import Licencing Procedures relating to licensing requirement on imports from Canada; and (iii) suspension of tariff concessions and related obligations under GATT 1994 concerning those products in the list attached to Brazil’s communication of 23 May 2002.

At the DSB meeting on 3 June 2002, Brazil and Canada informed the DSB that they had reached an agreement in this matter. Under the terms of the agreement, the parties agreed that it would in no way prejudice the right of Brazil to request authorization to take appropriate countermeasures under Article 4.10 of the SCM Agreement and Article 22.2 of the DSU, nor affect the relevant time periods under the DSU. At the DSB meeting on 24 June 2002, Brazil stated that it was requesting authorization to suspend concessions for an amount of US\$3.36 billion towards Canada as the latter had failed to withdraw its prohibited export subsidies within the time-frame specified by the Panel. Canada disputed Brazil’s right to request authorization from the DSB to suspend concessions. It argued that Brazil had not fulfilled the conditions spelt out in Article 22.2 of the DSU and as such it could not avail itself of Article 22.6 of the DSU. Canada also objected to the countermeasures proposed by Brazil. The DSB referred the matter to arbitration according to Article 22.6 of the DSU and Article 4.11 of the SCM Agreement.

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

On 23 October 2002, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report recommending that the European Communities bring its measure into conformity with its obligations under the TBT Agreement. *(For a description of the Panel and Appellate Body reports, see section “Appellate Body and/or Panel reports adopted” above.)*

At the DSB meeting of 11 November 2002, the European Communities stated that it was working towards implementing the rulings and recommendations of the DSB in a manner consistent with its obligations under WTO rules, in particular, Article 2.4 of the TBT Agreement. However, the European Communities stated that in order to be able to achieve this it would need a reasonable period in which to bring its measures into conformity with its obligations under the TBT Agreement, especially given that implementation would entail the repeal of a statutory measure. To that end, the European Communities was willing to consult with Peru, pursuant to Article 21.3 of the DSU, in order to achieve agreement on the reasonable period of time needed for implementation of the DSB’s rulings and recommendations. On 19 December 2002, Peru and the European Communities informed the DSB that they had agreed that the reasonable period of time for the European Communities to implement the recommendations and rulings of the DSB, would expire on 23 April 2003.

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

The DSB adopted the Panel report at its meeting of 1 November 2002 recommending that United States to bring its measure into conformity with its obligations under the SCM Agreement. *(For a description of the Panel report, see section “Appellate Body and/or Panel reports adopted” above.)*

At the DSB meeting of 28 November 2002, the United States said that the measures at issue in this dispute were no longer in effect and that the provisional cash deposits that Canada challenged had been refunded prior to the circulation of the Panel Report. As such, it was not necessary for the United States to take any further action to comply with the recommendations and rulings of the DSB. Canada dismissed the United States view that no

action was required on its part to implement the recommendations and rulings of the DSB. Canada stated that the methodologies found by the Panel to be plainly illegal in the United States preliminary countervailing duty determination remained unchanged in the final determination.

Panel reports pending before the Appellate Body as of 1 January 2003

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) and by Canada and Mexico (WT/DS234)

This dispute concerns the amendment to the *Tariff Act of 1930* signed into law by the President on 28 October, 2000, entitled the "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 Antidumping Act of 1921 to the "affected domestic producers" for their "qualifying expenses". According to the complainants the Act is inconsistent with the obligations of the United States under several provisions of the GATT, the Anti-Dumping Agreement, the SCM Agreement, and the WTO Agreement. *(For further information regarding the establishment of the Panel, see Annual Report 2002, pp. 105 and 106.)*

On 16 September 2002, the Panel Report was circulated to Members. The Panel concluded that the Act was inconsistent with Articles 5.4, 18.1 and 18.4 of the Anti-Dumping Agreement, Articles 11.4, 32.1 and 32.5 of the SCM Agreement, Articles VI:2 and VI:3 of the GATT 1994, and Article XVI:4 of the WTO Agreement. The Panel rejected the complaining parties' claims that the Act was inconsistent with Articles 8.3 and 15 of the Anti-Dumping Agreement, Articles 4.10, 7.9 and 18.3 of the SCM Agreement, and Article X:3(a) of the GATT 1994. They also rejected Mexico's claim that the Act violated Article 5(b) of the SCM Agreement. The Act is a new and complex measure, applied in a complex legal environment. In concluding that the Act was in violation of the above-mentioned provisions, the Panel had been confronted by sensitive issues regarding the use of subsidies as trade remedies. If Members were of the view that subsidization is a permitted response to unfair trade practices, the Panel suggested that they clarify this matter through negotiation. Pursuant to Article 3.8 of the DSU, the Panel concluded that to the extent that the Act was inconsistent with the provisions of the Anti-Dumping Agreement, the SCM Agreement, and the GATT 1994, the Act nullified or impaired benefits accruing to the complaining parties under those agreements. The Panel recommended that the DSB request the United States to bring the Act into conformity with its obligations under the Anti-Dumping Agreement, the SCM Agreement and the GATT 1994 by repealing the Act.

On 18 October 2002, 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, more particularly, the United States appealed the Panel's conclusion that the Act was inconsistent with Article 18.1 of the Anti-Dumping Agreement and Article 32.1 of the SCM Agreement, and with Article 5.4 of the Anti-Dumping Agreement and Article 11.4 of the SCM Agreement.

Appellate Body reports circulated

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 imposition and continued application by the United States of countervailing duties on a number of products. In particular, the European Communities claimed that the continued imposition and application by the United States of countervailing duties was 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. *(For further information regarding the establishment of the Panel, see Annual Report 2002, p. 104.)*

On 31 July 2002, the Panel Report was circulated to Members. One of the determinations by the United States Department of Commerce was based on the "same person" methodology. The Panel found that such determination was inconsistent with the requirements of the SCM Agreement because, in situations where the state-owned enterprise and the newly privatized firm have the same legal personality, the United States Department of Commerce is prevented from evaluating whether a "benefit" in fact continues to exist

after privatization. The other 11 determinations were based on the “gamma” methodology (which was the subject of the *US – Lead and Bismuth II* Appellate Body Report WT/DS138). The Panel concluded that those determinations were inconsistent with the SCM Agreement because the United States Department of Commerce had not examined whether the privatizations took place at arm’s length and for fair market value and thus had not determined whether the new privatized producers had received any “benefit” from the previous subsidy to the state-owned enterprise. The Panel concluded that privatization at arm’s length and for fair market value always extinguishes any remaining part of a “benefit” previously bestowed to the state-owned enterprise by a non-recurring financial contribution. The Panel further concluded that, since two of those privatizations took place at arms-length and for fair market value, the “benefit[s]” resulting from the subsidy to the previous state trading enterprise were extinguished vis-à-vis the new privatized producer. As regards the consistency of United States internal legislation with WTO obligations, the Panel found that the United States statute was inconsistent with the United States’ WTO obligations because it mandates the United States Department of Commerce to exercise discretion, preventing it from “systematically” (that is, automatically) determining that a privatization at arm’s length and for fair market value extinguishes the “benefit”. In other words, vesting the United States Department of Commerce with discretion in determining the continuing existence of a “benefit” renders the legislation inconsistent with the United States’ WTO obligations.

On 9 September 2002 the United States notified its decision to appeal all the “Conclusions” of the Panel. On 9 December 2002, the Appellate Body Report was circulated to Members. The Appellate Body: (i) upheld the Panel’s findings that the determinations of the United States Department of Commerce in 12 countervailing duty cases were inconsistent with the SCM Agreement because the investigating authority failed to ascertain the continued existence of a “benefit” following privatization of recipients of prior non-recurring financial contributions; (ii) reversed the Panel’s finding that an investigating authority must “systematically” (i.e. automatically) conclude that a “benefit” no longer exists for a firm that has been privatized at arm’s length and for fair market value and (iii) consequently, reversed the Panel’s conclusion that the relevant United States statute was inconsistent with the SCM Agreement and Article XVI:4 of the WTO Agreement as the Panel had based its conclusion on the WTO-consistency of the United States internal legislation on its erroneous finding that an arm’s-length, fair market value privatization necessarily and always prevents the benefit from accruing to the new private firm.

Panels established by the DSB

Mexico – Measures affecting telecommunications services, complaint by the United States (WT/DS204)

This request, dated 13 February 2002, concerns Mexico’s commitments and obligations under the GATS with respect to basic and value-added telecommunications services. According to the United States, since the entry into force of the GATS, Mexico has adopted or maintained anti-competitive and discriminatory regulatory measures, tolerated certain privately-established market access barriers, and failed to take needed regulatory action in Mexico’s basic and value-added telecommunications sectors. The United States considered that the alleged action and inaction on the part of Mexico may be inconsistent with Mexico’s GATS commitments and obligations, including Articles VI, XVI, and XVII; Mexico’s additional commitments under Article XVIII as set forth in the Reference Paper inscribed in Mexico’s Schedule of Specific Commitments, including Sections 1, 2, 3, and 5; and the GATS Annex on Telecommunications, including Sections 4 and 5. In particular, the United States claimed that Mexico’s measures had: (i) failed to ensure that Teléfonos de México (Telmex) provides interconnection to United States cross-border basic telecom suppliers on reasonable rates, terms and conditions; (ii) failed to ensure United States basic telecom suppliers reasonable and non-discriminatory access to, and use of, public telecom networks and services; (iii) did not provide national treatment to United States-owned commercial agencies; and (iv) did not prevent Telmex from engaging in anti-competitive practices.

The DSB established a panel at its meeting on 17 April 2002. Australia, Brazil, Canada, Cuba, the European Communities, Guatemala, Honduras, India, Japan and Nicaragua reserved their third-party rights to participate in the proceedings.

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

This request, dated 6 December 2001, concerns 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 is inconsistent with Articles 2, 3, 4, 5 and 12 of the Agreement on Safeguards, and Article XIX:1 of GATT 1994. 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. On 13 March 2002, Chile informed the Chairman of the DSB that it would like the composition of the panel to go ahead. On 16 April 2002, the parties agreed on the composition of the Panel. On 15 October 2002, the Chair of the Panel informed the DSB that it would not be possible to complete its work in six months due to the schedule agreed with the parties and that the Panel expected to circulate its report at the end of January 2003.

Argentina – Definitive anti-dumping duties on poultry from Brazil, complaint by Brazil (WT/DS241)

This request, dated 25 February 2002, concerns definitive anti-dumping duties imposed by Argentina on imports of poultry from Brazil, classified under Mercosur tariff line 0207.11.00 and 0207.12.00. These measures were adopted by the Ministry of Economy of Argentina in Resolution 574 from 21 July 2000, published in the Argentine Official Gazette on 24 July 2000. Brazil considered that the definitive anti-dumping duties imposed, as well as the investigation conducted by the Argentine authorities might have been flawed and based on erroneous or deficient procedures, inconsistent with Argentina's obligations under Articles 1, 2, 3, 4, 5, 6, 9, 12 and Annex II of the Anti-Dumping Agreement, Article VI of the GATT 1994, and Articles 1 and 7 of the Customs Valuation Agreement.

At its meeting of 17 April 2002, the panel was established. Canada, Chile, the European Communities, Guatemala, Paraguay and the United States reserved their third-party rights. On 18 December 2002, the Chair of the Panel informed the DSB that it would not be possible to complete its work in six months due to the schedule agreed with the parties and that the Panel expected to complete its work by the beginning of April 2003.

United States – Rules of origin for textiles and apparel products, complaint by India (WT/DS243)

This request, dated 7 May 2002, concerns United States rules of origin applicable to imports of textiles and apparel products as set out in Section 334 of the Uruguay Round Agreements Act, Section 405 of the Trade and Development Act of 2000 and the customs regulations implementing these provisions. India argued that, prior to the above-mentioned Section 334, the rule of origin applicable to textiles and apparel products was the "substantial transformation" rule. India considered that Section 334 changed the system by identifying specific processing operations which would confer origin to the various types of textiles and apparel products. In India's view, these changes appear to have been made to protect the United States textiles and clothing industry from import competition. India is of the view that the changes introduced by Section 334 have resulted in extraordinary complex rules under which the criteria that confer origin vary between similar products and processing operations. India argued that the structure of the changes, the circumstances under which they were adopted and their effect on the conditions of competition for textiles and apparel products suggest that they serve trade policy purposes. On those grounds, India questioned the compatibility of those changes with paragraphs (b), (c), (d) and (e) of Article 2 of the Agreement on Rules of Origin.

The DSB established a panel at its meeting on 24 June 2002. Bangladesh, China, the European Communities, Pakistan and the Philippines reserved their third party rights.

United States – Sunset review of anti-dumping duties on corrosion-resistant carbon steel flat products from Japan, complaint by Japan (WT/DS244)

This request, dated 4 April 2002, concerns the final determinations of both the United States Department of Commerce and the United States International Trade Commission in the full sunset review of the anti-dumping duties imposed on imports of corrosion-resistant carbon steel flat products from Japan. These determinations were issued on 2 August 2000 and 21 November 2000, respectively. Japan claimed that the United States statute, regulation and Sunset Policy Bulletin relating to certain aspects of sunset reviews, and/or their application in the sunset review of an anti-dumping measure on corrosion-resistant carbon steel from Japan, were inconsistent with various provisions of the Anti-Dumping Agreement and the GATT 1994. Japan's claims concern, *inter alia*, evidentiary standards applicable to the sunset reviews and cumulation in sunset reviews.

The DSB established a panel at its meeting on 22 May 2002. Brazil, Canada, Chile, the European Communities, India, Korea, Norway and Venezuela reserved third-party rights to participate in the Panel proceedings. On 5 August 2002 Venezuela withdrew as a third party from the panel proceedings. On 9 January 2003, the Chair of the Panel informed the DSB that it would not be possible to complete its work within six months. The Panel expects to complete its work by April 2003.

Japan – Measures affecting the importation of apples, complaint by the United States (WT/DS245)

This request, dated 7 May 2002, concerns restrictions allegedly imposed by Japan on imports of apples from the United States. The United States complaint arose from the maintenance by Japan of quarantine restrictions on apples imported into Japan, which restrictions were said to be necessary to protect against introduction of fire blight. Among the measures the United States complained of, were the prohibition of imported apples from orchards in which any fire blight was detected, the requirement that export orchards be inspected three times yearly for the presence of fire blight and the disqualification of any orchard from exporting to Japan should fire blight be detected within a 500 meter buffer zone surrounding such orchard. The United States claimed that these measures might be inconsistent with the obligations of Japan under Article XI of GATT 1994, various provisions of the SPS Agreement, and Article 14 of the Agreement on Agriculture.

At its meeting on 3 June 2002, the DSB established a panel. Australia, Brazil, Chinese Taipei, the European Communities and New Zealand reserved their third-party rights.

United States – Definitive safeguard measures on imports of certain steel products, complaints by the European Communities (WT/DS248), Japan (WT/DS249), Korea (WT/DS251), China (WT/DS252), Switzerland (WT/DS253), Norway (WT/DS254), New Zealand (WT/DS258) and Brazil (WT/DS259)

This request concerns definitive safeguard measures imposed by the United States in the form of an increase in duties on imports of certain flat steel, hot-rolled bar, cold-finished bar, rebar, certain welded tubular products, carbon and alloy fittings, stainless steel bar, stainless steel rod, tin mill products and stainless steel wire and in the form of a tariff rate quota on imports of slabs effective as of 20 March 2002. The complainants considered that the aforementioned United States measures were in breach, *inter alia*, of United States obligations under the Agreement on Safeguards and GATT 1994, and in particular Articles 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1, 5.2, 7.1 and 9.1 of the Agreement on Safeguards and Articles I:1, XIII and XIX:1 of GATT 1994.

Further to individual requests for the establishment of a panel submitted by the eight complainants, the DSB established a single Panel, pursuant to an agreement between the parties and in accordance with Article 9.1 of the DSU at its meeting of 14 June 2002. The Members which had reserved their third-party rights in the Panels established at the request of these parties were also considered as third parties in the single Panel. Canada, Chinese Taipei, Cuba, Malaysia, Mexico, Thailand, Turkey and Venezuela have reserved their rights to participate in the panel proceedings as a third party.

United States – Equalizing excise tax imposed by Florida on processed orange and grapefruit products, complaint by Brazil (WT/DS250)

This request, dated 16 August 2002, concerns the so-called “Equalizing Excise Tax” imposed by the State of Florida on processed orange and grapefruit products produced from citrus fruit grown outside the United States (Section 601.155 Florida Statutes). Brazil indicated that since 1970, the State of Florida had imposed, pursuant to section 601.155 of the Florida Statutes, an “equalizing excise tax” on processed orange and processed grapefruit products, in amounts determined by the Florida Department of Citrus. However, the statute by its terms – Section 601.155(5), Florida Statutes – exempted from the tax products “produced in whole or in part from citrus fruit grown within the United States.” In the view of Brazil the incidence of this tax on imported processed citrus products and not on domestic products on its face constituted a violation of Articles II:1(a), III.1 and III:2 of GATT 1994. Brazil contended that the impact of the Florida equalizing excise tax had been to provide protection and support to domestic processed citrus products and to restrain the importation of processed citrus products into Florida. Since processed citrus products, principally in the form of frozen concentrated orange juice were among Brazil’s most significant exports to the United States, Brazil was of the view that the restraint on their importation by the State of Florida constituted a nullification and impairment of benefits accruing to Brazil under GATT 1994.

The DSB established a panel at its meeting on 1 October 2002. Chile, the European Communities, Mexico and Paraguay reserved their third party rights to participate in the panel proceedings.

United States – Final countervailing duty determination with respect to certain softwood lumber from Canada, complaint by Canada (WT/DS257)

This request, dated 18 July 2002, concerns the final affirmative countervailing duty determination by the United States Department of Commerce issued on 25 March 2002, with respect to certain softwood lumber from Canada. The measures at issue include the

initiation and conduct of the investigation, the final determination, provision of expedited reviews, and other matters related to these measures. Canada contended that these measures were inconsistent with, and violated United States' obligations under Articles 1, 2, 10, 11, 12, 14, 15, 19, 22 and 32.1 of the SCM Agreement and Articles VI:3 and X:3 of GATT 1994.

On 19 August 2002, Canada requested the withdrawal of its previous request for the establishment of a panel and submitted a new request. In particular, Canada claimed that in initiating the Lumber IV investigation, the United States had violated Articles 10, 11.4 and 32.1 of the SCM Agreement. In all the other claims, the new request corresponded to the previous one (18 July 2002). At its meeting on 1 October 2002, the DSB established a panel. The European Communities, India and Japan reserved their third-party rights to participate in the panel proceedings.

European Communities – Provisional safeguard measures on imports of certain steel products complaint by the United States (WT/DS260)

This request, dated 19 August 2002, concerns the provisional safeguard measures imposed by the European Communities on imports of certain steel products, pursuant to Commission Regulation (EC) No. 560/2002 of 27 March 2002 (OJ L 85/1, 28 March 2002) as well as any amendments thereto or extensions thereof, and any related measures. The United States contended that these measures appear to be inconsistent with European Communities obligations under the provisions of GATT 1994 and of the Agreement on Safeguards, in particular, Articles 2.1, 2.2, 3, 4.1, 4.2, 6 and 12.1 of the Agreement on Safeguards and Article XIX:1(a) of the GATT 1994.

At its meeting on 16 September 2002, the DSB established a panel. Egypt, Japan, Korea and Turkey reserved their third party rights.

Mutually agreed solutions

Argentina – Patent protection for pharmaceuticals and test data protection for agricultural chemicals, complaint by the United States (WT/DS171)

This request concerns: (i) an the alleged absence in Argentina of either patent protection for pharmaceutical products or an effective system for providing exclusive marketing rights in such products; and (ii) Argentina's alleged failure to ensure that changes in its laws, regulations and practice during the transition period provided under Article 65.2 of the TRIPS Agreement do not result in a lesser degree of consistency with the provisions of the TRIPS Agreement.

On 31 May 2002, the United States and Argentina notified the DSB that they had reached an agreement on all of the matters raised by the United States in its requests for consultations regarding this dispute.

Argentina – Certain measures on the protection of patents and test data, complaint by the United States (WT/DS196)

This request concerns Argentina's legal regimes governing patents in Law 24,481 (as amended by Law 24,572), Law 24,603, and Decree 260/96; and data protection in Law 24,766 and Regulation 440/98, and in other related measures. The United States considered that Argentina's legal regimes governing patents and data protection were therefore inconsistent with Argentina's obligations under the TRIPS Agreement, including Articles 27, 28, 31, 34, 39, 50, 62, 65 and 70 of the Agreement.

On 31 May 2002, the United States and Argentina notified the DSB that they had reached an agreement on all of the matters raised by the United States in its requests for consultations regarding this dispute.

Turkey – Certain import procedures for fresh fruit, complaint by Ecuador (WT/DS237)

On 31 August 2001, Ecuador requested consultations with Turkey concerning certain import procedures for fresh fruits and, in particular, bananas. The procedure requires, according to Ecuador, the issuance by the Turkish Ministry of Agriculture of a document, known as "Kontrol Belgesi". Ecuador explained that this procedure is established under the "Communiqué for Standardization in Foreign Trade" published by the Under-Secretariat of Foreign Trade in the Official Journal 24271 of 25 December 2000 (Annex 1 thereof). Ecuador alleged that this procedure, as applied by the Turkish authorities, was a barrier to trade which was inconsistent with the obligations of Turkey under GATT 1994, the Agreement on the Application of Sanitary and Phytosanitary Measures, the Agreement on Import Licensing Procedures, the Agreement on Agriculture and the GATS.

The DSB established a panel at its meeting on 29 July 2002. During the meeting, Ecuador also requested the DSB to suspend the composition of the Panel as the parties were

engaged in consultations to find a mutually satisfactory solution to the dispute between them. On 22 November 2002, the parties to the dispute informed the DSB that they had found a mutually agreed solution to their dispute.

Slovakia – Safeguard Measure on Imports of Sugar, complaint by Poland (WT/DS235)

On 11 July 2001, Poland requested consultations with Slovakia concerning the 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. 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.

On 11 January 2002, the parties notified the DSB that they had 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 requests suspended and reactivated

European Communities – Anti-dumping duties on malleable cast iron tube or pipe fittings from Brazil, complaint by Brazil (WT/DS219)

This request, dated 7 June 2001, concerns European Communities 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 European Communities establishment of the facts was not proper and that its evaluation of these facts was not unbiased and objective, 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 claimed that the European Communities had failed to explore possibilities of constructive remedies, within the meaning of Article 15 of the Anti-Dumping Agreement, before applying the measure. In sum, Brazil considered that the European Communities 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. The Panel was composed on 5 September 2001. 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. On 28 February 2002, both parties requested the Panel to further suspend its work until 5 April 2002 with a view to reaching a mutually agreed solution. The Panel agreed to this request. On 22 April 2002, the Panel resumed its work, in accordance with Brazil's request. On 3 May 2002, the Chairman of the Panel notified the DSB that it would not be possible to complete its work in six months. The Panel expects to complete its work in December 2002.

Panel requests withdrawn

Peru – Tax treatment on certain imported products, complaint by Chile (WT/DS255)

This dispute concerns Peru's tax treatment on imports of fresh fruits, vegetables, fish, milk, tea and other natural products. In particular, Chile explained that before the adoption of Law 27.614, published on 29 December 2001, both the sale in the Peruvian market and the importation into Peru of the products at issue had been exempt from sales tax. Further to the adoption of Law 27.614, the importation into Peru of the products at issue was no longer exempt from sales tax (18%) while the sale of those products in the Peruvian market was still exempt from sales tax. Chile considered that the different tax treatment between domestic and imported products constituted a violation by Peru of its national treatment commitments.

On 13 June 2002, Chile requested the establishment of a panel. On 26 July 2002, Chile requested that its second request for the establishment of a panel be removed from the agenda of the DSB meeting on 29 July 2002. On 25 September 2002, Chile informed the DSB that it was withdrawing this complaint as Peru had repealed Article 2 of Law 27.614 and as a result the disputed measures had disappeared.

Decision adopted by the DSB

On 19 December 2002, the DSB adopted additional procedures for consultations between the Chairperson of the DSB and WTO Members in relation to amendments to the

Table III.7

Requests for consultations¹

Dispute	Complainant	Date of Request
European Communities – Conditions for the Granting of Tariff Preferences to Developing Countries (WT/DS246)	India	12 March 2002
United States – Provisional Anti-Dumping Measure on Imports of Certain Softwood Lumber from Canada (WT/DS247)	Canada	6 March 2002
Turkey – Import Ban on Pet Food from Hungary (WT/DS256)	Hungary	3 May 2002
Uruguay – Tax Treatment on Certain Products (WT/DS261)	Chile	18 June 2002
United States – Sunset Reviews of Anti-Dumping and Countervailing Duties on Certain Steel Products from France and Germany (WT/DS262)	European Communities	25 July 2002
European Communities – Measures Affecting Imports of Wine (WT/DS263)	Argentina	4 September 2002
United States – Final Dumping Determination on Softwood Lumber from Canada (WT/DS264)	Canada	13 September 2002
European Communities – Export Subsidies on Sugar (WT/DS265)	Australia	27 September 2002
European Communities – Export Subsidies on Sugar (WT/DS266)	Brazil	27 September 2002
United States – Subsidies on Upland Cotton (WT/DS267)	Brazil	27 September 2002
United States – Sunset Reviews of Anti-Dumping Measures on Oil Country Tubular Goods from Argentina (WT/DS268)	Argentina	7 October 2002
European Communities – Customs Classification of Frozen Boneless Chicken Cuts (WT/DS269)	Brazil	11 October 2002
Australia – Certain Measures Affecting the Importation of Fresh Fruit and Vegetables (WT/DS270)	Philippines	18 October 2002
Australia – Certain Measures Affecting the Importation of Fresh Pineapple (WT/DS271)	Philippines	18 October 2002
Peru – Provisional Anti-Dumping Duties on Vegetable Oils from Argentina (WT/DS272)	Argentina	21 October 2002
Korea – Measures Affecting Trade in Commercial Vessels (WT/DS273)	European Communities	21 October 2002
United States – Definitive Safeguard Measures on Imports of Certain Steel Products (WT/DS274)	Chinese Taipei	1 November 2002
Venezuela – Import Licensing Measures on Certain Agricultural Products (WT/DS275)	United States	7 November 2002
Canada – Measures Relating to Exports of Wheat and Treatment of Imported Grain (WT/DS276)	United States	17 December 2002
United States – Investigation of the International Trade Commission in Softwood Lumber from Canada (WT/DS277)	Canada	20 December 2002
Chile – Definitive Safeguard Measure on Imports of Fructose (WT/DS278)	Argentina	20 December 2002
India – Import Restrictions Maintained under the Export and Import Policy 2002-2007 (WT/DS279)	European Communities	23 December 2002

¹ These cases appear in order of date requested. More information on these requests can be found on the WTO website. The list does not include those disputes where a panel was established.

Working Procedures for Appellate Review envisaged in Article 17.9 of the DSU. The text of the Decision (WT/DSB/31) is reproduced below:

Additional procedures for consultations between the Chairperson of the DSB and WTO Members in relation to amendments to the working procedures for appellate review

Decision adopted by the Dispute Settlement Body on 19 December 2002.

1. The Chairperson of the Dispute Settlement Body (DSB) shall inform WTO Members at the earliest opportunity when the Appellate Body requests consultations, pursuant

to Article 17.9 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, regarding proposed amendments to the *Working Procedures for Appellate Review*.

2. The Chairperson of the DSB shall inform the Appellate Body that he will seek the views of Members on the proposed amendments and that he will convey any such views to the Appellate Body.

3. The Chairperson of the DSB shall provide Members with an opportunity to comment on the proposed amendments, including in writing. The Chairperson shall place an item on the agenda of an appropriate DSB meeting in which Members can discuss in that context the proposed amendments.

4. The Chairperson of the DSB shall promptly convey to the Appellate Body the views expressed by Members on the proposed amendments and request the Appellate Body to take them into account.

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 TPR 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 2002, the TPRB was chaired by Ambassador Amina Chawahir Mohamed (Kenya).

Under the TPRM, the four largest trading entities (at present, the European Communities, the United States, Japan and Canada) 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.

By the end of 2002, a total of 165 reviews had been conducted, covering 89 WTO Members (counting EU-15 as one), with Canada, the European Union, Japan and the United States having been reviewed six times; two Members (Australia and Hong Kong, China), four times; 10 Members (Brazil, India, Indonesia, the Republic of Korea, Malaysia, Mexico, Norway, Singapore, Switzerland, and Thailand), three times and 33 Members, twice. During 2002, the TPRB carried out reviews of 15 Members: in chronological order, Guatemala; Pakistan; Malawi; Mexico; Slovenia; India; Barbados; European Union; Mauritania; Australia; Dominican Republic; Zambia; Japan; Venezuela; and Hong Kong, China. The Chairperson's concluding remarks for these reviews are included in Annex II. The programme for the year 2003 includes 21 reviews, including Canada for the seventh 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 2002, TPR reviews had covered 16 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

The Committee concluded its consultations with Bangladesh in October 2002. Recognizing Bangladesh's least-developed country status, the Committee approved the maintenance of import restrictions on four remaining product categories until 2009.

X. Committee on Regional Trade Agreements

The rush to conclude regional trade agreements (RTAs), which began to take root over a decade ago, gained further momentum in 2002. Twenty additional RTAs were notified to the WTO, increasing the total number of notified agreements in force as of December 2002 to 177.²⁷ Almost half of the 20 notifications concerned services agreements submitted under the legal cover of GATS Article V. Most WTO Members are now party to at least one RTA and many to several. Only Hong Kong, China; Macao, China; Mongolia and Chinese Taipei are not currently party to any RTA, but it has been reported that some of these Members are already engaged in RTA negotiations. Although European countries are party to over half the RTAs notified to the WTO last year, the upward surge in RTAs was perhaps most strongly felt in the Asia Pacific region, where countries long in favour of multilateral-only liberalization have whole-heartedly embraced the regional option. Japan became the latest RTA convert among WTO Members with the entry into force of its FTA with Singapore in November 2002.

In Europe, where the process of regional integration is long-rooted, RTA activity is increasingly shaped by the eastwards enlargement of the EC to include ten new countries, which is scheduled for May 2004 and will result in a significant consolidation of RTAs within Europe.²⁸ The EC continues to look further afield for its regional partners: it signed an RTA with Chile last year and is negotiating with the Gulf Cooperation Council (GCC) and MERCOSUR. EFTA signed an RTA with Singapore which was scheduled to enter into force in January 2003. In south-eastern Europe, the objective of linking seven countries of the region²⁹ through RTAs progressed smoothly throughout 2002, under the auspices of the Stability Pact, and was nearly complete by the end of the year. In addition, RTAs between Croatia and the EC and EFTA, respectively, and Slovenia with Bosnia and Herzegovina entered into force in 2002.

In the Euro-Mediterranean region, the negotiation of second-generation reciprocal RTAs between the EC and its partners in the Mediterranean and North Africa gathered pace: RTAs with Egypt and Algeria have been signed and are undergoing ratification; an agreement with Lebanon has been concluded, while negotiations with Syria are continuing. The EFTA states concluded an RTA with Jordan which entered into force in 2002 and are negotiating with Algeria, Egypt, the GCC, Lebanon and Tunisia. Jordan, Egypt, Morocco and Tunisia set up the Mediterranean Arab Free Trade Area (MAFTA) last year and the Arab League has launched an initiative, the Greater Arab Free Trade Area (GAFTA), comprising 14 countries, which aims for full liberalization of tariffs by 2005. The longer term goal in the region is the creation of a Euro-Mediterranean Free Trade Area by 2010, which would include some 40 countries.

In the western hemisphere, Canada is negotiating free trade agreements with four Central American countries, EFTA and Singapore and has announced its interest in negotiations with the Andean Community, CARICOM and the Dominican Republic. Following the passage of the Trade Promotion Authority, the United States has completed RTA negotiations with Chile and Singapore and has commenced negotiations with five Central American countries, Morocco, Australia and the Southern African Customs Union (SACU). Chile, whose RTA with Costa Rica (covering goods and services) entered into force in 2002, completed negotiations with the EC in November 2002. Mexico, which is currently party to 13 RTAs, is engaged in negotiations with Ecuador, Japan, Panama, Peru, Singapore, Trinidad and Tobago, MERCOSUR and the Republic of Korea. The timetable for the completion of the Free Trade Area of the Americas (FTAA), which plans to unite 34 countries in the western hemisphere, is scheduled for January 2005, the same date foreseen for completion of the Doha Development Round.

²⁷ These include notifications made under GATT Article XXIV, GATS Article V, and the Enabling Clause; see http://www.wto.org/english/tratop_e/region_e/region_e.htm for a complete list of RTAs notified to the GATT/WTO.

²⁸ For example, as a result of the accession of ten new countries to the EU a total of 65 RTAs currently in force will cease to exist.

²⁹ Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Former Yugoslav Republic of Macedonia, Romania and the Federal Republic of Yugoslavia.

In Asia Pacific, Japan is negotiating RTAs with the Republic of Korea, China and ASEAN and has longer term ambitions with Mexico, Chile, Australia and New Zealand. The Republic of Korea is continuing discussions with Chile and is engaged in discussions with Singapore. Australia has concluded RTA negotiations with Singapore and has launched negotiations with Thailand and the United States. It is also exploring ways to forge closer economic relations with ASEAN and Japan. In November 2002, ASEAN announced its intention to engage in bilateral negotiations with China, Japan and India with the aim of creating free trade agreements. New Zealand is examining the possibility of expanding the New Zealand-Singapore RTA to include Chile, thus creating a Pacific Three, or P3 Agreement. It has also launched negotiations with Hong Kong, China on a closer economic partnership agreement. Singapore recently concluded RTAs with Australia, the EFTA states and the United States and is engaged in discussions with Mexico, Canada and the Republic of Korea. Thailand is negotiating with India and Bahrain, while India, which already has RTAs with Sri Lanka, Nepal and Bhutan, is negotiating an RTA with Bangladesh.

The past year's developments demonstrate that, with very few exceptions, all WTO Members are increasingly zealous in developing networks of preferential partners and that the trend towards the conclusion of cross-regional, bilateral agreements is accelerating. The profusion of RTAs, together with their widening geographic reach, increasingly reflects a departure from traditional economic integration within a geographic region, and the adoption of the RTA-policy option as a means to forge strategic trade relationships at preferential terms with important markets, wherever these are situated. While some Members view their own increasing participation in regional initiatives as providing momentum for their wider multilateral trade objectives, there is clearly evidence of a "band-wagon" effect, with RTAs increasingly being negotiated as a means to protect market access.

WTO Members are allowed to participate in regional initiatives, albeit subject to a number of criteria and procedures.³⁰ The Committee on Regional Trade Agreements (CRTA), the body entrusted with verifying the compliance of RTAs with the relevant WTO provisions, continued its examination of RTAs in 2002. However, the CRTA made no further progress on its mandate of consistency assessment, due to long-standing institutional, political and legal difficulties. Since the establishment of the WTO, Members have been unable to reach consensus on the format, let alone the substance, of the reports on any of the examinations entrusted to the CRTA.³¹

Negotiations launched at the Fourth Ministerial Conference in Doha aim 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. These negotiations are taking place under the auspices of the Negotiating Group on Rules, which reports to the TNC.³²

XI. Committee on Trade and Development

The Committee on Trade and Development (CTD) continued to deal with a large number of topics in 2002, such as technical cooperation and training; notifications regarding market access for developing and least-developed countries under the Generalized System of Preferences (GSP) and notifications regarding regional trade agreements among developing countries; the participation of developing countries in world trade; Sections A, C and D of GATT Article XVIII; Paragraph 51 of the Doha Ministerial Declaration on identifying and debating developmental aspects of the negotiations in order to help achieve the objective of having sustainable development appropriately reflected; the development dimension of electronic commerce; and the International Conference on Financing for Development. 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 seven formal sessions and two informal meetings in 2002. The reports of the 37th to 43rd sessions of the CTD, held in 2002, are contained in documents WT/COMTD/M/37-43. The 2002 Annual Report of the CTD (document WT/COMTD/44) contains a detailed description of the activities dealt with in the Committee.

The issue of special and differential treatment (S&D) was referred to a Special Session of the CTD which was created under the WTO TNC to deal specifically with S&D (see section I on the Doha Development Agenda above) and the issue of small economies was referred to a Dedicated Session of the CTD (see section I on the Doha Development Agenda above).

The issues to which most time was devoted by the Committee in 2002 were issues relating to WTO technical cooperation and training. The Committee discussed the issue of technical assistance and training at almost every meeting. At the beginning of the year, Members discussed a draft Coordinated WTO Secretariat Annual Technical Assistance Plan

³⁰ Contained in GATT Article XXIV, for agreements covering trade in goods, and in GATS Article V, for agreements in the area of trade in services. 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).

³¹ As of October 2002, the CRTA had a total of 125 agreements under examination.

³² See Negotiating Group on Rules in the Doha Development Agenda section.

for 2002. Extensive discussions led to two revisions and at the 39th Session, the Committee agreed that the Secretariat should proceed with the implementation of the 2002 Plan (as presented in WT/COMTD/W/95/Rev.2) while the Committee kept its implementation under review. Members thereafter received regular updates from the Secretariat with respect to the implementation of the Plan, including the results of a Pledging Conference held on 11 March 2002. The Secretariat subsequently invited Member and Observer Governments to submit their technical assistance requests for 2003 which would form the basis for the draft 2003 WTO Technical Assistance Plan. The 2003 Plan was also subject to lengthy discussions and was finally the subject of agreement in November 2002. For the complete action taken, please see the report of the meeting (document WT/COMTD/M/43). See also the second revision of the 2003 Technical Assistance Plan, (documents WT/COMTD/W/104/Rev.2, WT/COMTD/W/104/Add.1/Rev.2, and WT/COMTD/W/104/Add.2)

In the beginning of 2002, the Committee also considered future activities of the WTO Training Institute. Members had already in October 2001 been informed of the activities the Training Institute envisaged for the year 2002. However, the work programme of the Training Institute had been revised in order to take the decisions adopted at the Doha Ministerial Conference and the decisions taken in connection with the adoption of the 2002 budget into account. The activities of the Training Institute were complementary to those in the 2002 Technical Assistance Plan. The Committee received a report on the 2001 activities of the Training Institute and was updated about an advanced training course for government officials on WTO trade negotiations.

In 2002, the Committee received its first report from the WTO Technical Cooperation Audit. The report for the activities carried out in 2001 was contained in document WT/COMTD/W/97 which was before the Committee's 40th Session.

With respect to the issue of market access for developing and least-developed countries the Committee continued to examine a note by the Secretariat entitled "The Generalized System of Preferences: A preliminary analysis of the GSP schemes in the Quad" contained in document WT/COMTD/W/93. The delegations of Japan and Switzerland notified changes to their GSP schemes (WT/COMTD/N/2/Add.11 and WT/COMTD/N/7/Add.1). The Committee took note of the notifications and forwarded their LDC segments to the Sub-Committee on LDCs for substantive consideration and reporting back. The Committee also received a notification regarding a regional trade agreement between India and Sri Lanka (WT/COMTD/N/16). The Committee took note of that notification. The delegation of the United States suggested that an item on notification procedures for regional trade agreements among developing countries notified under the Enabling Clause be added to the agenda of the first meeting of the Committee in 2003.

The CTD has the mandate to keep under continuous review the participation of developing country Members in the multilateral trading system. In order for the Committee to fulfill that part of its Mandate, the Secretariat produced a paper entitled "Participation of the Developing Countries in the Global Trading System" (WT/COMTD/W/100). During the discussion of that document Members requested more detailed country-specific information. In response to that request the Secretariat issued another document containing disaggregated data on trade developments by country to supplement the information on regional trade flows already provided (WT/COMTD/W/100/Add.1).

The Committee began its consideration of GATT Article XVIII as an outstanding implementation issue in April 2002. As the Committee on Balance-of-Payments was considering section B of Article XVIII, the Chairman suggested that it was for the CTD to consider the remaining elements of Article XVIII of the GATT in relation to Paragraph 12 of The Doha Ministerial Declaration (WT/MIN(01)/DEC/1), the Decision on Implementation-Related Issues and Concerns adopted at the Doha Ministerial Conference (WT/MIN(01)/17), and in conjunction with tirit 3 of JOB(01)/152/Rev.1 of 27 October 2001. In the following discussion questions were raised as to the appropriate fora to consider Article XVIII. The Committee asked the Secretariat for information regarding the application of Section C of Article XVIII in the WTO and GATT. That information was circulated in document WT/COMTD/39 and Add.1. However, following informal consultations, the Chairman concluded that there was no objection to dealing with Article XVIII, apart from section B, as an outstanding implementation issue in the regular sessions of the CTD as long as it was without prejudice to work related to Article XVIII carried out elsewhere. The delegation of India drew Members' attention to its earlier proposal on Sections A and C of GATT Article XVIII (WT/GC/W/363). A few delegations stressed the importance of fulfilling the mandate given by Ministers at the Doha Ministerial Conference as reflected in tirit 3 of JOB(01)/152/Rev.1. A few other delegations said that no new information or compelling arguments had been provided to warrant a review of Article XVIII. There was no consensus on the issue and the CTD had to submit its report to the TNC with that conclusion (WT/COMTD/45).

In 2002, the Committee also began its consideration of paragraph 51 of the Doha Ministerial Declaration on identifying and debating developmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected. The delegation of the European Communities suggested a process by which the Secretariat should be requested to prepare a paper identifying and tracking progress on the developmental aspects of the Doha Development Agenda in various WTO bodies. In addition, the delegation of the European Communities also submitted a document entitled "Sustainability Impact Assessment". (WT/COMTD/W/99)

The CTD is one of the four subsidiary bodies to the General Council mandated to work on the issue of electronic commerce (e-commerce). The CTD continued its Work Programme on Electronic Commerce (WT/COMTD/35) in 2002. The delegation of Costa Rica made a presentation of a country experience and a seminar on "Revenue Implications of E-commerce" was held under the auspices of the CTD on 22 April 2002. The Chairman of the seminar, Ambassador Whalen (Ireland) reported both orally and in writing on the seminar to the subsequent meeting of the CTD. Her reports as well as the programme are annexed to the minutes of the 40th Session of the CTD (WT/COMTD/M/40).

The CTD is the WTO focal point for the International Conference on Financing for Development which was held in Monterrey, Mexico on 18-22 March 2002. As the WTO Secretariat had been invited to participate in the preparations for the Conference, as representing one of the major institutional stakeholders of the process, the Secretariat informed Members about that preparatory process and later reported on the Conference itself.

The Joint Advisory Group on the International Trade Centre UNCTAD/WTO (JAG) held its 35th Session on 15-19 April 2002. The report on that meeting was contained in document ITC/AG/(XXXV)/191 of 6 May 2002. The Chairman of the JAG, presented the report of that meeting to the Committee. The Committee took note of the report and forwarded it to the General Council for adoption while agreeing that the Committee would report on its discussion when the JAG Report was before the General Council.

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). Five meetings of the Sub-Committee were held in 2002, with Ambassador Simon Fuller (United Kingdom) chairing the first meeting of the year and Ambassador Johan Molander (Sweden) chairing the remainder.

As mandated in paragraph 42 of the Doha Ministerial Declaration, the Sub-Committee adopted the WTO Work Programme for the LDCs,³³ on 12 February 2002. The Work Programme adopted was reported to the General Council, at its first meeting in 2002. Implementation of the WTO Work Programme for LDCs is the priority guiding current work in the Sub-Committee.

The WTO Work Programme for LDCs focuses on the following issues: market access for LDCs; trade-related technical assistance and capacity building initiatives for LDCs; providing, as appropriate, support to agencies assisting with the diversification of LDCs' production and export base; mainstreaming, as appropriate, into the WTO's work, the trade-related elements of the LDC-III Programme of Action; participation of LDCs in the multilateral trading system; accession of LDCs to the WTO; and follow-up to WTO Ministerial Declaration and Decisions.

In 2002, Members have been considering the various elements of the Work Programme, focusing on a few issues at each session of the Sub-Committee.

Market Access

As part of the WTO Work Programme for LDCs, the Secretariat prepared a report on Market Access Issues for LDCs.³⁴ The report outlined the initiatives and announcements, made on an autonomous basis, by several WTO Members to improve market access for LDCs. It also examined some of the tariff and non-tariff barriers facing LDCs' exports. Since the last Ministerial Conference in Doha, there has been some new impetus and initiatives to accord "duty-free and quota-free" access for LDCs' exports. Improvements in market access for LDCs were notified to the WTO and discussed in the Sub-Committee.

Trade-Related Technical Assistance and Capacity Building Initiatives for LDCs

Members were briefed on the priority attached to LDCs in the WTO Annual Technical Assistance Plan for 2002, and the proposed plan for 2003.³⁵ In 2002, 70 national activities were planned for implementation in LDCs. In the 2003 TA Plan, the number of national activities programmed for LDCs had been increased to 115. The number of regional activities for LDCs was also set to increase to 150, compared to approximately 80 in 2002. LDCs continued to benefit from the Training Institute with its increased intake of LDCs in the

³³ WT/COMTD/LDC/11.

³⁴ WT/COMTD/LDC/W/28 and TN/MA/S/7.

³⁵ The WTO Annual Technical Assistance Plan for 2002 is contained in WT/COMTD/W/95/Rev.3 and the plan for 2003 is in document WT/COMTD/W/104/Rev.1 and Add.1.

regular Trade Policy Courses and also the three-week courses specifically for LDCs. WTO Reference Centres had been established in most LDCs, and the upgrading of these Centres would now be undertaken.

Periodic status reports were also made on the implementation of the IF. Following its application in a pilot phase to three LDCs: Cambodia, Madagascar and Mauritania, the IF had been extended to a further 11 LDCs in 2002.

While the WTO can make some contributions, it cannot on its own meet the full complexity of the challenges facing LDCs' trade development. Cooperation with other multilateral, regional and bilateral development partners, assumes importance. In 2002, the Deputy-Executive Director of the International Trade Centre (ITC) was invited to brief the Sub-Committee on the assistance provided by the ITC in the diversification of LDCs' production and export base. As a subsidiary body of the WTO, the budgetary contribution made by the WTO to the ITC was noted.

LDCs' Accession to the WTO

Progress has been made in the area of LDCs' accession. The Sub-Committee considered this item twice formally and twice informally in 2002. In accordance with the mandate contained in paragraphs 9 and 42 of the Doha Ministerial Declaration, and paragraph 18 of the WTO Work Programme on LDCs, the Sub-Committee, forwarded guidelines to facilitate and accelerate LDC accession negotiations, that were adopted by the General Council on 10 December 2002.³⁶

The provision of technical assistance to acceding LDCs has also been the focus of priority attention. Between 1998-2002, over 300 activities were carried out by the WTO Secretariat to assist acceding LDCs. In July 2002, the WTO Secretariat organized the first WTO Seminar on Accessions, in Geneva. The Seminar was held back-to-back with a meeting of the Sub-Committee to facilitate the participation of all acceding LDCs including those that are not resident in Geneva. Chairpersons of Working Parties and acceding LDCs were invited to brief Members on progress made in the accession Working Parties. A Note on the state of play of LDCs accession working parties and technical assistance provided by the WTO to acceding LDCs was considered by Members.³⁷

Participation of LDCs in the Multilateral Trading System

Recent trends in LDCs' trade indicate their limited participation in global trade. These trends and the specific initiatives undertaken to enhance the participation of LDCs in the multilateral trading system were outlined in a Secretariat document considered by the Sub-Committee.³⁸ Initiatives that have been undertaken by the WTO Secretariat to enhance LDCs' participation include an increase in the number of WTO Trade Policy Courses, initiatives in favour of Non-Residents such as the Geneva Week, information technology support, the Diagnostic Trade Integration Studies of the Integrated Framework, and increasing the participation of LDCs in international standard setting bodies. Initiatives have also been taken to increase the number of Trade Policy Reviews of LDCs, and to interface WTO technical cooperation with WTO Trade Policy Reviews. The Secretariat also services informal meetings of the LDCs' Consultative Group.

XII. Committee on Trade and Environment

See section I on the Doha Development Agenda in Part I above for CTE activities in 2002.

XIII. Committee on Budget, Finance and Administration

In 2002, as part of its on-going responsibilities, the Committee on Budget, Finance and Administration (BFA), continued to monitor the financial and budgetary situation of the Organization. It formulated recommendations to the General Council on assessment to the budget and advance to the Working Capital Fund. It considered elements related to personnel management and heard progress reports on the WTO Pension Plan as well as other issues.

Major areas of activities

As requested by the Members in 2001, the Committee undertook an examination on staffing matters including: (i) recruitment policy under Staff Regulations 3.1, (ii) internal staff mobility policy, and (iii) promotion policy.

³⁶ WT/L/508.

³⁷ WT/COMTD/LDC/W/27 and WT/ACC/12.

³⁸ WT/COMTD/LDC/W/26.

The Committee examined the report (WT/BFA/W/69) on the strategic organization review of the organization. At the request of a number of Members, the Committee discussed the implementation of result-based management in the WTO both formally and informally. The Committee will continue the discussion in 2003.

The Director-General's conditions of service had not been reviewed since the package was originally agreed in 1993. After consultation with Members, it was proposed that Members consider an adjustment to take account of inflation in Geneva since 1993. The General Council was informed on and agreed to the proposed new package (WT/GC/M/76).

The Committee also discussed and/or was informed about the following points in the various meetings: (i) preliminary budget outline of the International Trade Centre UNCTAD/WTO for 2003, (ii) situation of contributions for the Doha Development Agenda Global Trust Fund (DDAGTF), and (iii) WTO building facilities.

On 12 December 2002, the General Council approved the 2003 budget, and the recommendation on a review of methodologies for future pay adjustments as submitted by the Committee. The BFA Committee shall therefore undertake a review of the methodologies for future pay adjustments and transmit its recommendations to the General Council by 31 March 2003.

Reports of the meetings can be found in WT/BFA/57, WT/BFA/58, WT/BFA/59 and WT/BFA/60.

XIV. 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. Albania, Bulgaria, Estonia, Georgia, Jordan, the Kyrgyz Republic, Latvia, Moldova, Panama, Chinese Taipei and Slovenia are currently negotiating their accession to the Agreement.

Since February 1997, the Committee on Government Procurement 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 2002 on the basis of an informal note comparing the numerous draft texts proposed by various Parties for modifications to the Articles of the Agreement. The relevant work has been pursued in accordance with a timetable and work programme agreed by the Committee at the February 2002 meeting which aims to have provisional agreement on the revised text of the Agreement by the 5th Ministerial Conference and to conclude the negotiations on the expansion of the coverage and the elimination of discriminatory measures and practices by 1 January 2005. 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: modifications to the Appendices to the Agreement, statistical reports and notifications of threshold figures in national currencies.

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, Macao, 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 are 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 2002, the Committee adopted a decision on *Procedures For The Circulation And Derestriction of Documents Under The Agreement On Trade In Civil Aircraft (TCA/8)*, aligning the procedures concerning circulation and derestriction of Committee documents with those applicable to other WTO documents. The Committee also 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 2002, the Committee also discussed, *inter alia*, "end-use" customs administration, including a revised proposal by one Signatory concerning the definition of "civil" vs. "military" aircraft based on initial certification; interim duty-free treatment of aircraft ground maintenance simulators; statistical reporting of trade data; the Convention on International Interests in Mobile Equipment and the Protocol on Matters Specific to Aircraft Equipment. The following items were raised under "other business": Matters relating to Article 4.4; Matters relating to Article 4: procurement of commercial aircraft by the US armed forces; EU support for the A400M; Matters relating to Articles 4 and 6: government support for Airbus.

PART II

I. Technical cooperation

See Section on the Doha Development Agenda in Part I above for technical cooperation activities in 2002.

II. Training activities

In the period under review, WTO training activities picked up considerable momentum and increased from three to 17 courses.

The WTO Secretariat organized four regular three-month Trade Policy Courses – three in English and one in Spanish –, two three-week Introduction Courses for LDCs – one in English and another in French, three one-week Dispute Settlement Courses, and three one-day Induction Courses. All these courses were held in Geneva and all but the dispute-settlement workshops and the induction courses were primarily intended for developing and/or 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. The dispute-settlement workshops were open to all WTO Members and the induction courses were open to WTO delegations, IGO Secretariat officials, NGOs and WTO staff and interns. The participants in the regular and LDCs courses are financed by WTO fellowship awards covering expenses for the duration of the course.

In addition, a special two-week course was held in April jointly with the Commonwealth Secretariat for six officials from Commonwealth developing countries who had just completed the regular three-month course that had run since January.

Over the period July to October 2002, the WTO conducted for the first time outside Geneva, two three-month Trade Policy Courses in Africa. These were organized in English jointly with the University of Nairobi at the Kenya Commercial Bank's Training Centre in Karen, Kenya, and in French with the "Institut Supérieur de Commerce et d'Administration d'Entreprise (ISCAE)" in Casablanca, Morocco. Fifty government officials from 48 countries participated in the courses.

In implementing its broad mandate the WTO also offered a new specialized pilot-course on trade negotiations skills in cooperation with the Graduate Institute of International Affairs and GIAN for targeted participants.

The WTO also conducted an Internet-based pilot-course on the WTO and its basic principles and organized a programme of training for trainers for secretariat officials involved in the delivery of technical assistance and training activities. It also continued to further develop the network of relations with the academic world, in particular in curriculum development and provision of relevant documentation.

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 training activities of the WTO have been articulated around a common concept of training with a view to offering beneficiaries a set of complementary courses. 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

Relations with non-governmental organizations/civil society

The WTO's relations with civil society continued to evolve in 2002 with numerous activities and exchanges focusing on specific aspects related to the Doha Development Agenda and negotiations. Relations with Non-Governmental Organizations (NGOs) are specified in Article V:2 of the Marrakesh Agreement establishing the WTO and were further

elaborated in a set of guidelines (WT/L/162) adopted by the General Council in July 1996. The guidelines "recognize the role NGOs can play to increase the awareness of the public in respect of WTO activities". A major step toward this aim was taken in May 2002 when the General Council agreed to expedite the release of WTO documents to the public (WT/L/452).

While members of civil society and NGO representatives are in daily contact with the WTO Secretariat and WTO Members, they also attend WTO Ministerial Conferences and participate in issue-specific symposia. Briefings on the various meetings of WTO Councils and Committees also are organized regularly for Geneva-based representatives. The WTO Secretariat receives a large and increasing number of requests from NGOs from all over the world and the WTO's Director-General and Secretariat staff regularly meet representatives from NGOs. The WTO Secretariat also participates in major meetings where subjects of interest to civil society are discussed.

Since the adoption of the 1996 guidelines, the WTO Secretariat has enhanced its dialogue with civil society. In the run-up to the Doha Ministerial Conference in 2001, several new activities involving NGOs were proposed and agreed to by WTO Members (WT/INF/30). In 2002 the WTO Secretariat increased the number of NGO briefings and reports on all major WTO meetings and began listing the briefing schedules on its website. NGOs are also regularly invited to the WTO to present their recent policy research and analysis directly to Members.

A monthly list of NGO position papers received by the Secretariat is compiled and circulated for the information of WTO Members and a monthly electronic news bulletin is available to NGOs, facilitating access to publicly available WTO information. Bulletin 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 decided by the General Council: (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 can be found on the WTO website.

Symposia

Recent public symposia at the WTO (1999, 2001 and 2002) have provided civil society with opportunities to engage with government officials, academics and other civil society representatives. They have shown that governments and civil society can have open and constructive dialogues on issues where differences exist, but where possible solutions can also be identified and discussed. In 2002 a three-day symposium with some 700 participants was held at the WTO. Entitled "The Doha Development Agenda and Beyond", the symposium featured WTO organized work sessions as well as sessions organized by NGOs on topics of their choice. Market access issues, development opportunities, trade and the environment were discussed as well as the new issues in the trading system and the role of parliamentarians in the WTO. NGO organized events focused on globalization and trade, food security, e-commerce and development, the services negotiations, relations between IGOs and civil society, geographical indications and on WTO internal transparency and decision-making processes. During the event some 16 different work sessions took place. Another symposium on trade, the environment and development is planned for June 2003.

Cooperation with other international organizations

The WTO has an active working relationship with other international inter-governmental organizations and especially those involved with trade-related subjects. The WTO cooperates and coordinates with the UN and some of its agencies, with the Bretton Woods institutions and with other international and regional bodies.

In its efforts to further the development dimension of trade, the WTO works closely with the UN Conference on Trade and Development (UNCTAD). A major focus of joint work concerns capacity building and providing technical assistance to developing countries and particularly least-developed countries. UNCTAD is a major partner in the Integrated Framework for Technical Assistance Programme (IF) and the Joint Integrated Technical Assistance Programme (JITAP). Many inter-regional meeting and training activities are organized to assist developing country representatives learn more about WTO trade issues

and negotiations. Such activities are sponsored either by the WTO or UNCTAD, financed by WTO Members and involve staff from both organizations.

The WTO remains a key player in various activities organized by the UN agencies and other inter-governmental organizations. It was actively involved in the UN's International Conference on Financing for Development held in Monterrey in March 2002 and the World Summit on Sustainable Development in Johannesburg in September 2002. The WTO is also active in a high-level UN coordination committee established to monitor the progress of various UN agencies toward achieving the UN's Millennium Goals.

As many as 76 inter-governmental organizations had observer status in the WTO's 4th Ministerial Conference in Doha, Qatar and many have observer status in one or more bodies (see Table III.8 below).

ITC – UNCTAD/WTO

The WTO and UNCTAD serve as the parent body of the International Trade Centre (ITC), the technical cooperation agency for operational, enterprise-oriented aspects of trade development. ITC supports developing and transition economies, and particularly their business sector, in their efforts to realize their full potential for developing exports and improving import operations. ITC's technical assistance concentrates on the three issues for which it believes the need for national capacity-building is most critical: helping businesses understand WTO rules, strengthening enterprise competitiveness and developing new trade promotion strategies.

As a follow up to the Doha Ministerial Declaration which calls for enhancing and rationalizing technical assistance activities, the JITAP's three stakeholders – the UN, UNCTAD and the ITC, discussed the progress of work regarding technical assistance in eight African countries. At the JITAP management meeting at the WTO in September 2002, the programme was evaluated and was described as "probably the most high-profile technical assistance programme in the world." The evaluation recommended the extension and expansion of JITAP and the agencies are now working on putting together a programme document for a new phase to commence in January 2003 to cover a larger number of countries in Africa.

Also in September 2002, WTO Director-General Dr Supachai Panitchpakdi participated in the opening session of the ITC's Executive Forum session in Montreux, Switzerland entitled "Managing Competitive Advantage: The Values of National Strategy." Co-organized with the Swiss State Secretariat for Economic Affairs, the forum attracted 26 national teams from developing and transition countries to debate "best practice" ideas and new approaches for fostering export success.

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 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.

In 2002, the incoming Director-General met separately with the Managing Director of the IMF and the President of the World Bank. Discussions involved the support of the Bank and the Fund for the Working Group on Trade, Debt and Finance and intensified efforts with respect to trade-related capacity-building.

Regular staff contacts aim to ensure consistency of IMF policy advice with WTO rules and staff attend each other's meetings in an observer capacity. In the course of the year, WTO staff organized a number of Geneva-based seminars for WTO Members (including on Market Access, Services, Customs Valuation, Government Procurement) with participation by staff from both the Bank and the Fund. The IMF's Committee on Liaison with the WTO met twice in 2002; Executive Directors welcomed the increasing focus by the Fund on trade issues in Article IV consultations and the staff paper on "Market Access for Developing Country Exports".

Cooperation at the staff level extends to many areas of the WTO, including surveillance activities and especially technical assistance. The Fund and the Bank are committed to provide trade-related technical assistance in support of the Doha Development Agenda. The World Bank has set up a Trade Department to integrate trade-related research and operations in support of its work on mainstreaming trade through the PRSPs and the Integrated Framework. The Bank contributed resources to the new WTO Regional Trade Policy

Courses in Africa and provided initial financing for a new Standards and Trade Development Facility, aimed at SPS-related capacity building. In cooperation with the WTO Training Institute, the World Bank Institute continued its video-conferencing training programme on the legal aspects of international trade.

Table III.8

International intergovernmental organizations – Observer status in the WTO, as at 30 January 2003

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 the table. Also not listed are the Textiles Monitoring Body, which has no international intergovernmental organization observers, and 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.

International intergovernmental organizations with universal representation are in italics. An "X" indicates observer status; a "P" indicates that consideration of the request for observer status is pending.

Table III.8 (A): Explanatory Note

The bodies listed in this table 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 III.8 (A)

International intergovernmental organizations – 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	<i>United Nations</i>	X		X	X	X								X	X						X	X	X	X
CBD	<i>Convention on Biological Diversity</i>					P				P	P				X				P					X
CITES	<i>Convention on International Trade in Endangered Species</i>														X									
IPPC	<i>FAO International Plant Protection Convention</i>										X													
Codex	<i>FAO/WHO Joint Codex Alimentarius Commission</i>										X								X					
FAO	<i>Food & Agriculture Organization of the United Nations</i>	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
ITU ¹	<i>International Telecommunication Union</i>		P		X																			
UNAIDS	<i>Joint United Nations Programmes on HIV/AIDS</i>																							
	<i>Montreal Protocol on Substances that Deplete the Ozone Layer</i>														P							X	X	X
CSD	<i>United Nations Commission for Sustainable Development</i>														X									
UNCTAD	<i>United Nations Conference on Trade & Development</i>	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
UNDP	<i>United Nations Development Programme</i>		P											X	X									
ECA	<i>United Nations Economic Commission for Africa</i>													X								X	X	X

Table III.8 (A) (continued)

International intergovernmental organizations – 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
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								³	X							X	X	
Other organizations:																								
ACP	African, Caribbean & Pacific Group of States	P		P	P		⁷	⁷	⁷	P	³	X		X	X	X	P	X	⁸	P	X	X	X	
OAPI	African Intellectual Property Organization					P																		
ARIPO	African Regional Industrial Property Organization					P																		
AU	African Union	P		P										P	³									
	ANDEAN Community													X								X	X	X
AAAIID	Arab Authority Agricultural Investment and Development									P														
AMU	Arab Maghreb Union	P		P	P									P	³									
AMF	Arab Monetary Fund	P		P	P																	X	X	
ATFP	Arab Trade Financing Program	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
CAEMC	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	Conference of Ministers of Agriculture of West and Central Africa					P																		

Table III.8 (A) (continued)

International intergovernmental organizations – 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
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													³										
ECO	Economic Cooperation Organization	P											P	³										
EBRD	European Bank for Reconstruction & Development	P	X	P	P							X	P									X	X	
EFTA	European Free Trade Association	P	X	P	P	P					³	X	X	X	X			X	⁸			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	³													
IAIGC	Inter-Arab Investment Guarantee Cooperation													³						P				
ICAO	International Civil Aviation Organization					⁵																		
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																		⁸					
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								³	⁹					P				
SELA	Latin American Economic System	P		P	P	P				P	³		P	X	X	P				P		X	X	X
ALADI	Latin American Integration Association												³	X					⁸			X	X	X
LAS	League of Arab States	P		P	P								P	P	P							X		
OIF	Organisation Internationale de la Francophonie														P									
OAS	Organization of American States	P		P	P	P							X	X								X	X	X
OECD	Organization for Economic Cooperation & Development	X	X	X	P ¹⁰	X	¹¹	¹¹	¹¹	X	³	X	P	X	X			X	X	X		X	X	X

Table III.8 (A) (continued)

International intergovernmental organizations – 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	
OIC	Organization of the Islamic Conference	P	P	P	P	P							P	³	P								X		
OPEC	Organization of the Petroleum Exporting Countries													P	P										
OIRSA	Regional International Organization for Plant Protection and Animal Health											³													
SIECA	Secretariat of the Central American Economic Integration	P		P	P	P								X								X	X	X	
	South Centre	P		P	P	P				P				³											
SPF	South Pacific Forum	P								P				³	X										
SEAFDEC	Southeast Asian Fisheries Development Centre																								
SADC	Southern African Development Community				P	P							P	X											
UPU	Universal Postal Union					P																			
WAEMU	Western African Economic & Monetary Union	P											P	³		P									
WCO	World Customs Organization	P		X		X									X	X		X			X	X			
WTO	World Tourism Organization					⁵																			

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 pending the outcome of the horizontal process.

⁸ The Committee agreed to grant *ad hoc* observer status pending further decisions.

⁹ The Committee agreed to grant *ad hoc* observer status.

¹⁰ The Council had agreed to grant observer status to the OECD for its Special Sessions on Telecommunications Services on 25 June 1999.

¹¹ 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.

Table III.8 (B): Explanatory Note

This table 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; the Interaction between Trade and Competition Policy; Trade, Debt and Finance; Trade and Transfer of Technology.

Table III.8 (B)

International intergovernmental organizations – 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	Working Group on Trade, Debt and Finance	Working Group on Trade and Transfer of Technology
UN bodies and specialized agencies:										
UN	United Nations	X	X	X	X	¹			X	
FAO	Food and Agricultural Organization								X	
UNCITRAL	United Nations Commission on International Trade Law					X				
UNCTAD	United Nations Conference on Trade and Development	X	X	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			P
WIPO	World Intellectual Property Organization								X	
Other Organizations:										
ACP	African, Caribbean & Pacific Group of States	X		X						
AU	African Union							P		
	Energy Charter Conference							P		
GOIC	Gulf Organization for Industrial Consulting							P		
IAIS	International Association of Insurance Supervisors	P		P						
SELA	Latin American Economic System					P ³		P ⁴		
OAS	Organization of American States							P		
OECD	Organization for Economic Cooperation and Development	X	X	X	X	P ³	²	X	X	
OIC	Organization of the Islamic Conference South Centre					P	P	P		
							P	P		
UPU	Universal Postal Union				P					

¹ The UNCITRAL, listed below, represents the UN.

² The Working Group agreed to grant *ad hoc* observer status.

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.

Table III.8 (C): Explanatory Note

Information for the Committees under the Plurilateral Trade Agreements is provided in this table, 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 III.8 (C)

International intergovernmental organizations – Observer Status in Committees under the Plurilateral Trade Agreements*(See Explanatory Note)*

		GPA	TCA	ITA
UN bodies and specialized agencies:				
<i>UNCTAD</i>	<i>United Nations Conference on Trade and Development</i>	X	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.

Table III.9

International intergovernmental organizations having observer status in the Fourth Ministerial Conference

Advisory Centre on WTO Law	Inter-Parliamentary Union (IPU)
African, Caribbean and Pacific Group of States (ACP)	Islamic Development Bank (IsDB)
Andean Community	Joint United Nations Programme on HIV/AIDS (UNAIDS)
Arab Authority for Agricultural Investment and Development (AAAD)	Latin American Economic System (SELA)
Arab Monetary Fund (AMF)	Latin American Integration Association (ALADI)
Asian Development Bank (ADB)	Latin American Organization for Fisheries Development (OLDEPESCA)
Association of South East Asian Nations (ASEAN)	Office International des Epizooties (OIE)
Caribbean Community Secretariat (CARICOM)	Organisation Internationale de la Francophonie (OIF)
Central African Economic and Monetary Community (CAEMC)	Organization for Economic Cooperation and Development (OECD)
Central American Bank for Economic Integration (BCIE)	Organization of African Unity (OAU)
Common Fund for Commodities (CFC)	Organization of American States (OAS)
Common Market for Eastern and Southern Africa (COMESA)	Organization of the Islamic Conference (OIC)
Commonwealth Secretariat	Organization of the Petroleum Exporting Countries (OPEC)
Conference of Ministers of Agriculture of West and Central Africa (CMA/WCA)	Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA)
Convention on Biological Diversity (CBD)	South Centre
Cooperation Council for the Arab States of the Gulf (GCC)	South Pacific Forum
Economic Community of West African States (ECOWAS)	Southern African Development Community (SADC)
Economic Cooperation Organization (ECO)	Union du Maghreb Arabe (UMA)
Energy Charter Conference	United Nations (UN)
European Bank for Reconstruction and Development (EBRD)	United Nations Conference on Trade and Development (UNCTAD)
European Free Trade Association (EFTA)	United Nations Development Programme (UNDP)
Food and Agriculture Organization (FAO)	United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)
Gulf Organization for Industrial Consulting (GOIC)	United Nations Economic and Social Commission for Western Asia (ESCWA)
Indian Ocean Commission (IOC)	United Nations Economic Commission for Africa (ECA)
Indian Ocean Rim Association for Regional Co-operation (IOR-ARC)	United Nations Economic Commission for Europe (ECE)
Inter-American Development Bank (IDB)	United Nations Economic Commission for Latin America and the Caribbean (ECLAC)
Inter-American Institute for Cooperation on Agriculture (IICA)	United Nations Environment Programme (UNEP)
Intergovernmental Authority on Development (IGAD)	United Nations Industrial Development Organization (UNIDO)
International Civil Aviation Organization (ICAO)	United Nations Institute for Training and Research (UNITAR)
International Electrotechnical Commission (IEC)	United Nations University (UNU)
International Grains Council (IGC)	West African Economic and Monetary Union (WAEMU)
International Labour Organization (ILO)	World Bank
International Monetary Fund (IMF)	World Customs Organization (WCO)
International Organization for Standardization (ISO)	World Food Programme (WFP)
International Plant Genetic Resources Institute (IPGRI)	World Health Organization (WHO)
International Telecommunications Union (ITU)	World Intellectual Property Organization (WIPO)
International Textiles and Clothing Bureau (ITCB)	World Tourism Organization
International Trade Centre UNCTAD/WTO (ITC)	
International Union for the Protection of New Varieties of Plants (UPOV)	

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, USA 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 and 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, e-mail: 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 online 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. In 2002 the WTO brought out a booklet containing the full texts of the Declarations and Decisions adopted by WTO Members at the Doha Ministerial. Also included are relevant documents of the WTO General Council dealing with implementation of the Doha Development Agenda. All the above are available in English, French and Spanish.

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 100,000 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 continued to increase, reaching an average of 500,000 users monthly. 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).

WTO video – To the heart of the WTO

This video explains the WTO through Member governments' eyes. It seeks to shed light on how the WTO system works, through the experience and motivations of two very different countries: Brazil, a large developing nation, and Norway, a small but economically advanced state.

WTO Agreements & Public Health

This joint study by the World Health Organization and the World Trade Organization Secretariat looks at the relationship between trade rules and public health. The 171-page study explains how WTO Agreements relate to different aspects of health policies. It is meant to give a better insight into key issues for those who develop, communicate or debate policy issues related to trade and health. The study covers areas such as drugs and intellectual property rights, food safety, tobacco and many other issues which have been subject to passionate debate. In this joint effort, the first of its kind, WHO and the WTO Secretariats endeavour to set out the facts.

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.

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 2002

International Trade Statistics 2002 contains 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.

Guide to Dispute Settlement

As a handy guide to “bringing a case” before the WTO, or responding to a case already in progress, this easy-to-use book is the ideal starting point for lawyers, business people, or government officials confronted with a disputable trade issue. Ideal for people everywhere concerned with international trade.

Co-published with Kluwer Law International

Guide to the WTO and Developing Countries

Developing countries comprise two thirds of 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.

Co-published with Kluwer Law International

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 World Trade Organization and other institutions in addressing these challenges. The book arises from the papers presented at two High Level Symposia hosted by the World Trade Organization in March 1999, on Trade and the Environment and Trade and Development.

Co-published with Kluwer Law International

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 Kluwer Law International

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.

Co-published with Bernan Press

CD-ROM: Trade Policy Review Series

This cd-rom contains all Trade Policy Reviews carried out in 1999 and 2000 in English (including the European Union, Japan and United States) and all Trade Policy Reviews carried out in 1998 in French and Spanish.

Co-published with Bernan Press

Tariff Negotiations and Renegotiations under the GATT and the WTO – Procedures and Practices by 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 fifty-four 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

Dispute Settlement Reports

These are the only WTO authorized and paginated reports in English. The Dispute Settlement Reports of the World Trade Organization (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 up to 2001. These reports can be received on a subscription basis from Cambridge University Press.

Guatemala

This first Trade Policy Review of Guatemala has been thorough and comprehensive, and has, I am sure, taught us all a lot. This is due very much to the full and frank involvement of Minister Montenegro and his delegation, and to the active engagement of many Members. Through our dialogue, we have obtained a better understanding of the trade-related policies and practices in place, and of recent and planned changes. At the outset, allow me to highlight also the support of Members for Guatemala's ongoing modernization and liberalization efforts, and their acknowledgement of the progress made by Guatemala since the signing of the Peace Accords in 1996.

Members remarked on the important role that trade has played in promoting growth in Guatemala, the largest economy in Central America. They recognized the efforts undertaken to improve economic and social conditions in Guatemala, and encouraged the authorities to maintain, and indeed strengthen, the policies that have played a considerable role in this improvement. In this context, some Members suggested that Guatemala continue to rationalize its fiscal regime and reduce its reliance on import taxes. Members congratulated Guatemala on the past implementation of its privatization programme, but underlined the need to move forward with this programme, promote competition in the domestic market, and carry on other initiatives in order to consolidate recent economic gains and raise living standards.

Members commended Guatemala for its active participation in the multilateral trading system. They took note of Guatemala's stated conviction that liberalization of world trade is a central pillar of economic development. The Guatemalan delegation also affirmed clearly that it would not use protectionist measures despite the difficult domestic and international circumstances its economy confronts.

Members also noted Guatemala's growing participation in preferential arrangements, and sought further information on a number of them; they took note of Guatemala's point that it sought FTAs rather than unilateral preferences. Some Members raised concerns about Guatemala's administrative capacity to participate effectively and simultaneously in all such initiatives.

It was noted that Guatemala has gained from its participation in the multilateral trading system. However, some considered that Guatemala faced special constraints due to it being a small developing country, and pointed to the need to provide Guatemala with trade-related technical assistance. Some Members indicated their readiness to provide such assistance, and requested Guatemala to specify its needs in this respect.

Members appreciated that Guatemala's applied tariffs are relatively low. However, several suggested that by narrowing the current wide gap between applied and bound tariffs the predictability of the import regime might be enhanced. A number of Members were concerned about the consistency with multilateral principles of a recently introduced tax on certain alcoholic beverages. Many Members asked about customs procedures and trade facilitation in Guatemala, with some urging Guatemala to effect improvements in these areas. Guatemala indicated concrete steps are being taken in this respect.

On sectoral policies, Members expressed particular interest in the development of the agriculture and fisheries sectors, as well as in services activities. Several Members noted that Guatemala's applied and bound tariffs on agricultural products are particularly high. Members expressed their support for Guatemala's ongoing financial sector reform and asked for more information on current developments. Noting that Guatemala's GATS commitments are relatively limited, several Members invited Guatemala to expand and deepen its commitments during the current services negotiations.

Members also sought further clarification on a number of specific areas, including:

- trade statistics and efforts to improve them;
- import and export procedures, including insurance requirements;
- import regime for sugar;
- standards, technical regulations, and SPS measures;
- special investment and trade regimes;
- competition policy and related legislation;
- government procurement and eventual participation in the WTO Agreement on Government Procurement;
- participation in the Information Technology Agreement; and
- protection of intellectual property rights.

The Guatemalan delegation gave written and oral replies to questions posed during the Review. The replies provided have made a major contribution to this meeting, and were clearly appreciated by Members.

In conclusion, through this Review we have gained a first-hand appreciation of Guatemala's achievements since the signing of the Peace Accords, and the challenges that lie ahead. It is my sense that Members very much appreciated Guatemala's efforts to improve its economic and social conditions, and encouraged it to continue down this road in order to further its prospects for sustainable economic growth and social development. Economic growth has gone hand-in-hand with trade liberalization and other modernization efforts, and Members invited Guatemala to count on the help of the international community to both secure lasting institutional stability and enhance its participation in the global economy.

Pakistan

This, the second Trade Policy Review of Pakistan, has been an open, frank and very useful discussion of Pakistan's trade and related policies. Our work has been greatly facilitated by the active involvement of Secretary Beg and his delegation and by that of many Members. We now have a far better understanding by Members, and thus their collective evaluation, of Pakistan's trade and trade-related policies as well as of planned changes therein. The Review has also provided Members with the opportunity to acknowledge the recent progress made by Pakistan and to express their strong support for Pakistan's ongoing liberalization efforts. The outcome, I believe, has been a highly successful consideration of Pakistan's trade policies, practices, and measures.

Members expressed appreciation for the continued, successful implementation of the Economic Revival Programme that was launched to address Pakistan's economic and other impediments to sustained, strong growth. In this context, they noted the major market-driven measures adopted by Pakistan to liberalize its trade and investment regime; they referred in particular to the sharp cuts in and simplification of the customs tariff, Pakistan's main trade policy instrument, and the fact that 100% foreign ownership is now allowed in most sectors of the economy. However, they also noted the narrowness of the tax base, the impact of loss-making state-owned enterprises on the economy as well as the reduction in state involvement and monopoly rights in certain areas; they encouraged a continuation of the privatization process. In addition, Members noted the size of Pakistan's external debt and voiced some concern over the persistently narrow production/export base on the grounds that Pakistan's long-term growth depended on export diversification; at the same time, however, it was pointed out that such diversification depends in turn on Members' willingness to open their markets further to Pakistan's exports.

Members noted Pakistan's strong commitment to the multilateral trading system and its limited involvement in preferential and regional trade initiatives. Members recalled Pakistan's active role in defending developing-country interests within the WTO. Despite difficulties and capacity constraints, Pakistan had, by and large, honoured its WTO commitments and had undertaken legislative and institutional reforms in this respect. Members praised efforts to improve transparency in trade and investment areas as well as the introduction of trade facilitation measures.

While expressing their appreciation of past and forthcoming tariff reductions and simplification, Members nevertheless voiced some worry over the persistence of high tariffs on a few sensitive items, the limited coverage of tariff bindings in manufacturing, the breached bindings, for which corrective steps are envisaged, and the widening gap between applied and bound rates, although acknowledging that this widening gap was the consequence of Pakistan's unilateral tariff cuts. Certain Members noted Pakistan's heavy dependence on customs duties for tax revenues. Members congratulated Pakistan for, *inter alia*, reducing the number of items on its negative list and for phasing out restrictions on balance-of-payments grounds ahead of schedule. Members recognized Pakistan's efforts to strengthen protection of intellectual property rights.

On sectoral policies, certain Members expressed particular interest in and appreciation of Pakistan's efforts to liberalize services and its undertakings under the GATS. Pakistan was commended for extending multilateral rules to the textiles and clothing sector.

Members also sought further clarification in a number of specific areas, including:

- WTO notifications and technical assistance;
- the application of MFN treatment;
- registration, customs valuation, and minimum (import) values;
- revised disciplines on the use of regulatory duties, and elimination of zero rate duties;
- government procurement (price preferences, bidding procedures, foreign suppliers);
- technical standards and SPS requirements;
- export subsidies and export-processing zones;
- TRIMS and plans for their elimination;

- adherence to intellectual property rights treaties and conventions;
- the Pakistan Intellectual Property Rights Organization;
- applied tariffs, subsidies, state involvement (rice, cotton), and export measures in agriculture;
- measures pertaining to textiles and clothing and the automobile sectors; and
- deregulation, privatization, GATS commitments and MFN exemptions in financial services and telecommunications.

The Pakistan delegation gave written and oral replies to questions posed by Members during the Review, and undertook to provide responses at a later date on some outstanding matters. The replies provided have made a major contribution to this meeting, and were clearly appreciated by Members.

In conclusion, through this Review we have gained appreciation of Pakistan's achievements since the previous Review, and the challenges that lie ahead. It is my sense that Members greatly appreciate Pakistan's efforts to improve the fundamentals of its economy; they encouraged it to continue down this road in order to further improve its prospects for sustainable economic growth and social development. Economic growth goes hand-in-hand with trade liberalization and other modernization efforts, and Members invited Pakistan to count on the help of the international community both to secure lasting institutional stability and to enhance its participation in the global economy.

Purely as an aside, and as much a comment on the review process as on this Review, I was struck by Secretary Beg's remarks that questions had given his delegation food for considerable thought and that sources of information had been found of which he was unaware. This goes to the heart of our work: not only do we learn a lot about the Member, but often the Member learns a lot about itself. Moreover, this is put into a multilateral setting, thus serving to strengthen our system. Increasingly our work highlights the value of the Trade Policy Review Body.

Malawi

This first trade policy review of Malawi has provided the opportunity for an open and very useful discussion of its trade-related policies at a critical time for the economy. This discussion, and the fact that we all learned a lot about Malawi, was greatly helped by the active and frank involvement of Minister Kaleso and his delegation.

Members welcomed Malawi's commitment to the multilateral trading system and appreciated the substantial effort this requires from Malawi, a small landlocked least developed country with no representation in Geneva. They were encouraged by the Government's economic reforms, including trade and investment liberalization efforts to foster increased efficiency and private sector development. Members welcomed the resumption of Malawi's privatization programme. Greater private sector involvement in key infrastructural services combined with regulatory arrangements to safeguard competition was seen as highly desirable. Further efforts were needed to improve Malawi's institutional framework and business environment, and to restore macroeconomic stability, including fiscal balance.

Members encouraged Malawi to further mainstream trade policy reforms into its national development policy through the Poverty Reduction Strategy which involved principal stakeholders. Referring to the increased opportunities for providing technical assistance under the Doha initiatives, such as the Development Agenda Global Trust Fund, and within the Integrated Framework, Members supported the need to extend trade-related technical assistance to Malawi, including in areas of intellectual property protection and trade-remedy measures. Some Members commented on the need for greater policy coherence among the WTO and other multilateral institutions in providing this technical assistance and trade-related policy advice. Members pointed out Malawi's active participation in regional agreements, such as COMESA and SADC, and in various bilateral arrangements. Noting that cross-membership of these agreements was complicating Malawi's trade regime, Members urged it to adopt a more harmonized approach when negotiating such agreements in order to ensure consistency in related obligations.

Members appreciated Malawi's on-going efforts to refrain from using non-tariff measures and its reliance on relatively low average tariffs as the main trade instrument. They urged Malawi to continue with these efforts, but also to further simplify its tariff structure, reduce maximum rates, raise the coverage of its bindings on non-agricultural items and to lower bound levels closer to applied rates. Removal of widespread tariff concessions was also encouraged to reduce the scope for providing "tailor made" protection to inefficient industries. Members also sought clarification on Malawi's use of "guide prices" in the light of its adoption of the customs valuation method based on the transaction value, and on its plans to phase out pre-shipment inspection by early 2003.

Noting that export diversification was of considerable importance to the health of Malawi's economy, particularly in agriculture and textiles, Members expressed some concern

about Malawi's dependence on tobacco, which was subject to international price fluctuations and to the adverse effects of the anti-smoking campaigns in major developed markets. Members pointed out that Malawi's agricultural policies aimed at food security and rural development. They questioned the impact of communal land ownership on agricultural development and planned reforms in the sector, mainly in land tenure. Members encouraged Malawi to further liberalize key services, including telecommunications, transport and tourism, and to improve its GATS commitments. Such steps would improve Malawi's performance in other sectors, mainly agriculture and manufacturing, and attract investment.

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

- external debt and its constraint on economic development;
- operations of the one-stop shop Investment Promotion Agency;
- experience with preferential access to developed markets;
- plans to establish a Geneva mission to facilitate WTO participation;
- trade facilitation measures;
- incentive schemes and export processing zones;
- technical barriers to trade; and
- government procurement regime.

Members appreciated the replies provided by the Malawi delegation and looked forward to receiving additional material.

I believe that Malawi's Trade Policy Review has successfully contributed to a very much improved understanding by Members of its trade and other economic policies. I welcome assurances expressed by Members to provide greater technical assistance through bilateral and multilateral initiatives, and I urge that we follow through on this, particularly in the context of the Integrated Framework. Malawi needs such support to mainstream its trade-related policy into its development strategy, address its supply-side constraints and diversify its economy. Greater market access by major trading partners will also be necessary if Malawi is to meet its development potential and fully integrate into the multilateral trading system.

Mexico

This third Trade Policy Review of Mexico has been very good, a superb introduction to my year in the Chair. The Review has been thorough and comprehensive, and offered plenty of food for thought about trade issues. Our dialogue has provided a better understanding of Mexico's trade-related policies and practices due very much to the full involvement of Vice-Minister Villalobos and his delegation, and to the engagement of many Members. This is indeed a felicitous indication of what this Body can accomplish and will do over the coming months.

Members commended Mexico for its economic performance in recent years. Mexico's trade and investment liberalization efforts have been key elements in its economic advancement and prospects, having resulted in substantial increases both in trade and investment flows. In consequence, Mexico's integration in the world economy has deepened, making it an increasingly important economic partner.

Members also praised Mexico for its active participation in the multilateral trading system, commended its strong support for the launching of the Doha Development Agenda, and welcomed its offer to host WTO's fifth Ministerial Conference.

At the same time, Members noted that much of Mexico's recent liberalization has taken place under preferential arrangements. Several Members maintaining preferential agreements with Mexico commented on the positive effects of such agreements on trade and investment with Mexico. But it was also noted that, in general, falling trade barriers under preferential agreements have not been matched by similar improvements for MFN partners. This was a source of concern to a number of Members, who encouraged Mexico to narrow the gap.

Falling applied preferential tariffs contrast sharply with the three-percentage-points increase in Mexico's average MFN tariff since its previous Review. Noting that the measure had been announced as temporary, and that preferential partners have not been affected, Members requested particulars on the phasing out of the increase. Other recent tariff increases were also questioned, notably those affecting steel products.

Members commended Mexico's various initiatives to streamline and increase transparency in many administrative areas, but they were also concerned about Mexico's customs procedures and practices. In particular, clarifications were requested on the price reference mechanism introduced to combat under-invoicing, on import licensing procedures as well as on non-preferential rules of origin. Although transparency in the use of technical and SPS regulations has improved, some concerns were raised with respect to measures on certain products.

Some Members noted Mexico's use of anti-dumping measures, which although falling in number were still many, and encouraged Mexico to seek greater transparency in this area by aligning its contingency legislation with multilateral rules. Several Members also encouraged

Mexico to accede to WTO's Government Procurement Agreement, and noted that domestic procurement rules discriminated in favour of national suppliers, and of several suppliers from preferential partners.

On sectoral policies, several questions were asked about assistance to the sugar industry, and plans for its further privatization. Members expressed interest in developments in the energy sector, air and maritime transport services and telecommunication services, notably with respect to foreign participation, competition and liberalization. Several Members thought it desirable to further open these activities to private investment, observing Mexico's positive experience with liberalization in other areas.

Members also sought further clarification on a number of specific areas, including:

- bound rates and the gap between these and applied tariffs;
- tariff quotas maintained for agricultural products;
- WTO-consistency of special import regimes (including maquila and PITEX);
- local-content requirements in the automotive industry; and
- protection of intellectual property rights.

The Mexican delegation gave written and oral replies to questions posed during the Review and undertook to respond in writing to some outstanding technical issues as soon as possible. The replies provided have made a major contribution to this meeting, and were clearly appreciated by Members.

In conclusion, I believe that through this Review we have gained a first-hand appreciation of Mexico's achievements since its previous Review in 1996, and of the challenges that lie ahead. Mexico is now seen by many Members as a prime example of the benefits of trade and investment liberalization, notwithstanding a number of cyclical and structural problems. However, Mexico's liberalization paradigm raises important questions for all WTO Members concerning the relationship between preferential and MFN efforts, questions that no doubt we will have to come to grips with as part of the Doha Development Agenda.

For Mexico itself, an additional challenge is to juggle the growing number of preferential agreements in force and under negotiation, together with the many components of the evolving multilateral agenda. Moreover, it is possible that dealing with issues such as ownership and competition in some critical areas, such as transportation, electricity, hydrocarbons, and sugar, would contribute to an improved growth profile. Mexico's first-rate participation in this Review bodes well for its capacity to meet those challenges, to the benefit of its people and its trading partners.

Slovenia

This first Trade Policy Review of Slovenia has been excellent. Our discussion has been thorough and comprehensive, and has raised important trade issues. Our dialogue has provided a good understanding of Slovenia's trade-related policies and practices, not least due to the open and full involvement of State Secretary Renata Vitez and her delegation, and to the active engagement of many delegations.

Members commended Slovenia for its good economic performance. Slovenia's trade and investment liberalization efforts have been key elements in its reform programme, aimed at restoring macroeconomic stability and establishing a modern, stable, and fully functioning market economy. In consequence, Slovenia is now well integrated in the world economy through closer trade and investment links.

Members also praised Slovenia for its strong commitment to the multilateral trading system, and commended its strong support for the launching of the Doha Development Agenda. At the same time, Members noted that much of the orientation of Slovenia's economic and trade policies is driven by its goal of accession to the European Union (EU). Several Members maintaining preferential trade agreements with Slovenia commented on the positive effects of such agreements on trade and investment for Slovenia. Other Members also noted that, in general, falling trade barriers under preferential agreements have not been matched by similar improvements for MFN partners. This was a source of concern to a number of Members, who encouraged Slovenia to narrow the gap.

Several Members noted that an important gap exists between Slovenia's bound and applied tariff rates, which could undermine the predictability of the tariff regime, although Slovenia has never exploited this gap. Some Members requested Slovenia to reduce the gap between applied and bound rates in the context of the current WTO market-access negotiations. There was also some concern about tariff escalation.

Members commended Slovenia's various initiatives to streamline and increase transparency in many administrative areas, including customs administration. Clarifications were requested on the simplified customs procedures. Some concerns were also expressed about Slovenia's non-automatic licensing requirements related to public security, safety, health, and the environment; and to the administration of tariff quotas in agriculture.

Some Members noted that Slovenia has enacted legislation on trade remedy measures, while having made very little use of it. Several Members encouraged Slovenia to quickly complete its accession to the WTO's Government Procurement Agreement.

On sectoral policies, Members noted the increase in the level of government assistance to agriculture, and Slovenia's plans to harmonize support systems with the EU's Common Agricultural Policy. Concerns were expressed about agriculture being shielded from international competition by border measures (high tariffs and restrictive tariff quotas).

Members indicated interest in developments in telecommunications, transport, and tourism, notably with respect to foreign participation, the role of the domestic regulators, and commitments under GATS. On financial services, questions were asked about the 1992 crisis, the privatization plans, and the degree of competition, particularly in the insurance sector. Several Members thought it desirable to further open services activities to private investment, observing Slovenia's positive experience with liberalization in other areas.

Members also sought further clarification on a number of specific areas, including:

- structural weaknesses such as labour market rigidities, administrative obstacles, use of public resources, and plans to overcome them;
- foreign direct investment (FDI) regime, incentives, and policies for becoming a springboard for doing business in south-east Europe;
- privatization process, methods, and future plans, particularly for divesting some key financial and telecommunication enterprises;
- safeguards legislation and its application to FTAs;
- scientific approach to SPS matters;
- export subsidies, and subsidy programmes that support manufacturing sectors; and
- protection of intellectual property rights.

The Slovenian delegation gave written and oral replies to questions posed during the Review. The replies provided have made a major contribution to this meeting, and were clearly appreciated by all Members.

In conclusion, I believe that through this Review we have gained a first-hand appreciation of Slovenia's achievements since its independence in 1991, and of the challenges that lie ahead. Slovenia is now seen by many Members as a prime example of the benefits of trade and investment liberalization, notwithstanding a number of cyclical and structural problems. However, Slovenia's liberalization paradigm raises important questions for all WTO Members concerning the relationship between regional and multilateral efforts, questions that no doubt we will have to come to grips with as part of the Doha Development Agenda.

For Slovenia itself, an additional challenge is to manage its process of accession to the EU, its large number of preferential agreements, together with the many components of the evolving multilateral agenda. Moreover, it is possible that dealing with issues such as ownership and competition in some critical areas, such as agriculture, telecommunications, financial services, transport, and tourism, would contribute to an improved growth profile. Slovenia's exemplary participation in this Review bodes well for its capacity to meet those challenges, to the benefit of its people and its trading partners.

India

This meeting has led to a much better understanding of India's trade policies. The outcome has been a very successful third Review of India's trade policies, practices and measures, due mainly to the active involvement of the Indian delegation.

Members commended India for its strong economic performance over the past decade, with growth at an average 6% a year and a reduction in poverty. They noted that this resulted, in great part, from continued economic reforms, including trade liberalization, lower government involvement in the economy and liberalization of key services sectors. Trade reforms had concentrated on tariff reform and the removal of quantitative restrictions on imports.

Members noted that India was targeting even higher economic growth, particularly to reduce poverty further. This was to be achieved by stepping up reforms, including trade measures, especially to reduce the anti-export bias in the import regime. Several Members also remarked on the importance of investment, particularly for infrastructure, which needed urgent attention. The FDI regime had been significantly liberalized, but FDI inflows had not increased in parallel. Moreover, the high fiscal deficit constrained public investment in infrastructure. The deficit also had implications for further reform of the tariff, which remained a major source of tax revenue; tariff reform needed to be accompanied by significant reform of the internal tax system, which India was striving to do.

India was commended for its initiative to simplify the tariff, but Members voiced concern over the persistence of high rates, escalation, complexity (including exemptions), and the gap

between applied and bound rates. Details were requested on plans to reduce the tariff to two rates (10% and 20%). The imposition of additional and special additional duties to countervail indirect taxes remained a concern among Members.

Members were worried about India's increased use of contingency measures, notably anti-dumping. Some Members also worried that the removal of QRs had been followed by an increase in other measures such as strict labelling, certification, and SPS requirements. India was commended for its efforts to enforce protection of intellectual property rights, both through the adoption of new legislation and through education campaigns. Members stressed, however, that further efforts were required in this regard, especially in view of India's need to attract more FDI.

Members noted the importance of the agriculture sector in India and stressed the need to further liberalize it in order to develop its full potential. Concerns were expressed over subsidies for agricultural products and inputs, which have contributed to large grain stocks and to export restrictions on agricultural goods. Some Members also urged liberalization of the Indian textile sector, noting that protection through high tariffs and small-sector reservations had hindered its competitiveness.

India has made significant progress in reforming services sectors, notably telecommunications, banking, and insurance. Some Members raised queries in relation to banking reform, including national treatment. Questions were also raised about market access in other services such as telecommunications, audiovisual and software services. Members pointed to the success of India's software sector as being indicative of its ability to compete globally.

Members also sought clarification on several specific issues including:

- procedures to review and reduce over-regulation in the economy;
- customs procedures and valuation;
- import restrictions and licensing;
- the role of state trading companies;
- export-processing zones;
- performance requirements in the automobile sector;
- government ownership of, and involvement in, financial services;
- policy in transportation services, and land ownership, reforms in the electricity sector and public postal services.

Members expressed their appreciation for the oral and written responses and explanations provided by the Indian delegation; they looked forward to receiving answers on still outstanding questions.

This brings us to the conclusion of our Review of India. The large number of advance questions, numerous interventions (some 30) and the high level of attendance indicate the important role that India plays at the WTO. India was commended for its reform process, including trade liberalization, and simplification of the trade and investment regime. However, I think we all agree that India needs to do more if growth targets are to be met and a serious dent is to be made in the still high rate of poverty. In this regard, Members gave India their full support for its efforts to reform the economy. Many Members added that these efforts would be greatly enhanced by steps on the part of India's trading partners to reduce, if not remove, their impediments to India's exports, especially in the context of new negotiations in line with the Doha Development Agenda (DDA). India has clearly stated its support for the WTO and the DDA but considers that if further progress is to be made, the onus remains on the developed countries to keep the promises made in Doha. This view was endorsed by many other Members, who look to India for leadership in these negotiations.

Barbados

In this, our first Review of Barbados, we have gained what I believe to be a very constructive insight into Barbados's trade policies and practices. Our very much improved understanding of Barbados is due in no small measure to the whole hearted cooperation and frankness of the Barbados delegation, led superbly by the Deputy Prime Minister, and by the active involvement of Members. Barbados has brought to our attention the special characteristics of countries with small economies and populations, and hence limited diversification capacity, and high infrastructure and social costs. These factors can result in considerable vulnerability to external shocks, as witnessed by the depth of past recessions experienced by Barbados. Members noted that, despite such challenges, Barbados has achieved high standards of living. They attributed this in good part to the country's remarkable social and institutional stability and its intensive participation in international trade despite its peculiar economic circumstances.

Despite the small size of the Barbadian bureaucracy and the consequent strain on trade policy and negotiating resources, Members appreciated Barbados's active and productive engagement in the WTO, as well as in regional trade liberalization initiatives. Some were

clear that Barbados was an example that the WTO can be a true instrument of development if the Member involved knows how to approach and use it. Members expressed support for additional technical assistance, especially for capacity building, in implementing WTO commitments. It is my view that Barbados has been successful in balancing difficult and often competing interests and objectives.

The Government of Barbados has made clear that its future economic prosperity rests upon a successful integration into the world economy, but that this success was conditional on specific measures designed to avoid marginalization of small countries. Several Members were understanding of the request by Barbados for special consideration, anchored in the principle of special and differential treatment granted in the WTO to developing countries.

We have all recognized the concrete steps made by Barbados to reform its economy and further liberalize its trade regime during the 1990s, particularly through tariff reductions in the framework of CARICOM. Concerns were expressed, however, with respect to the recent increase in tariffs on certain food and other manufactured products, and the resurgence of non-automatic import licensing on sensitive agri-food imports. Members also noted that, although reduced, tariffs remained relatively high at over 16%, with several peaks at or above 60%. Such high tariffs and taxes may not complement efforts to stimulate growth in services, the most important sector of the economy. The adoption of a value-added tax was welcomed as an alternative revenue source to tariffs. Barbados was urged to lower tariff bindings to rates closer to the currently applied rates, and thus improve the predictability of its import regime.

The announced liberalization of the telecommunications services market was welcomed, and Members noted the generally liberal market access and national treatment conditions in most of Barbados's services industries. Several Members encouraged Barbados to make further commitments under the GATS, as this would better reflect their current, relatively liberal practices.

Specific questions were also asked on:

- WTO-consistency of anti-dumping legislation;
- use of quantitative restrictions on sensitive agricultural products;
- prospects for customs modernization and trade facilitation;
- assistance and promotion activities and their budgetary cost;
- government procurement procedures;
- new legislation on the protection of IPRs; and
- market access conditions and incentives in specific service sectors.

We appreciate the oral and written responses and explanations provided by the Barbados delegation, and look forward to receiving answers on outstanding questions.

In conclusion, it is my sense that this Review has amply fulfilled its main objective of understanding Barbados's trade regime in the framework of its development needs and objectives as well as of the external environment. Barbados has once again reaffirmed its full commitment to the multilateral trading system, and the presence of Her Excellency the Deputy Prime Minister is a strong testimony to this. But we have also been made aware of the problems and difficulties hindering the fuller participation of Barbados in the system. In this respect, I am convinced that small and open economies like Barbados can only benefit from predictable, transparent and fair multilateral trade rules, and I congratulate Barbados for their performance and for a successful Trade Policy Review.

European Union

The Chairperson observed that the sixth Review of the European Union had been the occasion for a very open and fruitful dialogue between the EU and its trading partners. Members were very conscious of the importance of the EU to their domestic economies, as a market for their exports, as a source of imports and as a provider of foreign direct investment. There were consequently many interventions and hundreds of questions were asked. In this regard, Deputy Director-General Abbott and his team were to be commended for the willingness to engage in the true spirit of the review process and for the heroic efforts they had made to provide in such short order the written answers to most of the questions posed.

Members acknowledged the leadership role of the EU in the WTO, notably in securing agreement on the DDA, thus demonstrating the support of the EU for an open, rules-based multilateral trading system. The continued commitment of the EU was critical to the success of the DDA. Members also welcomed the EU's strong commitment to enhancing the participation of developing countries in the WTO, given concrete form in the "Everything-but-Arms" initiative for LDCs, the preferences offered to ACP countries, and donations for trade-related technical assistance.

The EU was praised for its efforts to improve the growth profile of the European economy. Members noted the benefits to their traders of the adoption of the euro. The EU

was complimented on the progress made to complete the Internal Market, notably with respect to financial and telecom services, and encouraged to further open postal services and energy markets to competition.

Concerns were raised by many Members on the impact on their exports to the EU of new product and product-related regulations for health, consumer protection, safety or environmental purposes. Members emphasized their strong attachment to the basic principles underlying the WTO Agreements, in particular that SPS measures should be based on science, and that unnecessary obstacles to trade should not be created. In this regard, the EU's use of the precautionary principle was queried, as was the wider scope of labelling requirements for meat and biotech products. Many developing countries feared a disproportionate impact on their own small and medium-sized producers of producer responsibility for management of waste. More generally, given the substantial impact of many Community acts on the interests of third countries, Members emphasized the importance they attach to transparency and participation in consultations on proposed regulations. Mr. Abbott indicated that the problem was well recognized by the Commission and that serious consideration was being given to improving the situation.

The EU's extensive network of preferential trade agreements and arrangements was also discussed. The Commission emphasized the complementary nature of multilateral and bilateral liberalization, noting the "WTO plus" nature of recent agreements, and the strengthening of rules on RTAs under the DDA. A related issue was the potential for trade diversion from the enlargement of the EU and the adoption of Community policies by candidates.

The Common Agricultural Policy (CAP), and prospects for its reform under the DDA, received a great deal of attention. Many Members underlined the adverse impact of the CAP on their exports of agricultural products. It was also argued that the CAP had hampered the development of the agriculture sector in developing countries, which could otherwise be an important source for economic growth and poverty reduction. Members welcomed the thrust of the Commission's recently announced Mid-Term Review of the CAP, although it was considered that far-reaching reforms would better meet their concerns, notably in the sugar and dairy sectors, and fulfil the ambitions of the DDA.

The continued protection of the EU's textiles and clothing sector was another issue that received considerable attention from Members, who noted the EU had back-loaded the liberalization of 80% of quotas to the end of the integration process. Members were also concerned about the impact on their steel exports to the EU of the safeguard action on steel and urged the EU not to take definitive action. Concern was also expressed on the use of anti-dumping by the EU and the rising use of countervail.

With respect to services, the EU was queried on the barriers to entry of natural persons, as well as on the preferential terms granted under bilateral agreements. The EU was encouraged to ensure that financial service providers from third countries would also benefit fully from the more open conditions of competition on the EU market resulting from the Financial Services Action Plan.

With respect to intellectual property protection, a number of Members queried the Commission on the protection of geographical indications in the EU, in particular those from third countries. Questions were asked on the implications of the new directive on copyright and neighbouring rights, and the proposals on a Community Patent, computer-implemented inventions, and possible new legislation on enforcement of intellectual property rights.

Members also sought further clarification on a number of specific areas, including:

- the reform of the fisheries regime to meet sustainable development objectives;
- the methods used to conduct Sustainability Impact Assessments (SIAs);
- special incentives for adoption of environmental or social standards by third countries;
- reduction of tariff peaks and tariff escalation;
- subsidies to aircraft manufacture and to shipbuilding, and the elimination of harmful tax competition;
- the new legislative framework for government procurement and the operation of the Government Procurement Agreement in the EU;
- the draft block exemption for motor vehicle distribution and servicing agreements; and
- VAT treatment of transactions effected by e-commerce.

In conclusion, the Chairperson considered that there had been a very effective dialogue between the Commission and the EU's trading partners on their concerns regarding the course of its trade and trade-related policy-making. There was no doubt that the EU was entering an historically significant phase of its development, with improved governance and reshaped institutions on its current agenda, and enlargement just ahead. The situation of the European economy, although improved, remained challenging. And, while the EU's attempts to achieve a better balance between economic efficiency and environmental and social considerations were laudable, the Review meeting had underlined the extent to which interdependence through trade led countries outside the EU to have vital interests in the outcome.

Mauritania

The first Trade Policy Review of Mauritania has been very successful, having greatly enhanced our understanding of Mauritania's policies and practices, as well as of the country's development challenges. Our dialogue has been fruitful, in great part due to the open and active participation of the Mauritanian delegation, headed by Minister Ould Abdel Kader, whose presence attests to the importance attached by Mauritania to the multilateral trading system.

Members commended Mauritania on the ambitious structural reforms undertaken since the early 1990s, which have transformed the country significantly, both in economic and political terms. The reforms are aimed at reducing poverty and raising the population's standards of living, which clearly represent pressing and vital objectives for a least-developed country. Mauritania considers international trade to be an essential tool in achieving those aims, and has made trade liberalization, much of it autonomous, a key element of its reform programme. This has entailed the revision of numerous trade-related laws and regulations in order to modernize them and bring them into line with multilateral rules. Mauritania was encouraged to pursue its liberalization efforts and to enhance still further the transparency and predictability of its trade regime.

The institutional constraints faced by Mauritania were noted, as well as the problems they raised for fuller participation in the multilateral system, including timely submission of notifications to the WTO. Mauritania is among the first three pilot countries selected for the implementation of the Integrated Framework for Trade-Related Technical Assistance to least-developed countries. Mauritania had indicated in that connection that one of its priorities is to attain a better understanding of the WTO Agreements, including notifications and other multilateral commitments and issues. Another priority is capacity-building for negotiations in the light of the Doha Development Agenda. Members concurred with Mauritania that the time had come to translate the studies undertaken in the context of the IF into practical action.

Regarding trade measures, several Members drew attention to various issues concerning Mauritania's tariff regime, including the relatively high tariffs applied to certain products, mainly textiles and clothing, footwear, headgear and some motor vehicles. They also pointed out the important gap between applied and bound rates, which undermines predictability, and suggested that the gap be reduced in the context of the current market access negotiations. Members encouraged Mauritania to extend its tariff bindings to the non-agricultural sector and to transpose all bindings into the HS nomenclature.

Members appreciated the amendments to the customs valuation legislation, the harmonization of VAT rates, the abolition of fiscal exemptions for State enterprises, the new Investment Code, and the reduction in MFN duties and taxes. They also noted with satisfaction the limited number of non-tariff barriers. Concerns were expressed, however, at the application of labelling requirements and delegations stressed that such requirements should not discriminate between domestic and foreign producers. It was noted that Mauritania receives non-reciprocal preferential access to the markets of its key trading partners.

Regarding sectoral policies, Members noted that agriculture and services made the largest contribution to the GDP, but that the manufacturing sector was still in its early stages. Mauritania was commended on the measures taken to liberalize the agricultural sector. As the fisheries and mining sectors accounted for almost all merchandise exports, Members urged Mauritania to pursue its efforts to address its supply-side constraints and to diversify its production and export base.

Members praised Mauritania on its efforts to privatize and remove market access barriers in services sectors, such as telecommunications, banking and air transport. Several Members mentioned the positive results of the liberalization measures taken to date and urged Mauritania to open up services more widely to foreign investment. Members strongly encouraged Mauritania to put forward a comprehensive services offer during the ongoing GATS negotiations.

Members sought further clarification on a number of points, including the following:

- Mauritania's poverty reduction programme;
- privatization and State trading;
- the foreign direct investment regime;
- preferential trade arrangements;
- contingency measures; and
- the protection of intellectual property rights.

The Mauritanian delegation had provided written and oral replies to questions raised during the review. The replies had made a major contribution to the meeting and were clearly appreciated by all Members.

This brings us to the conclusion of our Review of Mauritania. As we had hoped, through this Review, we have gained a first-hand appreciation of Mauritania's achievements and of

the significant obstacles it still has to overcome as a least-developed country. Mauritania has reaffirmed the importance it attaches to liberalizing trade as a tool for development and to more active participation in the WTO. Members had clearly understood that Mauritania's efforts had to be given external support and had assured Mauritania that they would assist it in the context of their bilateral and multilateral technical cooperation. I sincerely believe that their words will be translated into concrete action. I congratulate you all on the positive results of this Review and thank you for your participation.

Australia

This meeting has contributed to a much better understanding of recent developments in Australia's trade and trade-related policies, whose transparency is truly exemplary. With such transparency, and the active interaction between the Australian delegation, the discussant, and Members, the outcome has been a very successful fourth Review of Australia's trade policies, practices, and measures.

Members commended Australia for its impressive economic performance and sound macroeconomic policies that helped to weather the Asian financial crisis. They noted its impressive GDP growth, low inflation rate and falling unemployment level. Members took note of the significant changes brought by the New Tax System, including the General Services Tax, the Luxury Car Tax and the New Business Tax. There was general agreement that trade liberalization, including significant unilateral measures, together with ongoing structural reforms and prudent macroeconomic policies had undoubtedly contributed to Australia's strong economic performance over the past decade.

Members congratulated Australia for its global orientation and its active role at the WTO, including its support for launching the Doha Round. Members noted Australia's strong commitment to the multilateral trading system and wondered about its position with respect to regional and bilateral trade agreements as well as the implementation of its 2001 undertaking on duty- and quota-free access for least developed countries.

Members noted Australia's low level of applied tariff protection and its plans to reduce unilaterally remaining tariff peaks in sensitive sectors such as passenger motor vehicles, and textiles, clothing and footwear by 2005. Australia was encouraged to reduce tariff escalation as well as to bridge the gap between applied and bound rates. Despite a recent drop in recourse to contingency measures, Australia remains a major user of anti-dumping actions. Government procurement is still a major tool of industrial policy and Australia is the only major industrialized country that is not a signatory to the WTO Agreement on Government Procurement. Certain Members sought clarification on the liberalization of parallel imports and encouraged the strengthening of intellectual property rights protection.

Despite low applied tariffs rates, assistance in form tax incentives, grants and concessional loans to domestic production of goods and services remained widespread. Members enquired about plans for reducing support, particularly to the automotive sector. Members noted changes in Australia's SPS requirements and voiced concern over their trade restrictiveness and the lengthiness of related procedures. They noted that single desk arrangements were in use for promoting exports of certain agricultural items, which were seemingly competitive in international markets. They also noted that several industry-specific schemes remained in place. Market access conditions in the financial and telecommunications sectors as well as local content requirements and other forms of intervention in broadcasting, advertising and motion pictures were also discussed.

Members also sought clarification on several specific issues including:

- the impact of the economic slowdown on commodity prices and the current account balance;
- screening procedures for foreign direct investment;
- duty and tax concessions;
- customs valuation and clearance;
- import licensing requirements;
- competition policy;
- maritime transport restrictions;
- tuition fees for educational services based on nationality;
- professional services; and
- electronic commerce.

Members expressed their appreciation of the oral and written responses and explanations provided by the Australian delegation; they looked forward to receiving written answers on outstanding questions.

This brings us to the conclusion of our Review of Australia. The large number of advance questions, numerous interventions, and high level of attendance indicate the important role that Australia plays at the WTO. In this context, I would encourage Australia to continue in its strong support for the multilateral trading system. I also hope that Australia will take to

heart the concerns expressed by many Members, including on SPS and tariff peaks, while noting the appreciation of Members for the largely open and transparent trade regime that Australia maintains.

Dominican Republic

This second Trade Policy Review of the Dominican Republic has been both thorough and very informative. We owe this in some considerable measure to the presence of a large Dominican delegation, led by Minister Dr. Hugo Tolentino Dipp and Vice-Minister Santiago Tejada, and, as well, to the active involvement of many Members. Through our dialogue with the Dominican delegation, we have obtained a better understanding of the trade-related policies and practices in place, of changes affecting them over the last six years, and of their possible evolution. At the outset allow me to highlight also the support of Members for the Dominican Republic's modernization and liberalization efforts, and their acknowledgement of the considerable progress made in this respect since the Dominican Republic's last Review in 1996.

Members complimented the Dominican Republic, the largest economy in the Central American-Caribbean region, on the remarkable economic growth it has achieved in recent years. This, and its deeper integration in the world economy, has made the Dominican Republic an increasingly important economic partner. However, growth has slowed considerably since 2001, the export base continues to be narrow, both in terms of markets and products, and poverty alleviation remains a challenge. It was thus important to learn of ongoing efforts to address these issues.

The various autonomous, regional and multilateral initiatives the Dominican Republic has taken to liberalize its trade and investment regimes have been key elements in its good economic performance. Members welcomed the Dominican Republic's active participation in the multilateral trading system, and obtained further information on the status and scope of ongoing initiatives to conclude new bilateral trade agreements. They expressed their hope that the Dominican Republic would continue to strive for these initiatives to complement multilateral liberalization efforts. Also noted was the great importance for Dominican exports of unilateral preferences offered by certain trading partners.

Members agreed that the free-trade zone, or FTZ, regime has played an important role in promoting exports, but also pointed to the structural distortions the regime had created, and which may undermine future growth prospects. Moreover, the subsidies implicit in the FTZ regime have called into question its compatibility with multilateral principles, and a transition period is in place for its eventual removal. Given this and the regime's major economic importance, Members posed numerous questions on this subject, including on the strategies being considered to permit the economy to move to a more neutral system. The Dominican Republic undertook to use the transition period to bring the FTZ regime in line with the relevant WTO rules.

Members took note of the steps taken by the Dominican Republic to both lower and simplify the structure of applied tariffs. However, they also observed that applied and bound tariffs on agricultural products were particularly high, and asked questions about the use of tariff quotas. Several Members considered it necessary to enhance predictability by closing the current wide gap between applied and bound tariffs.

Numerous questions were posed on customs procedures and valuation, licensing and trade facilitation, with Members welcoming the progress made in these areas, but urging the Dominican Republic to effect further improvements. A number of Members were concerned about the consistency with multilateral principles of a specific tax on alcoholic beverages. Several Members requested information on the development of standards and technical regulations. It was also observed that the Dominican Republic has yet to fulfil various notification obligations under certain WTO Agreements, notably the TBT Agreement, and it was invited to seek assistance from the WTO Secretariat if necessary to address this issue and, thus, enhance transparency. I was happy to hear that the Dominican Republic was ready to do so.

A number of Members welcomed the consideration the Dominican Republic is giving to acceding to the plurilateral Agreement on Government Procurement, and wished to learn how the Dominican Republic would reconcile its participation with the requirement in its domestic legislation that preference be given to Dominican suppliers. Several Members also requested information on public bidding procedures, including registration requirements.

On sectoral policies, developments in the services sector attracted particular attention. Members took note of the liberalization measure taken over the last six years but noted that Dominican commitments under the GATS were relatively limited and fell short of the actual openness in the sector. Thus, to enhance predictability, several of them invited the Dominican Republic to expand and deepen its multilateral commitments during the current services

negotiations. They also requested information on the status of ratification by the Dominican Republic of the Fifth Protocol to the GATS, which the delegation noted was currently being considered by the National Congress. Some Members also expressed concern about the costs of financial services and inefficiencies in the electricity sector.

Members also sought further clarification on a number of specific areas, including:

- the foreign investment regime and exceptions to national treatment;
- SPS measures;
- competition policy and related legislation;
- the draft Monetary and Financial Law; and
- the protection of intellectual property rights.

The Dominican delegation gave written and oral replies to questions posed during the Review. The replies provided have made a major contribution to this meeting, and were clearly appreciated by Members.

This brings us to the conclusion of our Review of the Dominican Republic. Through it, we have gained a first-hand appreciation of the Dominican Republic's achievements since its last Review in 1996, and of the challenges that lie ahead. The Dominican Republic has indeed achieved much in recent years, in good part building on the opportunities created by an increasingly liberal trade and investment regime. But as the Dominican economy matures, new avenues may have to be found to sustain economic growth and social development. I believe that, for a developing country highly integrated in the world economy, this will require efforts in both the domestic and international arenas. In this respect, we all welcomed the Dominican Republic's stated conviction that liberalization is a central pillar of economic growth and development. This conviction bodes well for the Dominican Republic's continued and constructive involvement in efforts to strengthen the multilateral trading system, from which I am convinced it has much to gain.

Zambia

This meeting to review Zambia's trade-related policies has been a lively one, reflecting the high degree of interest among the Members. A warm welcome was given to the Zambian delegation which contained several officials from Lusaka. Members commended Zambia on its continuing commitment to economic liberalization. They observed how difficult this had been, given the health problems, the recurrence of drought, the declining terms of trade, and high production costs. Members pointed out the seriousness of the difficulties in the copper industry, the backbone of the economy of Zambia, a landlocked country. Noting that the reforms had not yet borne much fruit, Members saw hope in Zambia's qualification for debt relief under the Enhanced HIPC initiative and the continued implementation of its Poverty Reduction Strategy. Good governance, improved competitiveness, economic diversification, and continued structural reforms might help.

Members stressed that Zambia, like many other developing countries, was struggling with how best to integrate into the global economy. They recognized the importance of the Doha Development Agenda to Zambia, particularly in agriculture. Attention was given to Zambia's continuing need for trade-related technical assistance, with special mention of areas such as standards, sanitary and phytosanitary measures, and supply-side constraints. Although Members recognized the importance of regional integration in expanding trade, they expressed concern about Zambia's membership in several overlapping trade agreements, including the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). They encouraged Zambia to take greater advantage of non-reciprocal preferential access granted by some Members.

Zambia was commended for having made a serious effort to remove WTO-inconsistent measures identified during its first Trade Policy Review. Members encouraged Zambia to improve its binding commitments by increasing their coverage on non-agricultural products, and reducing the gap between bound and applied rates. Further rationalization of import taxation would reduce the widespread use of duty and tax concessions. Members sought further information about Zambia's public procurement regime, including its National Tender Board, and encouraged it to speed up its decision for membership in the Plurilateral Agreement on Government Procurement.

Noting that protection of intellectual property rights could help to attract foreign direct investment, Members encouraged Zambia to fully implement its intellectual property obligations within the timeframe prescribed by the TRIPS Agreement. Zambia's struggle with health problems was pointed out as an example of the problems faced by WTO Members with insufficient or no manufacturing capacities in the pharmaceutical industry. Therefore, some Members urged a quick decision on the compulsory licensing access to medicines.

Members noted that Zambia's renewed emphasis on developing its agriculture would contribute to poverty reduction and economic diversification. They sought clarification about

Zambia's intentions to create a Crop Marketing Authority. Connected to agriculture were efforts to create manufacturing opportunities to add value to commodities locally. Members noted that residency restrictions were constraining investment, especially in the services sector and raised questions about Zambia's plans for telecommunications, broadcasting, financial services, and information technology, in particular.

Members also sought clarification on several specific matters, including:

- mainstreaming trade into development policy, even without "pilot scheme" status in the Integrated Framework;
- further liberalization of industrial tariffs;
- export bans and controls;
- contingency trade remedies;
- investment regime in the mining and quarrying sector; and
- agricultural policy and environmental concerns.

Members appreciated the responses provided by the delegation of Zambia during the meeting, and looked forward to later replies to some questions.

In conclusion, it is my feeling that this Trade Policy Review has highlighted the commitment of the Zambian authorities to liberalize their economy despite various difficulties. I am pleased that so many Members identified ways in which they were providing trade-related technical assistance to Zambia and their commitment to continue assisting it. Nevertheless, I feel it important to call attention to the supply-side constraints that still need to be addressed. I hope that the Doha Development Agenda will evolve in such a way as to make possible greater access for Zambia's products, and contribute to the diversification of its economy. In sum, further assistance by the international community will help Zambia to fully integrate into the multilateral trading system.

The Chairperson expressed his personal reflection for the WTO to work closely with other multilateral agencies to ensure greater coherence in policy advice and programme implementation. He said it would be useful to WTO Members in their interaction with Zambia and other developing countries, if there was a better appreciation of the development challenges faced by these countries. Much of this information was available from UN institutions such as ITC, UNDP and UNCTAD and working more closely with them would add greater value to WTO, especially in fulfilling its development objective.

Japan

This Meeting has involved a very informative exchange of views, stimulated by the full and open engagement of the Japanese delegation, highly analytical and insightful comments by the discussant, and Members' active involvement in the discussion. This exchange has contributed to a much better understanding by Members, and thus their collective evaluation, of Japan's trade and trade-related policies. The outcome, I believe, has been a highly successful 6th Review of Japan's trade policies, practices and measures.

Members were encouraged by signs of moderate economic recovery in Japan, whose economic health is important for the prosperity of the world economy and the expansion of trade. Members recognized that the multilateral trading system by keeping foreign markets open to Japan's exports, had contributed to the improved economic outlook for Japan. While commending Japan's recent efforts to implement and accelerate structural reforms, including the removal of barriers to foreign businesses in various sectors, Members encouraged Japan to press ahead with reforms, through *inter alia* further financial and corporate restructuring, improved market access (particularly in agriculture), and stronger competition policy, particularly implementation.

Members congratulated Japan on its active role at the WTO, including its strong support for the Doha Development Agenda and commended the authorities for their active engagement in properly reflecting the interests of developing countries in the ongoing negotiations and work. However, some Members expressed concerns about the nature of Japan's proposal in agriculture. Members also noted Japan's increased involvement with regional and bilateral trade agreements; in this regard, they encouraged the WTO compatibility of these agreements, notably on product and sectoral coverage. While expressing their appreciation of preferential market provided by Japan to developing and least-developed countries, some Members encouraged Japan to liberalize further its market in respect of LDCs' products.

On trade and trade-related policies, Members remarked in particular on Japan's complex tariff structure, including tariff quotas, significant tariff peaks and tariff escalation for some products, and the fact that non-*ad valorem* tariffs tended to involve relatively high applied rates. Some Members voiced concern over the complexity and seeming lack of transparency of government procurement practices. Furthermore, while recognizing Japan's right to pursue legitimate policy objectives with regard to the protection of human, animal and plant life or health, many Members expressed concern over the complexity of Japan's standards, technical

regulations, and sanitary and phytosanitary measures, including quarantine procedures (and long delays therein), and encouraged Japan to employ these measures in the least trade-restrictive manner. In addition, pointing to the low level of inflows of foreign direct investment (FDI) into Japan, Members welcomed Japan's efforts to open further its FDI regime.

On sectoral issues, Members noted that the level of domestic support for agriculture seemingly exceeds the sector's contribution to GDP. Although generally acknowledging the importance of non-trade concerns in agriculture, some Members urged Japan to address these concerns in a manner that would not unduly distort production or trade. Members recognized that substantial reforms had been undertaken in the financial services and telecommunications, but expressed their belief that reform should continue with a view to enhancing competition in these and other services, such as transportation, education, legal and medical services.

Members also sought clarification on several specific issues including:

- transparency of regulatory procedures;
- contingency measures, including emergency safeguards;
- state trading;
- export-related measures;
- special economic zones;
- business practices;
- regulations and business costs in telecommunications market; and
- maritime transport restrictions.

Members expressed their appreciation of the oral and written responses and explanations provided by the Japanese delegation; they looked forward to receiving written answers on outstanding questions.

This brings us to the conclusion of our 6th Trade Policy Review of Japan. The large number of advance questions, numerous interventions and the high level of attendance indicate the importance Members attach to Japan's leadership at the WTO. In this context, I would encourage Japan to continue its strong support for the multilateral trading system. I also hope that Japan will take to heart the concerns expressed by Members, particularly with regard to its policies on agriculture, sanitary and phytosanitary measures, government procurement and competition.

Venezuela

This second Trade Policy Review of Venezuela has contributed considerably to a better understanding of Venezuela's trade and investment policies, and the context within which they have been formulated and implemented. The full and admirable engagement of the strong Venezuelan delegation, headed by Minister Rosales, and the active involvement of many Members, the comprehensive replies and comments have allowed us to achieve this understanding, shedding light on the many revisions made to Venezuela's institutional and legal framework since its first Review in 1996.

Members recognized that Venezuela was going through a period of momentous economic, political and social changes. These were reflected in a number of legislative and institutional reforms, some of which had encountered strong opposition.

Members welcomed Venezuela's commitment to further strengthening the multilateral trading system, but several observed that Venezuela has yet to fulfil various notification obligations concerning technical regulations, SPS and, perhaps, incentive programmes. Venezuela was invited to fill those notifications in the near future, with the aid of the WTO Secretariat if necessary and, thus, enhance the transparency of its trade regime.

Venezuela's economic performance has fluctuated considerably since 1996. After a period of moderate economic growth in 2000 and 2001, Venezuela entered into a recession in 2002. Members attributed this in part to a high and growing reliance on the petroleum sector, which had left the economy vulnerable to developments in the world oil market. This reliance has also resulted in a narrow export base, eroded the competitiveness of the non-oil sector, and discouraged a deeper integration in the world economy. Members considered that Venezuela's adoption of a floating exchange rate regime would help address its structural problems, and encouraged Venezuela's ongoing efforts to diversify its export markets and products.

Venezuela is strengthening and modernizing its competition policy legislation. Members praised Venezuela for the liberalization of its investment regime and the adoption of a new foreign investment law since its last Review. These represent important steps to increase private investment, particularly in view of Venezuela's historically low investment to GDP ratio. In this context, some Members requested Venezuela to consider taking further steps to make its institutional and legal framework more predictable, including by locking-in recent liberalization initiatives under multilateral rules.

Venezuela was commended for having simplified its customs procedures and taking measures to implement the Customs Valuation Agreement. All tariffs are bound but there is a relatively wide gap between applied and bound tariffs. In this respect, Venezuela was invited to participate actively in the non-agricultural market access negotiations under the Doha Development Agenda with a view to lowering bound tariffs, and thus increase predictability. Members noted that the Andean Price Band System applied by Venezuela was an element of uncertainty facing exporters, and asked questions about its WTO consistency. Also questioned was the apparent different application of the value-added tax to domestic and foreign products.

Members expressed concern with respect to Venezuela's increased use of non-tariff measures. The import licensing regime came under particularly close scrutiny, especially with respect to its transparency and the scope for discretion in its use. Related concerns were raised about SPS permits. Several queries related to new labelling requirement for footwear and textiles. Members also noted the increase in the number of anti-dumping and countervailing measures, and asked about certain provisions in Venezuela's new Safeguards Law.

A number of Members requested further information with respect to Venezuela's incentives regime. In the area of intellectual property, questions were raised with respect to the ratification of some WIPO Treaties and Venezuela was encouraged to step up its enforcement efforts. The legal framework governing government procurement, including the preferences granted to domestic suppliers attracted much interest, and some Members encouraged Venezuela to accede to the plurilateral Agreement on Government Procurement.

Members also sought further clarification on a number of specific areas, including:

- monetary and fiscal policy, the exchange rate regime and inflation;
- the foreign investment regime, remaining related restrictions, and legal stability contracts;
- tariff exemptions and tariff quotas;
- intellectual property rights, parallel imports and compulsory licensing.

With respect to sectoral policies, Members noted that there was scope for further liberalization in agriculture, as witnessed by high tariff rates, the use of variable levies and import permits. They also took note of the importance Venezuela grants to developing the agricultural sector, as part of its efforts to improve living standards and diversify its economy.

Members clearly welcomed the liberalization of several key service activities over the last six years, which had resulted in increased foreign presence in areas such as banking and telecommunications. Venezuela was encouraged to make further liberalization commitments in the ongoing WTO negotiations, corresponding to its current regime and beyond. As well, Members requested information on:

- restrictions and incentives in the energy sector, and its further opening;
- assistance to motor vehicle production, including the Family Car Programme;
- electricity and maritime transport.

The delegation of Venezuela provided written and oral answers to the questions posed during the Review and undertook to send further responses within 30 days. The replies provided have made a major contribution to this meeting, and were clearly appreciated by Members.

This brings us to the conclusion of our second Review of Venezuela. This Review is taking place at a difficult time for Venezuela, but I have the conviction that it will meet the challenge, building on its natural wealth, human capital and a clear resolve to persevere in the path of economic modernization and liberalization. In this respect, I am heartened by Venezuela's conviction that full integration in the world economy is a priority in its strategy to achieve a higher standard of living for its people. I am further encouraged by Venezuela's renewed pledge to meet its international commitments. Rigorous compliance with the rule of law, at all levels, does indeed offer Venezuela reliable markers to guide it out of the current difficulties. Thus, in order to strengthen further the multilateral trading system, I urge Venezuela to continue participating actively in the Doha Development Agenda, and to use this process to inject greater predictability to its own trade and investment regime.

Hong Kong, China

This Review has provided an excellent opportunity for Members to better understand the trade and economic policies of Hong Kong, China. Our meeting has involved a very informative exchange of views, stimulated by the full and open engagement of the delegation of Hong Kong, China, broad-ranged and insightful comments by the discussant, and Members' active involvement in the discussion. Members' evaluation of the trade and trade-related policies of Hong Kong, China has, by and large, been positive; Members commended Hong Kong, China for maintaining one of the most open economies in the

world, one which many Members should seek to emulate. The outcome, I believe, has been a highly successful fourth Review of Hong Kong, China's trade policies, practices and measures.

Since its reversion to China, Hong Kong, China's institutional and policy framework has remained largely unchanged, in accordance with the principle of "One Country, Two Systems". Despite the difficulties it has faced as a result of the Asian financial crisis, current global economic downturn, and increasing integration with the rest of the country, Hong Kong, China has maintained its traditional openness to both trade and investment; indeed, it has taken further liberalization measures during the period under review.

Members congratulated Hong Kong, China on its active role in the WTO, including its strong support for the Doha Development Agenda. Members noted Hong Kong, China's increasing involvement with regional and bilateral trade agreements. Hong Kong, China provided information regarding the development of regional trade agreements between it and other Members, and noted that these agreements would be fully consistent with the principles underlying the WTO.

Members commended Hong Kong, China for its continued trade-liberalization efforts and for the transparency and openness of its trade and investment regime. While the authorities of Hong Kong, China did indicate that they were now following a more "proactive" approach to industrial policy in an effort to promote high value-added activities, this policy involved support for general infrastructure to facilitate development. The authorities re-affirmed that the policy does not involve picking winners or rescuing losers at taxpayers' expense; nor does it involve protecting or subsidizing particular industries.

In the interests of predictability and stability, Members encouraged Hong Kong, China to bind more of its tariffs. Some Members also encouraged it to reduce excise tax rates on wine. Some Members urged Hong Kong, China to continue to strengthen its regime to protect intellectual property rights, particularly enforcement. Members generally appreciated Hong Kong, China's efforts to maintain a competitive market.

On sectoral issues, Members noted the predominance of services in Hong Kong's economy. Members commended Hong Kong, China on a wide range of commitments under the GATS together with the lack of MFN exemptions, as well as on its liberalization measures, particularly in telecommunications and financial services, undertaken since its previous Trade Policy Review in 1998.

Members also sought clarification on several specific issues including:

- macroeconomic policy and the broad economic environment;
- WTO accession of China and its benefits to Hong Kong, China;
- rules of origin under the proposed FTA with China;
- import licensing;
- contingency measures;
- standards, sanitary and phytosanitary measures;
- government procurement;
- assistance to certain activities and small and medium-sized enterprises;
- rice stocks;
- rules of origin concerning textiles and clothing;
- division of regulatory responsibilities concerning securities;
- air and maritime transport;
- recognition of diplomas and qualifications;
- postal service liberalization, broadcasting licences, legal services, licensing requirements for inbound travel agents; and
- movement of natural persons (visas).

Members expressed their appreciation of the oral and written responses and explanations provided by the delegation of Hong Kong, China.

This brings us to the conclusion of our fourth Trade Policy Review of Hong Kong, China. The large number of advance questions, numerous interventions and the high level of attendance indicate the importance Members attach to Hong Kong's leadership at the WTO. In this context, I would encourage Hong Kong, China to continue its traditionally strong support for the multilateral trading system.

Chapter Four

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,
- Cooperating with other international organizations.

The WTO has 145 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.

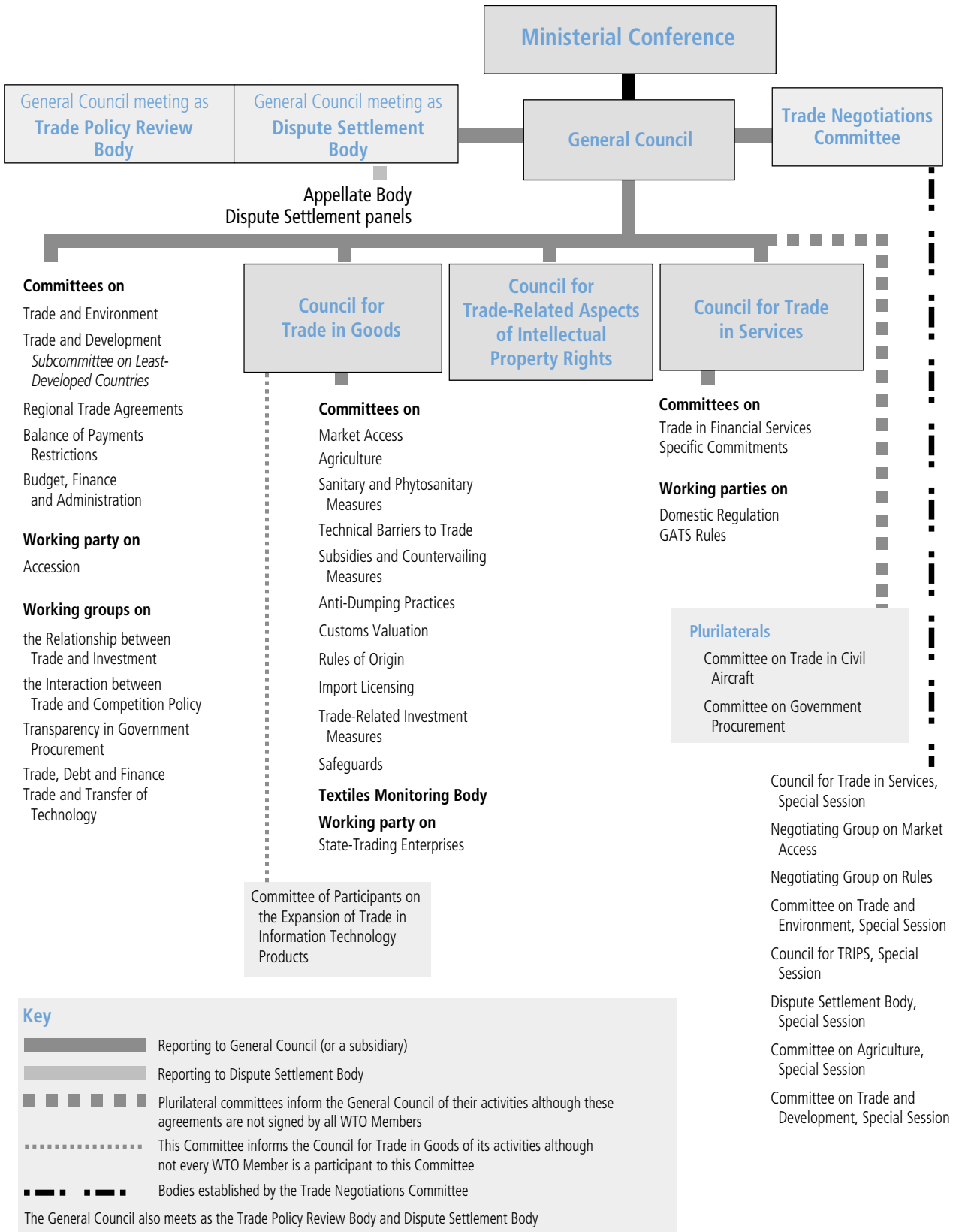
The WTO's top level decision-making body is the Ministerial Conference, which meets at least once every two years. In the intervals between sessions of the Ministerial Conference, the highest-level WTO decision-making body is the General Council where Members are usually represented by ambassadors or 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 596¹ 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 596 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.

¹ There are 566 posts occupied by 596 staff members, some of whom are part-time employees.

**WTO Secretariat
Organization Chart – March, 2003**

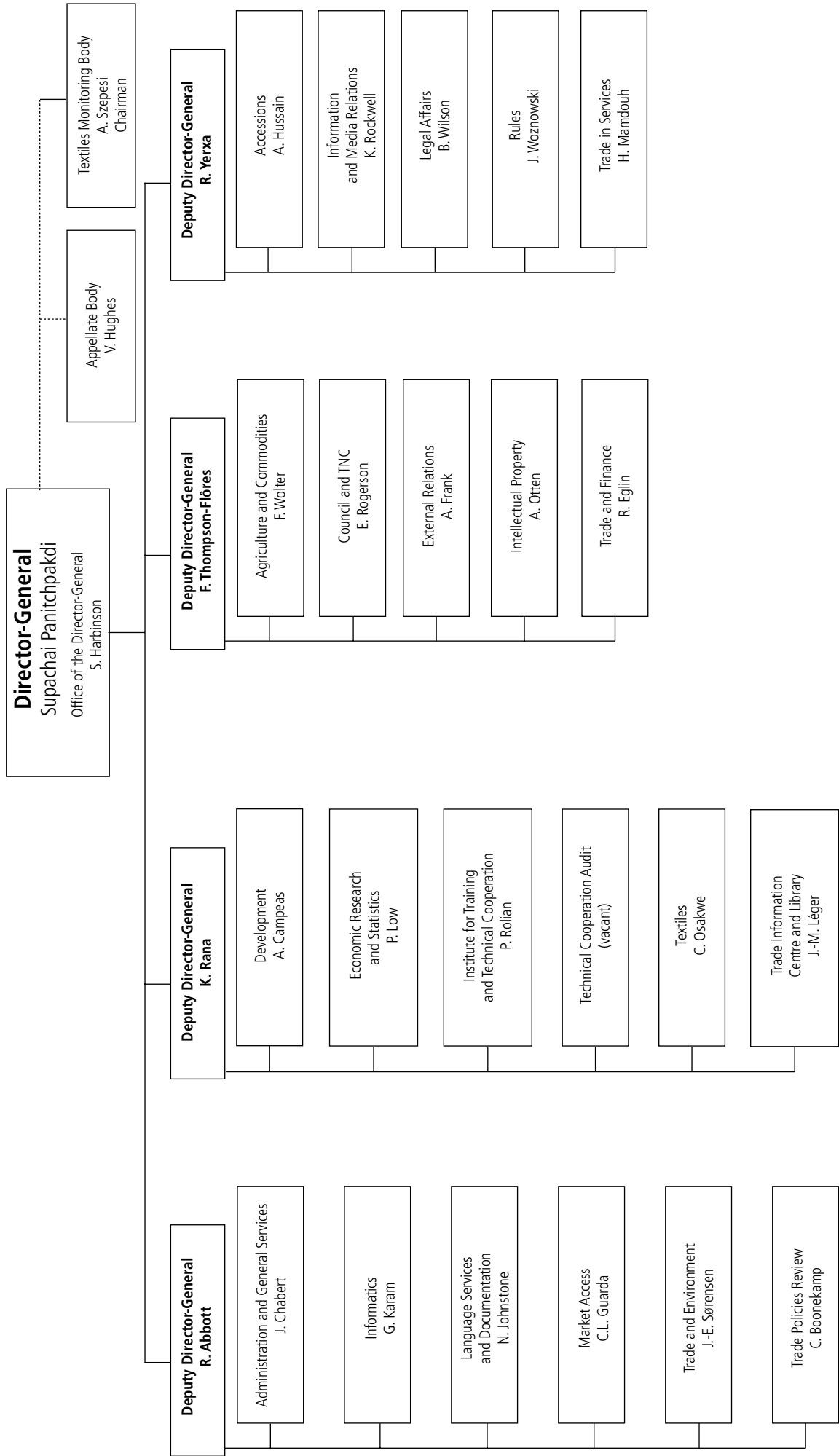


Table IV.1

Table of regular staff by nationality

Country	F	M	Total
American	16	8	24
Argentine	2	6	8
Australian	5	6	11
Austrian	2	3	5
Bangladeshi		1	1
Barbadian	1		1
Belgian	1	2	3
Beninese		1	1
Bolivian	2	1	3
Brazilian	3	3	6
British	60	18	78
Cameroonian	1		1
Canadian	9	18	27
Chilean	3	3	6
Chinese	2	1	3
Colombian		7	7
Congolese, RDC		1	1
Costa Rican	1		1
Cuban	1		1
Danish	1	1	2
Dutch	2	5	7
Ecuadorian		1	1
Egyptian	2	2	4
Estonia	1		1
Ethiopian		1	1
Finnish	1	3	4
French	76	75	151
German	6	10	16
Ghanaian		3	3
Greek	2	2	4
Honduran	1		1
Hong Kong Chinese	1		1
Hungarian		3	3
Indian	6	7	13
Irish	9	2	11
Italian	6	9	15
Ivorian		1	1
Japanese	1	2	3
Kenyan		1	1
Lebanese		1	1
Malawian		1	1
Malaysian	1	1	2
Mauritian		1	1
Mexican	1	4	5
Moroccan	1	1	2
New Zealand	1	4	5
Nicaraguan		1	1
Nigerian		1	1
Norwegian	1	3	4
Paraguayan	1		1
Peruvian	4	4	8
Philippine	4	5	9
Polish	2	3	5
Portuguese		2	2
Republic of Korea		2	2
Romanian	2	1	3
Senegalese		1	1
South African		1	1
Spanish	21	20	41
Sri Lankan	2	2	4
Swedish	4	1	5
Swiss	21	13	34
Thai	1	4	5
Tunisian	1	3	4
Turkish	2	1	3
Uruguayan	2	7	9
Venezuelan	1	2	3
Zambian	1		1
Zimbabwean	1		1
Grand Total	299	297	596

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 27 *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 encompasses 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 provides support for sessions of the Ministerial Conference, in the work of the General Council, the Dispute Settlement Body, and the Trade Negotiations Committee. It is responsible for the preparation and servicing of relevant meetings and consultations between Ministerial sessions, for preparation of BISD supplements and for derestriction of documents.

Development Division

The Development Division is the focal point for all developmental policy issues and assists the senior management and the Secretariat as a whole on issues relating to the participation of developing countries, including the least-developed among them, in the multilateral trading system. The Division services the Committee on Trade and Development in regular session, as well as its dedicated sessions on small economies and its special sessions on special and differential treatment, as well as the newly constituted Working Group on Trade and Transfer of Technology. The Division also includes the unit for Least-Developed Countries (LDCs) which in liaison with other divisions, is the focal point for the Secretariat's work relating to all issues of particular importance to LDCs participation in the multilateral trading system. It services the Sub-Committee on LDCs. It is also responsible for the Integrated Framework (IF), holds its Secretariat and is responsible for its management structure such as the Integrated Framework Working Group (IFWG) and the Integrated Framework Steering Committee (IFSC).

Economic Research and Statistics 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 the World Trade 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.

On the statistics side, the 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. And 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.

Institute for Training and Technical Cooperation

The Institute'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. It delivers technical cooperation and training through activities including: advisory missions; seminars and workshops on a country or regional basis, and/or technical notes on issues of interest to beneficiary countries; trade policy courses; training of trainers; outreach activities with universities; and internet based training activities. 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. 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 Institute manages trust funds provided by individual donor countries for the purpose of training and technical cooperation.

Intellectual Property Division

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: to oversee 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: to supervise the implementation of concessions relating to tariffs and non-tariff measures; provide a forum for consultation on matters relating to tariffs and non-tariff measures; oversee the application of procedures for modification or withdrawal of tariff concessions; ensure that WTO Schedules are kept up-to-date, and that modifications, including those resulting from changes in tariff nomenclature, are reflected; conduct 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); oversee 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: to monitor and review annually the implementation of the Customs Valuation Agreement; provide service to the Committee on Customs Valuation; organizing, managing the WTO programme for technical assistance on customs valuation for developing countries that have invoked the five-year delay; cooperating 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: to carry out the harmonization work programme on non-preferential rules of origin; provide service to the Committee on Rules of Origin; provide information and advice to delegations, private parties and other divisions in the Secretariat on matters relating to rules of origin.

Committee on Import Licensing: to monitor and review the implementation and operation of the Agreement on Import Licensing Procedures; provide 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): to provide technical assistance and information to acceding participants; review the implementation of the ITA; continue the work, technical and otherwise, with respect to non-tariff barriers and classification issues for review of product coverage (ITAI); provide continuing support for the negotiations and the follow-up if necessary.

Rules Division

The role of the Division is 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, Working Group on Implementation of the Agreement on Anti-Dumping and Working Group on Trade and Competition (co-secretary).

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.

Textiles Monitoring Body

The Textiles Monitoring Body (TMB) "unit" of the Secretariat (composed of the Body's Chairman and a support staff member), assisted by a professional of the Textiles Division who performs the duties of Secretary of the TMB, 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 2003, 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).

Information and liaison Divisions

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 and it maintains the WTO Directory.

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.

Trade Information Centre and Library

The work of the Division is to help ensure the full participation of Members in the work of the WTO, particularly least-developed, capacity-constrained and non-resident Members and Observers. It achieves this by enhancing access to information through the use of Information Technology.

Support Divisions

Administration and General Services Division

Its 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 WTO's homepage visit the LSDD's documentation facilities. Consultation is growing at a rate of 15% per month. LSDD ensures that 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 2003

The WTO derives most of the income for its annual budget from contributions by its 145 Members. These are established according to a formula based on their share of international trade. The list of Members' contributions for 2003 can be found in Table IV.4. 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 IV.5. The WTO's total budget for the year 2003 is as follows:

- 2003 Budget for the WTO Secretariat: CHF 151,983,150 (Table IV.2);
- 2003 Budget for the Appellate Body and its Secretariat: CHF 2,971,200 (Table IV.3);
- Total WTO Budget for the year 2003: CHF 154,954,350.

Table IV.2

WTO Secretariat budget for 2003

Part	Section	CHF
A	1 Staff (Work/years)	
	(a) Salary	67,073,400
	(b) Pensions	13,330,600
	(c) Other Common Staff costs	12,896,400
	2 Temporary Assistance	16,504,580
B	3 Communications	
	(a) Telecommunications	748,000
	(b) Postage charges	1,587,000
	4 Building Facilities	
	(a) Rental	292,400
	(b) Utilities	1,619,500
	(c) Maintenance and Insurance	1,063,000
	5 Permanent Equipment	3,653,600
	6 Expendable Equipment	1,394,670
	7 Contractual Services	
	(a) Reproduction	1,430,800
	(b) Office Automation / Informatics	2,245,800
	(c) Other	321,000
C	8 Staff Overhead Costs	
	(a) Training	480,000
	(b) Insurance	1,205,700
	(c) Joint Services	542,000
	(d) Miscellaneous	76,500
	9 Missions	
	(a) Official	1,181,100
	(b) Technical Co-operation	1,383,200
	10 Trade Policy Training Courses	4,297,500
	11 Contribution to ITC	15,374,000
	12 Various	
	(a) Representation and Hospitality	283,000
	(b) Dispute Settlement Panels	1,287,000
	(c) Permanent Group of Experts/ Arbitration under GATS	
	(d) Library	581,900
	(e) Publications	193,000
	Priced Publications	37,000
	(f) Public Information Activities	210,000
	(g) External Auditors	50,000
	(h) Ministerial Meeting	400,000
	(i) ISO	57,500
	(j) Other	83,000
	13 Unforeseen Expenditure	100,000
	TOTAL	151,983,150

Table IV.3

Budget for the Appellate Body and its Secretariat, 2003

Part	Section	CHF
A	1 Staff (Work/years)	
	(a) Salary	1,579,100
	(b) Pensions	314,700
	(c) Other Common Staff costs	299,000
	2 Temporary Assistance	36,000
B	3 Communications	
	(a) Telecommunications	6,500
	(b) Postage charges	
	4 Building Facilities	
	(a) Rental	
	(b) Utilities	13,000
	(c) Maintenance and Insurance	5,000
	5 Permanent Equipment	44,000
	6 Expendable Equipment	17,700
	7 Contractual Services	
	(a) Reproduction	15,000
	(b) Office Automation/Informatics	
	(c) Other	
C	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	5,000
	(f) Publications	
	Priced Publications	
	(g) Public Information Activities	
	(h) External Auditors	
	(i) Ministerial Meeting	
	(j) ISO	
	(k) Other	
	(l) Appellate Body Operating Fund	
	(m) NGO Symposium	
	13 Unforeseen Expenditure	
	TOTAL	2,971,200

Table IV.4

Members' contributions to the WTO budget and the budget of the Appellate Body, 2003

Members	2003 Contribution	
	%	CHF
Albania	0.015	23,070
Angola	0.069	106,122
Antigua and Barbuda	0.015	23,070
Argentina	0.464	713,632
Australia	1.143	1,757,934
Austria	1.373	2,111,674
Bahrain	0.069	106,122
Bangladesh	0.106	163,028
Barbados	0.020	30,760
Belgium	2.671	4,107,998
Belize	0.015	23,070
Benin	0.015	23,070
Bolivia	0.025	38,450
Botswana	0.038	58,444
Brazil	0.926	1,424,188
Brunei Darussalam	0.041	63,058
Bulgaria	0.094	144,572
Burkina Faso	0.015	23,070
Burundi	0.015	23,070
Cameroon	0.025	38,450
Canada	3.945	6,067,410
Central African Republic	0.015	23,070
Chad	0.015	23,070
Chile	0.290	446,020
China, People's Republic of	3.155	4,852,390
Colombia	0.211	324,518
Congo	0.023	35,374
Costa Rica	0.097	149,186
Côte d'Ivoire	0.063	96,894
Croatia	0.133	204,554
Cuba	0.070	107,660
Cyprus	0.061	93,818
Czech Republic	0.499	767,462
Democratic Republic of the Congo	0.016	24,608
Denmark	0.951	1,462,638
Djibouti	0.015	23,070
Dominica	0.015	23,070
Dominican Republic	0.128	196,864
Ecuador	0.077	118,426
Egypt	0.259	398,342
El Salvador	0.059	90,742
Estonia	0.064	98,432
European Communities		–
Fiji	0.015	23,070
Finland	0.642	987,396
France	5.272	8,108,336
Gabon	0.034	52,292
Gambia	0.015	23,070
Georgia	0.015	23,070
Germany	8.920	13,718,960
Ghana	0.043	66,134
Greece	0.411	632,118
Grenada	0.015	23,070
Guatemala	0.063	96,894
Guinea	0.015	23,070
Guinea-Bissau	0.015	23,070
Guyana	0.015	23,070
Haiti	0.015	23,070

Table IV.4 (continued)

Members' contributions to the WTO budget and the budget of the Appellate Body, 2003

Members	2003 Contribution	
	%	CHF
Honduras	0.039	59,982
Hong Kong, China	3.166	4,869,308
Hungary	0.417	641,346
Iceland	0.045	69,210
India	0.850	1,307,300
Indonesia	0.774	1,190,412
Ireland	1.201	1,847,138
Israel	0.568	873,584
Italy	4.136	6,361,168
Jamaica	0.054	83,052
Japan	6.359	9,780,142
Jordan	0.061	93,818
Kenya	0.044	67,672
Korea, Republic of	2.367	3,640,446
Kuwait	0.190	292,220
Kyrgyz Republic	0.015	23,070
Latvia	0.049	75,362
Lesotho	0.015	23,070
Liechtenstein	0.025	38,450
Lithuania	0.076	116,888
Luxembourg	0.345	530,610
Macao, China	0.062	95,356
Madagascar	0.015	23,070
Malawi	0.015	23,070
Malaysia	1.267	1,948,646
Maldives	0.015	23,070
Mali	0.015	23,070
Malta	0.049	75,362
Mauritania	0.015	23,070
Mauritius	0.038	58,444
Mexico	2.267	3,486,646
Moldova	0.015	23,070
Mongolia	0.015	23,070
Morocco	0.156	239,928
Mozambique	0.015	23,070
Myanmar, Union of	0.032	49,216
Namibia	0.027	41,526
Netherlands, Kingdom of the	3.481	5,353,778
New Zealand	0.243	373,734
Nicaragua	0.020	30,760
Niger	0.015	23,070
Nigeria	0.190	292,220
Norway	0.820	1,261,160
Oman	0.105	161,490
Pakistan	0.153	235,314
Panama	0.114	175,332
Papua New Guinea	0.031	47,678
Paraguay	0.052	79,976
Peru	0.126	193,788
Philippines	0.553	850,514
Poland	0.695	1,068,910
Portugal	0.572	879,736
Qatar	0.083	127,654
Romania	0.167	256,846
Rwanda	0.015	23,070
Saint Lucia	0.015	23,070
Senegal	0.022	33,836
Sierra Leone	0.015	23,070

Table IV.4 (continued)

Members' contributions to the WTO budget and the budget of the Appellate Body, 2003

Members	2003 Contribution	
	%	CHF
Singapore	1.973	3,034,474
Slovak Republic	0.198	304,524
Slovenia	0.160	246,080
Solomon Islands	0.015	23,070
South Africa	0.481	739,778
Spain	2.432	3,740,416
Sri Lanka	0.094	144,572
St. Kitts and Nevis	0.015	23,070
St. Vincent and the Grenadines	0.015	23,070
Suriname	0.015	23,070
Swaziland	0.016	24,608
Sweden	1.436	2,208,568
Switzerland	1.464	2,251,632
Chinese Taipei	2.031	3,123,678
Tanzania	0.024	36,912
Thailand	0.950	1,461,100
Togo	0.015	23,070
Trinidad and Tobago	0.041	63,058
Tunisia	0.127	195,326
Turkey	0.748	1,150,424
Uganda	0.018	27,684
United Arab Emirates	0.556	855,128
United Kingdom of Great Britain and Northern Ireland	5.722	8,800,436
United States of America	15.899	24,452,662
Uruguay	0.058	89,204
Venezuela	0.316	486,008
Zambia	0.015	23,070
Zimbabwe	0.045	69,210
TOTAL	100.000	153,800,000

Main active extra-budgetary funds donated for technical cooperation and training activities

Table IV.5a

Technical Assistance Activity in 2003 – Financial Situation

Fund	Donor	Balance 1 Jan. 2003	Transfers	Contributions	Expenditure	Overhead Fees	Balance 28 Feb. 2003	Notes
Trust funds								
T0006	Netherlands (Trainees)	1,647,647.87			108,475.95	14,101.87	1,525,070.05	(2)
T0013	Pre Shipment Inspection	88,099.32					88,099.32	
T0027	JITAP	12,195.69					12,195.69	
TBE01	Belgium-Flanders (Southern Africa)	25,425.37					25,425.37	(2)
TCA02	Canada (Training Institute)	115,135.85					115,135.85	
TDDA1	Doha Development Agenda GTF (2002)	6,583,061.35	(6,430,114.88)		135,350.86	17,595.61	0.00	(1)
TDDA2	Doha Development Agenda GTF (2003)	(258,620.86)	6,430,114.88	3,189,627.52	5,061,484.97	657,993.05	3,641,643.52	(2)
TDE01	Germany (TPRs)	195,786.80			9,179.40	1,193.32	185,414.08	(2)
TES02	Spain (TPC in Latin America)	21,416.41	(21,416.41)				–	(1)
TES03	Spain (TA in Latin America & Caribbean)	–	21,416.41	73,050.00			94,466.41	(2)
TFI01	Finland (GTF)	492,231.11					492,231.11	
TFR01	France (SPS)	68,386.31					68,386.31	
TFR02	France (GTF)	–					–	(2)
TGR01	Greece (BSEC Countries)	101,804.96					101,804.96	
TIMM1	Interns for Members' Missions	30,306.86		391,600.00	30,000.00	3,900.00	388,006.86	(2)
TJP08	Japan (T & Investment)	15,970.44					15,970.44	
TMI04	Qatar Ministerial (LDCs)	190,328.18					190,328.18	
TMI05	Mexico Ministerial (LDCs)	5,413.80					5,413.80	
TNO04	Norway (2003 NGO Symposium)	792,997.53					792,997.53	
TNZ03	New Zealand	355,450.91					355,450.91	(2)
TSP10	NGO Symposium	28,585.26					28,585.26	
TTPC1	Trade Policy Courses in Africa	700,436.46		260,625.00			961,061.46	(2)
TUK03	United Kingdom (Evaluation)	8,059.11		15,534.00	8,608.55	1,119.11	13,865.45	(2)
TUK07	United Kingdom (TRTA Database Project)	212.72					212.72	
TUS04	United States (Africa)	57,364.02			13,600.00	1,768.00	41,996.02	(2)
TUS06	United States (Africa)	(94,622.70)		128,150.08	(7,169.99)	(932.10)	41,629.47	(2)
TWB01	World Bank (STDF on SPS)	–		417,000.00			417,000.00	
Total trust funds		11,183,072.77	–	4,475,586.60	5,359,529.74	696,738.86	9,602,390.77	
Other extra-budgetary funds								
EPSF1	Programme Support Fund	1,082,317.42		696,738.86	127,380.97	–	1,651,675.31	
ES963	96 Surplus (Legal Fund)	159,462.05			28,800.00	–	130,662.05	
Total other extra-budgetary funds		1,241,779.47	–	696,738.86	156,180.97	–	1,782,337.36	
Grand total technical assistance funds		12,424,852.24	–	5,172,325.46	5,515,710.71	696,738.86	11,384,728.13	

(1) Fund to be closed.

(2) See separate table on pledges.

Table IV.5b

Voluntary Contribution to WTO Technical Assistance Activities – Pledges Received from Members

Fund	Donor	2003	2004	2005	2006	Total
T0006	Netherlands (Trainees)					–
TBE01	Belgium-Flanders (Southern Africa)	73,000				73,000
TDDA1	Doha Development Agenda GTF (2002)	1,350,000				1,350,000
TDDA2	Doha Development Agenda GTF (2003)	5,060,000				5,060,000
TDDA3	Doha Development Agenda GTF (2004)		3,330,000			3,330,000
TDDA4	Doha Development Agenda GTF (2005)			2,440,000		2,440,000
TDDA5	Doha Development Agenda GTF (2006)				725,000	725,000
TDE01	Germany (TPRs)	282,500				282,500
TFR02	France (LDCs, Africa)	940,000				940,000
TIMM1	Interns for Members' Missions	225,000				225,000
TNZ03	New Zealand (Asia Pacific)	100,000				100,000
TTPC1	Trade Policy Courses in Africa	175,000				175,000
TUK03	United Kingdom (Evaluation)	170,000				170,000
TUS04	United States (Africa)	450,000				450,000
TUS06	United States (Africa)	348,850				348,850
Total trust funds		9,174,350	3,330,000	2,440,000	725,000	15,669,350

Table IV.5c

**Doha Development Agenda Global Trust Fund – TDDA1
Outstanding Contributions Pledged for 2002**

Donors	Fund	Year	Pledges		Paid CHF	Conditions	
			Currency	Amount			
European Commission	TDDA1	2003	Euro	560,000	818,045	818,160	None
European Commission	TDDA1	2003	Euro	140,000	203,000	–	None
Luxembourg	TDDA1	2003	Euro	125,000	181,250	181,375	None
Nigeria	TDDA1	2003	CHF	1,000	1,000	–	None
United Kingdom	TUK05	2003	GBP	450,000	1,035,000	–	None
USA	TDDA1	2002	USD	65,000	97,000	–	None
Total					2,335,295	999,535	

Table IV.5d

**Doha Development Agenda Global Trust Fund – TDDA2
Contributions Pledged for 2003**

Donors	Fund	Year	Pledges		Paid CHF	Conditions	
			Currency	Amount			
Australia	TDDA2	2003	AUD	500,000	409,091	–	None
Canada	TDDA2	2002	CAD	500,000	525,300	525,300	None
Denmark	TDDA2	2003	DKK	3,000,000	587,400	587,400	None
Finland	TDDA2	2003	Euro	420,000	609,000	–	None
France	TDDA2	2003	Euro	1,000,000	1,450,000	–	None
Germany	TDE02	2003	DM	810,000	635,040	–	None
Germany	TDDA2	2003	Euro	500,000	725,000	–	None
Iceland	TDDA2	2003	CHF	15,000	15,000	–	None
Japan	TDDA2	2003	CHF	210,275	210,275	–	None
Japan	TDDA2	2003	USD	400,000	540,000	–	None
Sweden	TDDA2	2003	SEK	10,000,000	1,562,500	1,602,693	None
Switzerland	TDDA2	2003	CHF	750,000	750,000	–	None
United Kingdom	TUK05	2003	GBP	100,000	230,000	–	None
United Kingdom	TDDA2	2003	GBP	300,000	690,000	–	None
Total					8,938,606	2,715,393	

