



WORLD TRADE  
ORGANIZATION

# Annual Report 2007

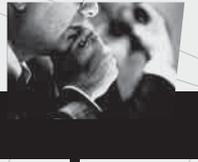






WORLD TRADE  
ORGANIZATION

# Annual Report 2007



# WTO MEMBERS

(As of 27 July 2007)

Albania	Gabon	Netherlands
Angola	The Gambia	New Zealand
Antigua and Barbuda	Georgia	Nicaragua
Argentina	Germany	Niger
Armenia	Ghana	Nigeria
Australia	Greece	Norway
Austria	Grenada	Oman
Bahrain, Kingdom of	Guatemala	Pakistan
Bangladesh	Guinea	Panama
Barbados	Guinea Bissau	Papua New Guinea
Belgium	Guyana	Paraguay
Belize	Haiti	Peru
Benin	Honduras	Philippines
Bolivia	Hong Kong, China	Poland
Botswana	Hungary	Portugal
Brazil	Iceland	Qatar
Brunei Darussalam	India	Romania
Bulgaria	Indonesia	Rwanda
Burkina Faso	Ireland	Saint Kitts and Nevis
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Canada	Japan	Senegal
Central African Republic	Jordan	Sierra Leone
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Chile	Korea, Republic of	Slovak Republic
China	Kuwait	Slovenia
Colombia	Kyrgyz Republic	Solomon Islands
Congo	Latvia	South Africa
Costa Rica	Lesotho	Spain
Côte d'Ivoire	Liechtenstein	Sri Lanka
Croatia	Lithuania	Suriname
Cuba	Luxembourg	Swaziland
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Djibouti	Maldives	Thailand
Dominica	Mali	Togo
Dominican Republic	Malta	Tonga
Ecuador	Mauritania	Trinidad and Tobago
Egypt	Mauritius	Tunisia
El Salvador	Mexico	Turkey
Estonia	Moldova	Uganda
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Fiji	Morocco	United Kingdom
Finland	Mozambique	United States of America
Former Yugoslav Republic of Macedonia (FYROM)	Myanmar	Uruguay
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	Nepal	Venezuela (Bolivarian Republic of)
		Zambia
		Zimbabwe

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World Trade Organization  
154, rue de Lausanne  
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## Director-General's Foreword

In 35 B.C. Horace, Rome's great lyric poet, said "life grants nothing to us mortals without hard work".

So it is for us in 2007 at the World Trade Organization. The very nature of our work asks a great deal from all involved. Without doubt, the most demanding of all these tasks ahead of us this year is the conclusion of the Doha Development Round.

These negotiations have been the focus of our work over the past year and the time remaining in which to conclude them runs short. The decision by WTO Members in February 2007 to resume the Doha trade negotiations across the board has not yet led to the breakthrough needed to bring the Round to a successful conclusion, but we continue to work towards that objective. If we are to conclude these negotiations in the near future, as the WTO Members have pledged to do, we will need to make significant progress as soon as possible in the crucial areas of agriculture subsidies, tariffs on agriculture and industrial products.

A successful Doha agreement would send a much needed message of confidence to governments, economic agents and to the public. It would show that we remain committed to open markets and multilateral rules, and that the foundations of the global economy are reinforced.

In parallel with the considerable efforts by WTO Members and the Secretariat to advance the negotiations, the past year has involved hard work on many other issues. The range of these efforts illustrates the broader mandate of the WTO to help manage all aspects of international trade for the benefit of all the citizens of this planet as well as for the benefit of the planet itself.

"Sustainable development" was placed at the heart of the WTO's founding charter in 1994. Governments rejected trade which would lead to the depletion of natural resources, calling instead for their "sustainable" use. In 2001, they went further when they pledged to pursue a sustainable development path by launching environmental negotiations as part of the Doha Round. This is the first time in the history of multilateral trade talks that such negotiations have been pursued.

Negotiators are working hard to reduce trade distorting agricultural subsidies that lead to overproduction – often through extensive use of harmful chemicals – and fisheries subsidies which encourage over-fishing. Governments are also working to pare back barriers that stand in the way of trade in clean technologies and environmental services and to ensure greater harmony between the WTO and Multilateral Environmental Agreements (MEAs).

These issues are important in themselves but dealing with them successfully in the context of the Doha Round holds wider significance. Ensuring greater harmony between global trade rules and environmental policy is an essential component of a global strategy to prevent further environmental degradation. Achieving the objectives set for the environmental negotiations in the DDA is admittedly a small part of the solution to the world's environmental dilemma, but if the larger issue of climate change is to be properly addressed, we must all do our part.

A new and important focus for the WTO in 2006 was the Aid for Trade initiative, aimed at helping developing countries in their efforts to more effectively participate in the global trading system. Many such countries lack the necessary capacity to produce goods competitively and bring them to markets. Without this capacity, these countries cannot reap the full benefits of trade opening. Although Aid for Trade is technically not part of this Round – the so-called “Single Undertaking” – it is a necessary complement to wider trade opening. As part of our broad efforts at enhancing our assistance to developing countries, the WTO is working closely with international development and financial institutions, with regional banks, as well as with individual donors, to ensure adequate funding and effectiveness of Aid for Trade. A revitalised programme of trade-related technical assistance for the Least Developed Countries, through the six-agency Enhanced Integrated Framework, is another vital aspect of our work this year.

In the Aid for Trade initiative we are working closely with the World Bank, UNCTAD, the IMF, UNDP, regional development banks, the OECD and other agencies to bring their expertise to bear. The WTO will provide the platform for monitoring and regularly reviewing whether Aid for Trade is being adequately funded and that it is delivering the expected results. In particular, we need to make sure that donors translate their pledges to increase Aid for Trade into realities. We also need beneficiaries to ensure that trade figures prominently in their development assistance priorities. Finally, we also need to work on better coordination of assistance provided by donors.

In the autumn we will hold three regional Aid for Trade reviews in Latin America, Asia and Africa, with the cooperation of the respective regional development banks and the World Bank. All this will lead to the first global monitoring and evaluation event on Aid for Trade, which will be hosted at the WTO headquarters in Geneva on 20 and 21 November 2007.

The work in which we are engaged on a daily basis in the WTO, including the initiatives I have mentioned, are focused and specialized. Occasionally it is necessary to look up from these details to find a broader view. For me, this means considering how the interdependence of our world can be better managed and how the WTO features in this process and this landscape.

The main mission of the WTO is to open markets and regulate world trade. Not that trade opening in itself creates wealth or that wealth creation in itself reduces poverty. We all know that the mechanisms that translate trade opening into poverty reduction are complex. Indeed, adequate domestic policies, whether on education, social safety nets, innovation, infrastructure or fiscal policies are also essential ingredients. While we work on advancing towards a more open and equitable multilateral trading system, it is crucial that the domestic agendas of our Members also advance in the same direction.

Pascal Lamy  
Director-General

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## Abbreviations and symbols

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
CEECAC	Central and Eastern Europe Central Asia and the Caucasus
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

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## Introduction

The challenge for the WTO over the next few months is to deliver a final Doha Development Agenda agreement which better integrates developing countries into the global trading system while expanding trade opportunities for all WTO Members.

Detailed progress reports on various aspects of the Doha negotiations are available in Chapter II of this Annual Report. The following is an overview of some of the main developments within the WTO over the past year.

## The DDA Negotiations – Progress Report

At the Sixth WTO Ministerial Conference at Hong Kong in December 2005, the WTO Member governments re-affirmed their resolve to complete the Doha Work Programme fully and to conclude the negotiations successfully.

The Trade Negotiations Committee (TNC), which was established by Ministers at Doha with the specific tasks of establishing negotiating mechanisms as required and supervising the progress of the negotiations, held four formal meetings in the first half of 2006 to review the state of play in the Doha Round.

At its third meeting on 1 May, the TNC Chairman, WTO Director-General Pascal Lamy, noted that Members had faced up to the fact that they had not been in a position to establish modalities in Agriculture and Non-Agricultural Market Access (NAMA) by 30 April, as set out in the Hong Kong Ministerial Declaration. Nonetheless, he believed that they had already moved to convert their disappointment into determination. There was a high level of convergence on how to move forward in the most efficient and practical manner, in order to make significant progress on key issues as quickly as possible, so that agreement could rapidly be reached on modalities. At its meeting on 1 July, the TNC agreed that the Chairman would conduct intensive and wide-ranging consultations, based on the draft texts prepared by the Chairs of the negotiating groups, with the aim of facilitating the urgent establishment of modalities in Agriculture and for Non-Agricultural Market Access (NAMA) and that he should report to the TNC as soon as possible.

In the light of his consultations, the Chairman reported to an informal TNC meeting on 24 July that the situation was very serious. It had become clear that the gaps between Members' positions on the modalities remained too wide. Faced with a persistent impasse, the Chairman said that the only course of action that could be recommended was to suspend the negotiations across the Round as a whole, to enable the serious reflection by participants which was clearly necessary. In his report to the General Council at its meeting later that week, the Chairman noted that this recommendation had been accepted by participants at the informal TNC meeting, although it had been accepted with regret.

In the latter half of the year, there was an increase in the number and frequency of informal contacts among Members, both in Geneva and beyond, which had been going on since the suspension of the negotiations in July. In his remarks at an informal TNC meeting in November, the Chairman suggested that this was a sign of the growing and widely-shared desire to make the most of every opportunity to lay the foundations for further progress. In his report to the General Council at its end-of-year meeting in December, the Chairman noted that the political will to conclude the Round was being reaffirmed constantly across the board. New flexibilities had been announced by major players in general terms. The challenge remained to translate this political will and these signals of flexibility into substantive changes in position, which were necessary in order to unblock the process. At its November informal meeting, the TNC had given the green light to the Negotiating Group Chairs to start carrying out contacts and consultations as they judged most appropriate, in keeping with the usual principles of transparency and inclusiveness, in order to multilateralize the many informal contacts which had been taking place among Members and to bring them back to the Negotiating Groups in Geneva. Members would need to increase the rhythm of the informal work that was under way when they returned after the end-of-year break, to exploit the window of opportunity that remained in the first quarter of 2007 and then take the Round to a successful conclusion.

In the context of negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements (RTAs), and pursuant to the Decision adopted by Ministers at the Hong Kong WTO Ministerial, the General Council in December adopted a Decision establishing on a provisional basis a Transparency Mechanism for RTAs. The Transparency Mechanism is being implemented on a provisional basis, in accordance with paragraph 47 of the Doha Ministerial Declaration, and its operation will be reviewed by Members within one year.

With regard to the Enhanced Integrated Framework, Ministers at Hong Kong had agreed that the Task Force established by the IF Working Group, composed of donor and LDC Members, would provide recommendations to the IF Steering Committee by April 2006 on how the implementation of the IF could be improved. Ministers agreed that the Enhanced IF would enter into force no later than 31 December 2006. In July, the General Council considered a report from the Chairman of the IF Task Force on the work undertaken in this regard. Furthermore, the Council considered plans for further work to ensure that the recommendations of the Task Force would be operationalized with a view to the entry into force of the Enhanced IF no later than 31 December 2006.

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## The Aid for Trade Initiative

Aid for Trade is a vital component of any programme which aims to bring developing countries off the sidelines of the global trading system. If developing countries are to take advantage of the new opportunities arising from a successful Doha agreement, they will need help in improving their capacity to trade. Effective Aid for Trade can address supply side constraints and thus enhance growth prospects and contribute to reducing poverty in developing countries. This, in turn, would distribute the global benefits of trade more equitably across and within developing countries.

But Aid for Trade is important in a broader sense. By focusing on the policies, institutions and infrastructure that developing countries need to benefit from trade opening - and globalization - Aid for Trade has focused new attention on the growth and competitiveness agenda - of which trade is a central part. More and better Aid for Trade is a priority. But the objective is also to change mindsets, not only to build harbours and roads.

As mandated by the Hong Kong Ministerial Declaration, a Task Force was established in 2006 to provide recommendations on how to operationalize Aid for Trade and ensure its contributions to the development dimension of the DDA.

The Task Force's report, which was endorsed by the General Council on 12 October 2006, placed Aid for Trade in a wider development framework, and set out a series of recommendations for further work and eventual operationalization of Aid for Trade.

The role the WTO has been given is to mobilize, monitor, and evaluate Aid for Trade. It is currently establishing a system of monitoring at three-levels: global monitoring, based on the work carried out by the OECD; donor monitoring, based on self-evaluations, and recipient monitoring, based on in-country assessments.

In order to connect the dots - and bring the picture into sharper focus - the WTO is also organizing three regional reviews in the autumn of 2007 - in Lima, Peru; Manila, the Philippines and Dar Es Salaam, Tanzania - in cooperation with the World Bank and the relevant regional development banks. The purpose of these events is to encourage recipients, donors and the private sector - collectively - to focus on real-world challenges, to prioritize needs, and to work towards deliverable business plans.

All of this will culminate in the first Aid for Trade global monitoring and evaluation event which will be hosted at the WTO headquarters in Geneva on 20-21 November.

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## Closer Cooperation with other International Organizations

The Members of the WTO inscribed in the Uruguay Round Agreement the obligation for the organization to work closely with other international organizations to ensure "coherence" in their policies. The Members affirmed the importance of trade for global development but also the need to integrate trade into the development policies of other organizations. The WTO's work with the World Bank and the IMF has been particularly close through the ensuing years. It has become ever more practical since the launch of the Doha Round. Those negotiations have also increased the links and working relationships with many other players in the field of global economics, development and the environment.

The implications of global trade for labour have always made the International Labour Organization a key partner for the WTO. As early as the Singapore Ministerial Conference in 1996, WTO Members determined that the WTO should work closely with the ILO on a range of issues, including the latter organization's specific responsibility to deal with labour standards around the world.

In 2006 a joint WTO-ILO study entitled "Trade and Employment: Challenges for Policy Research" was published. This study is the outcome of collaborative research between the Secretariats of both organizations. It addresses an issue that is of important concern to both organizations: the relationship between trade and employment. The multilateral trading system has the potential to contribute to increasing global welfare and to promote better employment outcomes. The challenge the Members of both organizations face is to find ways of realizing this potential as fully as possible. The study aims to improve the understanding of how trade and labour markets interact and affect the lives of millions around the world.

In 2006 the WTO also cooperated with the United Nations Conference on Trade and Development (UNCTAD) on capacity building and providing technical assistance to developing and least-developed countries. UNCTAD is a major partner in the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) and also in the Joint Integrated Technical Assistance Programme (JITAP). Other international intergovernmental organizations that cooperated with the WTO in 2006 on the development dimension, particularly in the IF and JITAP, include the United Nations Development Programme, the International Trade Centre, the International Monetary Fund and the World Bank.

In 2006 the WTO Director-General participated in the UN Chief Executives Board (CEB) and its subsidiary bodies, and in the work of a high-level United Nations coordination committee monitoring progress towards achieving the United Nations' Millennium Goals.

There are nearly 100 international organizations which have been granted formal or ad hoc observer status with WTO councils and committees. This gives them direct access to WTO Members and their work. Their feedback to the WTO on their respective issues offers an invaluable contribution in the continuing effort to make decisions taken by the WTO more compatible with the broader objectives of the international community.

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## The WTO Public Forum – "What WTO for the XXIst Century"

Since 1999, the WTO has organized an annual Public Forum to provide civil society with opportunities to engage with government officials, academics, media and other civil society representatives. This year's theme "What WTO for the XXIst Century?", encouraged a frank exchange of ideas and reflections among all participants on the type of WTO they would like to see in the future.

The 2006 public forum attracted over 1,000 participants. Discussion at the forum took place in 36 topical sessions, in which the WTO system was scrutinized, criticized and analyzed with the common objective of making the system more fair and more balanced, to strengthen its role as a facilitator and arbiter of international trade.

The presence of so many representatives of WTO Members, civil society, parliaments, the media and the academic world, reinforces the conviction that international cooperation and multilateralism is the only way forward. The ideas shared during the 2006 forum can be accessed in the summaries of the discussion, which were published by the WTO for the first time. Copies are available on the WTO website.

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## Increased Technical Assistance and Training

The WTO's activities to provide training and technical assistance to developing countries increased again in 2006, shifting increasingly to work with least-developed countries as mandated by Members in the Doha Declaration.

The quantity, quality and the delivery of these WTO activities has expanded continuously since the WTO was created, responding to a concurrent increase in the demand for such activities by WTO Members and Observers. Governments are more aware than ever of the need to have a contingent of officials who understand the WTO system, are expert in working with the WTO agreements, and who can contribute to each country's ability to use the WTO system to further social and economic development.

WTO training and technical assistance puts hundreds of WTO specialists on the front line of development, equipped with the expertise and the tools needed to develop an intellectual capacity among participants which can be sustained nationally and regionally.

The thousands of courses, seminars, workshops organized throughout the world over the past ten years are one of the factors driving the active participation of developing countries, particularly the least-developed, in the Doha Round of negotiations.

In 2006, the WTO provided training to 29,752 government officials through 486 individual training activities, in Geneva (44) and in regional and national centres (442) in the developing world. The actual delivery of these training activities involved some 4,469 work days by about 230 WTO experts.

The majority of training activities took place in Africa (37%), followed by Asia and the Pacific (20%). A total of 55 activities were organized for Latin America (11%), 40 for Central and Eastern European and Central Asian Countries (8%), 33 for the Arab and Middle East countries (7%), and 32 for the Caribbean (7%). LDCs have been associated with 212 activities, which represents some 44 % of the total.

The majority of activities, national and regional combined, specifically addressed WTO agreements. Most in demand were seminars on trade in services and assistance in support of Trade Policy Reviews. Other priority agreements were those on SPS, market access issues NAMA (Customs Valuation, Rules of Origin), TRIPS, development issues, Trade Facilitation and Rules.

The WTO is also an active participant with other international organizations in joint capacity-building programs for developing countries, including the Enhanced Integrated Framework and the JITAP program. Details on activities for these programs are provided later in this report.

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## WTO Dispute Settlement: Panel Proceedings Open to the Public

For the second time since its creation in 1995, the WTO dispute settlement system opened dispute panel hearings in 2006 to WTO delegates, journalists, NGO representatives, scholars and other members of the public. At the request of the parties in the disputes "Continued suspension of obligations in the EC - hormones dispute" (US - Continued suspension of obligations in the EC - hormones dispute, DS320; Canada - Continued suspension of obligations in the EC - hormones dispute, DS321), members of the public watched live the proceedings of the dispute-settlement panels at the WTO headquarters in Geneva via closed-circuit broadcast.

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## Viet Nam Becomes WTO's 150th Member

Viet Nam's accession package was adopted by the General Council on 7 November 2006. Following domestic ratification, Viet Nam signalled acceptance of its membership package on 12 December 2006 and became the 150<sup>th</sup> Member of the WTO on 11 January 2007.

WTO membership is open to any State or customs territory having full autonomy in the conduct of its trade policies. As of 31 December 2006, 28 Governments were pursuing their accession to the WTO: Afghanistan, Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Cape Verde, Ethiopia, Iran, Iraq, Kazakhstan, Lao PDR, Lebanon, Libya, Montenegro, Russian Federation, Samoa, Sao Tomé and Príncipe, Serbia, Seychelles, Sudan, Tajikistan, Ukraine, Uzbekistan, Vanuatu, Yemen.

## A Summary of Trade Developments in 2006-2007

Risks in financial and property markets and large trade imbalances in goods and services mean increased uncertainty in 2007 and raise the prospect of weaker economic and trade expansion in the coming year.

The consensus among forecasters of around 3% global economic growth in 2007 could slow merchandise trade growth to about 6% compared with 8% in 2006.

By contrast, the world economy and trade grew vigorously in 2006, the 8% expansion in merchandise trade being the second highest since 2000. Growth in gross domestic product (GDP) – a measure of the size of the economy – was stronger than expected in Europe and Japan. The Chinese and Indian economies continued to record high growth.

Least-developed countries' trade grew by about 30%, fuelled by higher prices for petroleum and other primary commodities. Developing countries as a whole saw their shares of world merchandise trade reach record proportions. And for some of the smaller suppliers, fear of a setback in textiles and clothing in the face of competition from China proved unfounded in 2006.

The overall picture in 2006 was of trade expanding in real terms (i.e. ignoring price changes), faster than output by a large margin. The dollar value of world merchandise exports increased by 15% to \$11.76 trillion in 2006. Commercial services exports were up by an estimated 11% and reached \$2.71 trillion in 2006.

Price changes affected the nominal merchandise trade growth rates of countries and whole regions. The annual average prices for fuels and metals rose sharply, benefiting the export earnings of fuels and metal exporters.

The four regions with the highest share of fuels and other mining products in their merchandise exports (the Middle East, Africa, the Commonwealth of Independent States – CIS – and South and Central America) again recorded the strongest annual export rise in 2006.

The United States recorded its best annual merchandise export growth in more than a decade but its trade deficit continued to grow. However, when adjusted for price changes, US merchandise exports expanded faster than world trade and faster than US imports.

China's trade growth continued to outstrip other major traders. China's merchandise exports grew by 27%. In the second half of 2006, its merchandise exports started to exceed those of the United States, but for the whole year US exports still exceeded those of China.

Least-developed countries' exports rose sharply in 2006 due to much larger values of fuels exports and stronger exports of other primary products and manufactured goods.

Developing countries' share of world merchandise exports reached an all time record of 36%. The 0.9% share for least-developed countries was also a record, the highest level since 1980, the earliest data kept by the WTO.

The picture for textiles and clothing is better for small suppliers with preferences in developed country markets than many had feared following the 2005 elimination of quotas and of the WTO's Agreement on Textiles and Clothing.

As expected, China has enhanced its role as the leading supplier. Low and lower-middle income countries have seen their share of world exports of textiles and clothing increase markedly. Emerging developing countries, including the newly-industrializing Asian economies (NICs) and Mexico, lost market share. Some small suppliers also lost shares, but others gained. Overall, in 2006, the least-developed countries increased their shares of developed countries' textiles imports. The fact that China, India and Bangladesh performed well also means that millions of low-income workers benefited.

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## **Chapter Two**

### **WTO ACTIVITIES**

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The WTO documents identified in this section of the Annual Report can be downloaded from the WTO website [www.wto.org](http://www.wto.org), in the section named Documents.

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## PART I

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### I. The Ministerial Conference

The Ministerial Conference of the WTO, composed of representatives of all the Members, is the highest decision-making body of the organization, and is required to meet at least once every two years. Ministerial Conferences review ongoing work, provide political guidance and direction to that work, and set the agenda for further work as necessary. The most recent Session of the Ministerial Conference was held in Hong Kong, China in December 2005.<sup>1</sup>

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### II. The Doha Development Agenda (DDA)

#### Work in Relation to the Doha Development Agenda

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, with progress reports to be submitted to the Cancún Ministerial Conference. At Cancún in September 2003, Ministers instructed that their officials continue working on outstanding issues, and that this work be coordinated by the General Council Chairman in close cooperation with the Director-General, with the aim of taking the action necessary by December 2003 to enable Members to move towards a successful and timely conclusion of the negotiations. In their report to the General Council in December 2003, the Chairman and the Director-General identified key issues for further work and recommended that all WTO Bodies should resume their work on these and other issues under the DDA early in 2004. As Members restarted work in 2004 across the breadth of the DDA, there emerged a widely-shared understanding that work in the first half of the year should result in an outcome by the end of July that would unlock key issues and provide momentum and direction to guide Members' work across all fronts after July. On 1 August 2004, following intensive negotiations, the General Council adopted a Decision on the Doha Work Programme, putting in place framework agreements for the negotiations on agriculture – including cotton – and non-agricultural market access. Members also agreed on a package of development issues, and took a decision to begin negotiations on trade facilitation and that the other three "Singapore" issues (the Relationship between Trade and Investment, the Interaction between Trade and Competition Policy, and Transparency in Government Procurement) would not be negotiated during this Round. Members further agreed to continue the negotiations beyond the timeframe of 1 January 2005 set in the Doha Ministerial Declaration. At the Sixth WTO Ministerial Conference in Hong Kong in December 2005, Ministers reaffirmed these earlier Declarations and Decisions and their full commitment to give effect to them, and renewed their resolve to complete the Doha Work Programme fully and to conclude the negotiations successfully in 2006. Ministers also provided specific instructions for follow-up and monitoring by the General Council in regard to several aspects of this work, including in the area of Aid for Trade.

In keeping with these mandates, the General Council in 2006 – as part of its overall review and oversight function – continued to keep under regular review the work of the Trade Negotiations Committee under a standing item on its agenda. The Council noted in July that, faced with the persistent impasse in the Agriculture and NAMA (Non-Agricultural Market Access) negotiations – where it had not been possible to establish modalities by the deadline established at Hong Kong – the negotiations across the Round as a whole were suspended to enable the serious reflection by participants that was clearly necessary. Subsequently, in considering a report from the Director-General at its end-of-year meeting in December, the Council noted that following the green light at a recent TNC meeting to Chairpersons of the various negotiating groups to resume their processes, an increasing

<sup>1</sup> A full description of the substantive results of the Hong Kong Ministerial Conference is carried in the WTO Annual Report 2006.

level of engagement had started to appear, and that with everyone contributing and playing their part, Members could get back on track to take the Round to a successful conclusion in 2007.

At each of its regular meetings in the first half of the year, the General Council also received reports from the Director-General on the latter's intensified consultative process on all outstanding implementation issues under paragraph 12(b) of the Doha Declaration, with the aim of reviewing progress and taking any appropriate action no later than 31 July 2006, as mandated at Hong Kong. In July, in the light of the impasse reported in the Director-General's consultations on this matter, as in the negotiations overall, Members noted a call from the Chairman for serious reflection on how to take forward the work in this area without harbouring any illusion that these issues could make significant progress until the overall negotiating environment improved.

With regard to the sectoral initiative on cotton, and in follow-up to the provisions of the Hong Kong Declaration, the General Council through the year considered reports provided by the Director-General regarding the progress and results of his consultations on the development assistance aspects of cotton, including with regard to the possibility of establishing a mechanism to deal with income declines in the cotton sector.

In the context of negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements, and pursuant to instructions from Ministers at Hong Kong, the General Council in December considered and adopted a draft Decision, approved initially by Members in the Negotiating Group on Rules, establishing on a provisional basis a Transparency Mechanism for RTAs on the basis of certain observations and understandings as read out by the Council Chairman. The Transparency Mechanism is being implemented on a provisional basis, in accordance with paragraph 47 of the Doha Ministerial Declaration, and its operation will be reviewed by Members within one year.

In keeping with the framework and procedures agreed by the General Council in March 2002 for the conduct of the Work Programme on Small Economies – and with the aim of providing responses to the trade-related issues of small economies no later than 31 December 2006 as mandated at Hong Kong – the Council also reviewed the progress of work in this area under a standing item on its agenda. The substantive work relating to this work programme is undertaken in Dedicated Sessions of the Committee on Trade and Development. In October, the General Council agreed to recommendations and understandings adopted by the Dedicated Session regarding measures to assist small economies in meeting their obligations under the Agreements on SPS Measures, TBT and TRIPS – as a means of enabling their fuller integration into the multilateral trading system – and in December took note that Members in the CTD in Dedicated Session would be pursuing substantive work under the Work Programme in 2007.

With regard to the review of special and differential treatment provisions in WTO Agreements – which Ministers at Doha mandated should be reviewed with a view to strengthening them and making them more precise, operational and effective – the General Council continued to keep under review the work carried out by the Committee on Trade and Development in Special Session, as well as that by other WTO Bodies to whom a number of specific proposals had been referred by the Chair of the General Council in 2003, with the aim of receiving clear recommendations for decision by December 2006. The Council in December noted that work on the outstanding Agreement-specific proposals, as well as on all other outstanding issues, would continue both in the Special Session of the CTD and in other WTO Bodies.

On the Harmonization Work Programme in the rules of origin area, in view of the technically complex and politically important issues that remain to be considered, the General Council agreed to extend to July 2007 the deadline for completion of negotiations on core policy issues. Work on these issues is continuing in consultations conducted by the Chairman of the Committee on Rules of Origin, at the request and on behalf of the General Council Chair. Following resolution of the core policy issues, the Committee on Rules of Origin will complete the remaining technical work by 31 December 2007.

With regard to the enhanced Integrated Framework, Ministers at Hong Kong had agreed that the Task Force established by the IF Working Group, composed of donor and LDC Members, would provide recommendations to the IF Steering Committee by April 2006 on how the implementation of the IF could be improved, and that the enhanced IF would enter into force no later than 31 December 2006. In July, the General Council considered a report from the Chairman of the IF Task Force on the work undertaken in this regard, and on the plans for further work to ensure that the recommendations of the Task Force would be operationalized with a view to the entry into force of the enhanced IF no later than 31 December.

Finally, following the invitation from Ministers at Hong Kong to the Director-General to create a Task Force on Aid for Trade to provide recommendations to the General Council by July 2006 on how to operationalize Aid for Trade and on how it might contribute most effectively to the development dimension of the DDA, the General Council in July considered a report from the Task Force, including a range of recommendations in each area of its mandate as well as specific suggestions on the next steps to be taken in order to ensure a coherent and effective follow-up. In October, the Council endorsed the Task Force's recommendations and agreed to the specific next steps outlined by it with the aim of operationalizing Aid for Trade as soon as possible, and in December considered a report from the Director-General on the follow-up to the Task Force's report and recommendations. Through the course of the year, the General Council continued to be kept updated on the progress of the Director-General's consultations with Members, the IMF, the World Bank and other relevant international organizations and regional development banks on appropriate mechanisms to secure additional financial resources for Aid for Trade, as also directed by Ministers at Hong Kong.

## 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."*

In early 2006, and in keeping with the mandate provided to him by Ministers at Hong Kong, the Director-General intensified his consultative process on all outstanding implementation issues under paragraph 12(b) of the Doha Ministerial Declaration, without prejudice to the positions of Members on these issues, on the basis of which he reported, as requested by Ministers, to each regular meeting of the TNC and the General Council. In this consultative process, the Director-General was assisted by the Chairpersons of relevant WTO Bodies acting as Friends and by two Deputy Directors-General.

On the basis of the consultations undertaken until then, the Director-General reported to the TNC and the General Council in May that for many of the issues in this area, the ball appeared essentially to be in the court of the proponents of these issues. In his view, the time was fast approaching when Members would need to agree among themselves which issues to actively pursue further, given that some issues, in practice if not in a formal sense, had either lapsed, been overtaken by events or reached the limit of possible progress.

In his report to the July meeting of the General Council, the Director-General highlighted a continued gridlock in his consultations on this issue, which was related, in his view, to the overall environment in the negotiations.

**Agriculture** In May 2006, the Committee on Agriculture adopted a follow-up report to the General Council on implementation-related issues<sup>2</sup>. The first issue concerns the 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 (NFIDC Decision). The second implementation issue provides that Members shall ensure that their tariff rate quota regimes are administered in a transparent, equitable and non-discriminatory manner. In accordance with a decision taken by the General Council, Members with tariff quota commitments in their Schedules are required to provide supplementary notifications to the Committee on Agriculture to ensure that tariff quota regimes benefit all, particularly the developing countries. The third implementation issue relates to Article 10.2 of the Agreement on Agriculture concerning the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes.

<sup>2</sup> G/AG/16/Add.1 (dated 13 June 2006).

**Sanitary and Phytosanitary Measures** The SPS Committee considered two sets of mandates with respect to implementation issues. The Doha Ministerial Decision mandated the Committee to develop guidance to assist Members implement the provisions of the SPS Agreement with respect to recognition of equivalence (Article 4), as well as to undertake a review of the implementation and operation of the SPS Agreement every four years. The SPS Committee completed its work on guidelines on equivalence in June 2005, although Members are invited to report on their experiences in this regard at every regular meeting. The Committee also completed its Second Review of the SPS Agreement in June 2005, and in 2006 it considered further work on a number of the issues identified in the Review.

The General Council mandated the SPS Committee to examine five implementation-related proposals regarding special and differential treatment and technical assistance, which were considered by the Committee at each of its regular meetings during 2006. In particular, the Committee extended the application of a procedure it adopted in 2005 for identifying specific problems that an exporting Member may face in meeting the SPS requirements of an importer and for requesting special and differential treatment. The procedure provides for the Members concerned to enter into consultations and for the importing Member to inform the Committee of its response to any request received, whether special and differential treatment or technical assistance was provided. In 2006, the Committee also began to examine how to ensure the effectiveness of technical assistance and the identification of best practices in this regard.

With respect to the provision of technical assistance by Members, at each of its regular meetings the Committee considered information from Members regarding their technical assistance needs and programmes. In addition, the Committee was kept informed of the continued coordination between the WTO and other organizations to assist the effective participation of least-developed countries in the work of standard-setting Bodies, and to coordinate on technical assistance. In 2006, the Standards and Trade Development Facility (STDF) provided an active mechanism for increased coordination amongst the WTO, the Food and Agriculture Organization (FAO), the World Organization for Animal Health (OIE), the World Bank and the World Health Organization (WHO).

**Trade-Related Investment Measures** Pursuant to Paragraph 39 of the Hong Kong Ministerial Declaration and at the request of the Director-General to assist him in his consultations on the outstanding implementation issues under Paragraph 12(b) of the Doha Ministerial Declaration, in March 2006, Deputy Director-General Ms. Valentine Rugwabiza held informal consultations on the outstanding implementation issues related to the TRIMs Agreement as contained in tires 37 to 40 of document JOB(01)/152/Rev.1, and in a related proposal by Brazil and India under tiret 40 (G/TRIMS/W/25) and supplemented by a communication circulated in JOB(05)/149 concerning the flexibilities left in the TRIMs Agreement for developing countries. In her report to the Director-General Ms. Rugwabiza indicated that significant differences of view remained both on the substance of these issues and on the way to address them and that, in her view, rather than continue consultations at a technical level, political input was needed to explore the possibilities for allowing greater flexibility in Members' positions.

**Technical Barriers to Trade** The TBT Committee held, on 16-17 March 2006, a Workshop on the Different Approaches to Conformity Assessment, including on the Acceptance of Conformity Assessment Results. The Workshop provided opportunity for delegations to exchange information and experiences on the use of different approaches to conformity assessment. A summary report of the workshop is contained in G/TBT/M/38/Add.1. Following adoption by the Committee in November 2005 of a Format for the Voluntary Notification of Specific Technical Assistance Needs and Responses (G/TBT/16), aimed at increasing transparency in the identification and prioritization of technical assistance needs, the Committee's Fourth Triennial Review Report, concluded on 9 November 2006 (G/TBT/19), encouraged Members to make use of this Format and to exchange experiences in respect of the delivery and receipt of technical assistance with a view to identifying good practices in this regard.

**Trade-Related Aspects of Intellectual Property Rights** Pursuant to paragraph 2 of the Decision on Implementation of Article 66.2 of the TRIPS Agreement (IP/C/28), the Council took up, at its meeting in October, the fourth annual review of developed country Members' implementation of Article 66.2. In accordance with the Decision and in preparation for the meeting, developed country Members submitted new detailed reports on their implementation. The Council had adopted this Decision in February 2003, giving effect to the instruction of the Doha Ministerial Conference, contained in paragraph 11.2 of its Decision on Implementation-Related Issues and Concerns, to put in place a mechanism for ensuring the monitoring and full implementation of the obligations in question.

In paragraph 45 of the Hong Kong Ministerial Declaration on non-violation and situation complaints, Ministers took note of the work done by the TRIPS Council pursuant

to paragraph 11.1 of the Doha Decision on Implementation-Related Issues and Concerns and paragraph 1.(h) of the Decision adopted by the General Council on 1 August 2004, and directed it 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 their next Session. It was agreed that, in the meantime, Members would not initiate such complaints under the TRIPS Agreement. Pursuant to this, the Council agreed at its meeting in March to keep the item on non-violation and situation complaints on the agenda as a regular item so as to allow Members who would have new thinking to share it, and also to enable the Council to consider improved ways of organizing its work on this matter.

Pursuant to paragraph 39 of the Hong Kong Ministerial Declaration, during the first half of the year Deputy Director-General Rufus Yerxa held, on behalf of the Director-General, consultations in a variety of formats on two outstanding implementation issues: issues related to the extension of the protection of geographical indications provided for in Article 23 of the TRIPS Agreement to products other than wines and spirits; and the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD).

**Special Duties Division: implementation of the mandate on the development assistance aspects of cotton** In 2006 the Doha Development Agenda Special Duties Division (DDA/SDD) focused on two areas, namely: the implementation of the WTO mandate on the development assistance aspects of cotton; and, reports coupled with policy advice to senior management on Africa and a range of development issues. On cotton, the Director-General in February initiated a "verification" exercise of the commitments made by the bilateral and multilateral donor development communities, as reflected in the "Evolving Working Table on Cotton Development Assistance" (annexed to the Director-General's Second Periodic Report to Members<sup>3</sup> on the implementation of the mandate). The "verification" exercise addressed the issues relating to the translation of commitments into actual disbursements, and the status of operational implementation. Two rounds of consultations of "The Director-General's Consultative Framework Mechanism on Cotton" were organized. The 6<sup>th</sup> Round of consultations was held on 16 February, following which a report was issued (TN/AG/SCC/W/5). The 7<sup>th</sup> Round took place on 14 June. Several technical meetings were undertaken, as follow-up. As required, the DDA/SDD, on behalf of the Director-General, briefed WTO Members on the evolution of the implementation of the mandate on cotton development assistance at the 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> meetings of the Sub-Committee on Cotton (SCC). These briefings were subsequently circulated in documents TN/AG/SCC/R/10, TN/AG/SCC/W/6, and TN/AG/SCC/R/12. As requested by Ministers at the Hong Kong Ministerial Conference, the Director-General furnished Members with update reports at the General Council at its meetings of 15 May,<sup>4</sup> 27-28 July<sup>5</sup> and 14-15 December<sup>6</sup>. A revised Table on Cotton Development Assistance (WT/L/670) was issued in December 2006. This revision resulted from the feedback from cotton proponents<sup>7</sup> and the responses from the bilateral and multilateral development communities.<sup>8</sup> The Division continued to participate in key international activities related to cotton, notably: i) World Bank Meeting on Cotton Development Assistance in cooperation with the Government of Burkina Faso, Ouagadougou, 19-20 June 2006; ii) 65<sup>th</sup> Plenary Meeting of the International Cotton Advisory Committee (ICAC), Goiania, Brazil, 11-15 September 2006; and, iii) International Conference on Cotton, The Next Steps for Africa, Washington, 26 October 2006. The Director-General intensified efforts to mobilize increased commitments and accelerate implementation of existing commitments.

## Agriculture

*"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 longterm 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*

<sup>3</sup> WT/GC/97: Second Periodic Report by the Director-General.

<sup>4</sup> General Council minutes WT/GC/M/102.

<sup>5</sup> General Council minutes WT/GC/M/103.

<sup>6</sup> General Council minutes WT/GC/M/106.

<sup>7</sup> WT/L/656, WT/L/657 and WT/L/660.

<sup>8</sup> WT/L/681.

development. We take note of the nontrade 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 objective of the agriculture negotiations for 2006 was to complete modalities. With the agreement by the General Council of 1 August 2004, which created a Framework for Establishing Modalities in Agriculture (Annex A of WT/L/579) and the Hong Kong Ministerial Conference which took place in December 2005 the negotiations became more focussed and more intense.

Between January and June 2006, 12 open-ended meetings, to which all participants (that is all Members and countries in the process of accession) were invited, were held. In addition, numerous consultations took place with various groups of delegations to discuss specific issues. Outside the WTO, activity was equally intense with many meetings, often at Ministerial level, organised by various Members to discuss the Doha Development Agenda, including agriculture.

To assist discussion during the year, the Chairman for the Special Session of the Committee on Agriculture Ambassador Crawford Falconer of New Zealand, distributed a number of documents, starting with a set of questions to be answered before the DDA could be finalized (JOB(06)/26). He followed these questions with a series of reference papers which covered all the issues in the agriculture negotiations that are included in the Agreed Framework. Some of these papers went through a number of revisions to reflect the status of the negotiations<sup>9</sup>. With the objective of establishing modalities by the end of July the Chairman also distributed a draft of possible modalities which covered all the positions of different delegations at that point. This document was also revised a number of times before being distributed as a formal WTO document on 12 July 2006 as TN/AG/W/3. The large number of alternative options for modalities on all issues made it clear that negotiators still had a long way to go before completing their work. This was not achieved and the agriculture negotiations, like negotiations in the DDA in general, were suspended by the General Council at its meeting on 27-28 July 2006. The suspension lasted until November 2006. Following the restart, the Chairman held a number of transparency meetings to inform delegations of the work he had been doing and to give them the opportunity to inform others of the work they had been doing. Bilateral and plurilateral discussions also continued outside the WTO as Members explored different ideas on key issues in an effort to make progress. However, it was not possible to reach agreement on full modalities and the negotiations are now continuing in more intensive way at several levels.

## Services

“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.”

Pursuant to the mandate set out in paragraph 15 of the Doha Development Agenda, the Special Session of the Council for Trade in Services held five meetings in 2006 before the suspension of the overall negotiations at the end of July. The reports of these meetings are contained in documents TN/S/M/18 to TN/S/M/22. The Special Session addressed the following matters:

### **(i) Review of Progress in the Negotiations, Including Pursuant to Paragraph 15 of the Guidelines for Negotiations**

As agreed in July 2002, the Special Session of the Council for Trade in Services continued to include this standing item on its agenda as a means to promote transparency and allow the Special Session to fulfill its function of overseeing the negotiations. This item also provides Members with an opportunity to raise issues of concern that might emerge

<sup>9</sup> The Chairman's reference papers can be found on the WTO website by following this link. [http://www.wto.org/english/tratop\\_e/agric\\_e/refpapers\\_apr06\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/refpapers_apr06_e.htm)

in consultations and to communicate their views on progress in the negotiations. The Hong Kong Ministerial Declaration confirms that the Special Session of the Council for Trade in Services shall review progress in the negotiations and monitor the implementation of the Objectives, Approaches and Timelines set out in Annex C.

Substantive discussions under this item were held at all meetings which took place in 2006. Among other matters, Members reported on request-offer negotiations, reiterated their negotiating interests in terms of market access and rules, and identified their expectations in the current Round and their assessment of the state-of-play. In particular, Members made positive assessments of two rounds of plurilateral request-offer negotiations which took place in April and May, based on the collective requests submitted in accordance with Paragraph 7 of Annex C of the Hong Kong Ministerial Declaration.

Also under this item, the delegation of Zambia on behalf of the LDC Group presented the group's collective request in Mode 4 at the meeting of 24 May 2006.

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#### **(ii) Implementation of the Modalities for the Special Treatment for Least-Developed Country Members in the Trade in Services Negotiations**

Annex C of the Hong Kong Ministerial Declaration requires Members, in the course of negotiations, to develop methods for the full and effective implementation of the LDC Modalities. To fulfill this new mandate, the Council held substantive discussion under this agenda item in 2006. Discussions were conducted mainly on the basis of a communication (TN/S/W59) submitted by Zambia on behalf of the LDC Group, which proposes a mechanism to operationalize Article IV:3 of the GATS. At the meeting of 14 July 2006, the European Communities presented a paper co-sponsored by the United States, Japan and Canada proposing a mechanism to assess the provision of special priority to sectors and modes of supply of interest to LDCs.

Under this item as well, four Members (Canada, Japan, Norway and the United States) respectively presented their written responses to questions previously raised by the LDC Group regarding the implementation of the LDC Modalities.

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#### **(iii) Consideration of Proposals on Special and Differential Treatment Provisions**

This item has been on the Council's agenda since its last meeting of 2004. In accordance with the Hong Kong Declaration, the Council was to complete expeditiously such consideration with a view to making clear recommendations for a decision to be adopted at the General Council by December 2006. Before the negotiation process was suspended at the end of July, the Council held a discussion under this item on the basis of a room document from the African Group.

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#### **(iv) Proposals Relating to the Negotiations under Article XIX of the GATS**

As has been the case since June 2002, the Council's discussion under this item was structured according to new proposals received. In 2006, a new negotiating proposal on energy services was submitted and discussed.

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#### **(v) Assessment of Trade in Services**

Article XIX:3 of the GATS mandates that the Council 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 is a standing item on the agenda of the Special Session, in keeping with the Guidelines and Procedures for the Negotiations on Trade in Services (S/L/93).

Under this agenda item, two presentations were made at the meeting of 14 July 2006, one by UNCTAD on development implications of trade in services, the other by the WTO statistics section, which updated a report on the status of statistics in trade in services.

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#### **(vi) Reports by the Chairman to the Trade Negotiations Committee**

The Chairman of the Special Session of the Council for Trade in Services, subsequent to each meeting, reported to the Trade Negotiations Committee. These reports are contained in documents TN/S/25, TN/S/27, TN/S/28, TN/S/29, TN/S/29/Add.1 and TN/S/30.

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#### **(vii) Working Party on Domestic Regulation**

The Working Party on Domestic Regulation (WPDR) is mandated to develop disciplines to ensure that measures relating to licensing requirements and procedures, qualification requirements and procedures and technical standards do not constitute unnecessary barriers to trade in services. The WPDR held three formal meetings and several informal meetings in 2006. The reports of the formal meetings are to be found in documents S/WPDR/M/33 to 35. The Annual Report of the Working Party to the Council for Trade in Services is contained in document S/WPDR/9.

At the formal meeting held on 19 and 20 June 2006, the Working Party asked the Chairman to prepare a first consolidated text of possible Article VI:4 disciplines, based on the proposals submitted by Members. The Chairman prepared this text, which was circulated to Members on 12 July 2006 as document JOB(06)/225. It was clarified that such a draft would be without prejudice to Members' proposals and positions on the development of regulatory disciplines under Article VI:4 of the GATS and would be used to facilitate domestic consultations and as a tool for negotiations in the Working Party. Members provided some preliminary comments on the draft text by the Chairman at the informal meeting held on 13 July 2006. No further discussions on the development of regulatory disciplines under Article VI:4 nor on any other issues covered under the mandate of the Working Party were taken up during the suspension of the Doha Round of negotiations, decided by the General Council on 27 and 28 July 2006. Following the resumption of the negotiations in December 2006, the Chairman of the Working Party held several rounds of informal consultations with Members on a possible draft negotiating text of the Article VI:4 disciplines.

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#### **(viii) Committee on Trade in Financial Commitments**

The Committee held three formal meetings, in 2006; the reports are contained in WTO documents S/FIN/M/51 to 53.<sup>10</sup> The annual report of the Committee to the Council for Trade in Services is contained in WTO document S/FIN/16. During the period under consideration, the Committee continued monitoring the acceptance of the Fifth Protocol to the General Agreement on Trade in Services, which has not yet been ratified by Brazil, Jamaica, and the Philippines. Further, the Committee pursued its consideration of a communication from Brazil on electronic commerce and financial services (JOB(05)/103), which aims to revisit the distinction between modes 1 and 2 in the case of cross-border financial transactions conducted through electronic means. The Committee also heard a presentation on the regulation and supervision of China's banking sector. Finally, at the last meeting of the year, the Committee carried out the fifth transitional review of the implementation by China of its WTO commitments and, pursuant to section 18 of the Protocol of Accession, of the related provisions of this Protocol (WT/L/432). The Committee's report on this matter, submitted to the Council for Trade in Services, is contained in document S/FIN/17.

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#### **(ix) 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. With a view to facilitating the current Round of negotiations, discussions in the Committee have focused on questions related to the classification of services and the scheduling of commitments.

During the period under consideration, the Committee held four formal meetings. The reports of those meetings are contained in documents S/CSC/M/39-42. The Committee addressed a classification proposal on energy services. Further, it examined classification issues across all services sectors in an informal work programme. In the area of scheduling of specific commitments, the Committee continued with its examination of technical scheduling questions. The Committee also discussed the relationship between existing schedules and new commitments resulting from the current negotiations.

The Annual Report of the Committee on Specific Commitments to the Council for Trade in Services is contained in document S/CSC/12 of 21 November 2006.

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#### **(x) 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 (Article XIII) and subsidies (Article XV).

In 2006, the Working Party held three formal meetings; the reports are contained in documents S/WPGR/M/54 to S/WPGR/M/56. The annual report of the Working Party to the Council for Trade in Services is contained in document S/WPGR/16. Delegations pursued their examination of issues related to the question of emergency safeguard measures (ESM) on the basis of contributions from the delegations of Brunei Darussalam, Indonesia, Malaysia, Myanmar, the Philippines and Thailand.

Divergent views continued to be expressed on the various aspects raised in relation to ESM, including desirability and feasibility. On government procurement, discussions focused on proposals from the European Communities for a framework under the GATS for government procurement in services. Delegations continued to hold divergent views on this topic, including whether market access issues should be addressed. Concerning subsidies, the Working Party pursued its consideration of issues related to the information exchange foreseen in Article XV, as well as to the definition of subsidy.

<sup>10</sup> Reports of these meetings are contained in documents S/FIN/M/50 to 52. They should be read in conjunction with this report.

## Market Access for Non-agricultural Products

*"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."*

Ambassador Don Stephenson took over from Ambassador Stefán Jóhannesson as Chairman of the Negotiating Group at the start of 2006. With the objective of establishing modalities by 30 April, the Negotiating Group began work intensively in the new year. To assist Members, the Chairman drew up a road map for agreeing on modalities which was circulated in JOB(05)/51.

A large number of papers were issued and debated during the first few months of the year. The discussions took place in various formats, including open-ended sessions, consultations with a limited number of Members, as well as what is termed in WTO jargon as "confessionals" where the Chairman meets with the delegation on a strictly confidential basis to obtain their "real" rather than their "negotiating" positions on issues. In spite of tremendous effort on the part of delegations, the objective of establishing modalities by 30 April was not met (see Chairman's report in TN/MA/18/Rev.1).

Since the resumption of the negotiations, the Negotiating Group moved into a process of intensive and continuous negotiations which was text-based and "bottom-up". That is to say that results/texts had to come from the negotiators themselves. Negotiators also focussed initially on what the Chairman termed "the exceptions" and outstanding technical issues rather than the questions related to ambition. The objective being to resolve the architecture of those issues. The process was also assisted by simulations which were done by the Secretariat on most Members' schedules in early May which enabled a discussion of numbers which had so far been avoided. In fact, this was a follow-up to a simulation exercise which had been undertaken by a group of Members on their own initiative earlier in the year. Additionally, a multilateral review process for *Ad valorem* equivalent (AVE) submissions was set in place where AVEs calculated in line with the methodology which had been agreed (TN/MA/20) were reviewed. Unfortunately, this intensive process of negotiations did not lead to agreed modalities by the summer. Instead, the Chairman submitted a document entitled "Towards NAMA modalities" (TN/MA/W/80) which laid out, where possible, modalities language. Following the suspension of negotiations in July no further work was done until the beginning of December, when "technical work" resumed. This work took the shape of small-group consultations on selected issues as well as an open-ended session on non-tariff barriers and sectoral initiatives.

## Special Session of the Council for TRIPS

*"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."*

The negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits mandated under Article 23.4 of the TRIPS Agreement and paragraph 18, first sentence, of the Doha Declaration were pursued in the Special Session of the Council for TRIPS, in formal meetings and informal consultations, under the chairmanship of Ambassador Manzoor Ahmad (Pakistan) in the light of paragraph 29 of the Hong Kong Ministerial Conference. Delegations continued discussing the three proposals on the table on the basis of a side-by-side presentation of them in TN/IP/W/12, namely: Hong Kong, China's proposal contained in Annex A of TN/IP/W/8; the Joint Proposal of Argentina, Australia, Canada, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Japan, Mexico, New Zealand, Nicaragua, Paraguay, Chinese Taipei and the United States in TN/IP/W/10 and Add.1, Add.2 and Add. 3; and the European Communities' proposal contained in the Annex set out in TN/IP/W/11. In the first part of 2006, work took place on the basis of a list of priority

concerns raised by delegations, namely participation, notification, registration, legal effects/ consequences of registration, and fees and costs. In discussing each of these aspects, a number of issues were considered, including the impact of the proposals on the principle of territoriality, on the existing balance of rights and obligations, on developing countries and on national systems/jurisdictions together with the question of administrative burdens. While discussions were detailed and useful, Members remained divided on two key issues: (i) the legal effects that should flow from the registration of a geographical indication under the system; and (ii) participation, especially the question of whether or not legal effects should apply to Members opting not to participate in the system. In regard to notifications, the Chairman gave, at the July meeting, his assessment of the status of work, and held an element-by-element discussion of the possible elements that had been suggested for the notification phase of the system. He noted at that meeting that, while the discussion had proved useful, there were limits as to how far the work regarding the notification phase could go without greater clarity on the two key issues of legal effects and participation.

## WTO Rules

*“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 negotiations on WTO’s disciplines and procedures on regional trade agreements (RTAs) continue to be active. In the area of RTA Transparency, the Group adopted a “Transparency Mechanism” for RTAs. This was followed by the adoption by the General Council, on a provisional basis, of the Decision on a Transparency Mechanism for Regional Trade Agreements in December 2006 (cross reference to section on CRTA). The discussion of RTA systemic issues has also attracted increasing interest by participants. Ministers at Hong Kong acknowledged that WTO disciplines on RTAs (in addition to RTA transparency) are of systemic interest to Members and reiterated their commitment to these negotiations as mandated by the Doha Ministerial Declaration. They instructed the Negotiating Group to intensify its efforts to reaching appropriate outcomes on RTA systemic questions by end 2006. During the course of 2006 discussions continued to consider proposals submitted by Participants on, among others, “substantially all the trade”, “length of RTA transition periods” and “RTA development dimensions”. Notwithstanding the highly technical discussions held on these issues, the debate has remained exploratory in nature and severe differences persist on the scope and substance of these specific negotiations. No text-based submissions to advance the process have been made to date.

## Trade and Environment

*“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 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.<sup>11</sup> Its origins and terms of reference can be found in the 1994 Marrakesh Decision on Trade and Environment.

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 Conference in November 2001, work has split into two separate tracks: (i) the negotiating track (Paragraph 31 of the Doha Ministerial Declaration) conducted in the Committee on Trade and Environment in special session (CTESS), and (ii) regular work conducted in the Committee on Trade and Environment in regular session (CTE Regular).

### Negotiations (CTESS)

The CTESS pursued its work in 2006 on all three components of the mandate in Paragraph 31 in both formal (TN/TE/R/15-16) and informal meetings under the chairmanship of Ambassador Toufiq Ali (Bangladesh).

The Committee's work focused mainly on Paragraph 31(iii) (environmental goods and services). In particular, the CTESS held informal technical discussions where Members engaged in a detailed examination of products put forward as "environmental goods". In the course of these discussions, delegations exchanged views on the use of products proposed under various categories (e.g. waste water treatment, management of solid waste and the production of renewable energy), and the potential environmental and developmental benefits that these may yield. In parallel, further discussions were held on the environmental project approach of India, which proposes that tariff concessions be granted to goods required in the context of environmental projects. Moreover, new proposals were tabled on the question of modalities for liberalization, including with respect to special and differential treatment for developing country Members. Despite a high level of engagement on the part of delegations, the membership continued to debate the most appropriate way of addressing the mandate.

With regard to the issue of the relationship between WTO rules and specific trade obligations set out in MEAs, (Paragraph 31(i)), the CTESS held discussions on the basis of a new submission by the European Communities in the form of a text-based proposal which suggested, *inter alia*, to establish governance principles to guide the consideration of environmental issues by WTO Bodies and dispute settlement panels. However, positions remained polarized, as many delegations reiterated their preference for an outcome that would focus on national level coordination as a means of enhancing the mutual supportiveness of trade and environment.

<sup>11</sup> The ten items of the CTE work programme are listed on the WTO website.

Finally, the Committee made some progress on its Paragraph 31(ii) mandate (cooperation between WTO and MEA secretariats), in particular on the basis of concrete proposals aimed at consolidating existing information exchange practices between WTO and MEAs.

### Regular Work (CTE Regular)

In pursuance of the mandates from Ministers in Doha, the CTE restructured its work so as to better reflect priorities identified. Paragraph 32 of the Doha Ministerial Declaration (DMD) instructs the CTE, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

- 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;
- the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); and
- labelling requirements for environmental purposes.

During the two regular meetings held in 2006, each of these items were discussed. Particular attention was given to market access issues where the CTE heard presentations by the OECD and UNCTAD on outcomes of their latest activities and respective case studies regarding environmental requirements and market access. Subsequently, discussions were held including on the basis of two Secretariat notes prepared to provide an overview on these case studies as well as on recent work in this area carried out in relevant WTO Bodies, namely the TBT and SPS Committees. On sectoral discussion, inputs were provided on the issue of fishery subsidies. On TRIPS, the CTE took note of a proposal tabled at the TRIPS Council for the amendment of the TRIPS Agreement with respect to the disclosure of the source and country of origin of any biological resources or traditional knowledge used in inventions.

The CTE continued its analysis of other items on its work programme. Regarding Item 4 on transparency of trade measures used for environmental purposes, discussions were held based on a note prepared by the Secretariat on the Environmental Database for 2003. This note listed environment-related measures or provisions notified under WTO agreements in 2003 as well as environment-related measures, provisions or programmes mentioned in the Trade Policy Reviews in 2003.

The CTE discussed technical assistance and capacity building pursuant to the Doha Ministerial Declaration DMD; Paragraph 33 of the DMD recognizes 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. Also, as part of continued provision of trade and environment-related technical assistance, the Secretariat organized in 2006 three regional workshops for government officials from developing and least-developed countries. These workshops were held in Oman (for Arab and Middle East countries), Morocco (for French-speaking African countries) and Botswana (for English-speaking African countries), and also included participation variously by UNEP, UNCTAD and MEAs. The objectives of the workshops were to raise awareness of the linkages between trade, environment and sustainable development, and to encourage and enhance dialogue between trade and environment policy-makers in WTO Members and acceding governments. Topics covered included trade and environment-related issues, rules of the WTO and specific concerns of the respective regions. Paragraph 33 of the DMD also encourages the sharing of expertise and experience on national environmental reviews; a number of Members informed the CTE of their experience in this respect. Relevant information was also provided by various observer organizations.

Regarding sustainable development (Paragraph 51 of the DMD), Ministers agreed in Doha that the CTE and the Committee on Trade and Development 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 2006, with a view to facilitate further discussion, the Secretariat prepared a paper reflecting the state of play of the discussions on environment-related issues in the DDA negotiations. This note compiles the environment-related issues in five areas of the negotiations: agriculture, market access for non-agricultural products, rules, services and trade and environment.

## Trade, Debt and Finance

*“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.”*

Under the Chairmanship of Ambassador Peter Brno (Slovak Republic), the Working Group met twice in 2006. WTO Ministers had agreed at the December 2005 Hong Kong Ministerial Conference that the work of the Group should continue on the basis of the Doha mandate. In the absence of any new submission by Members during the year 2006, the group decided to review all existing written proposals tabled by Members since the setting up of the Working Group, to look at any possible recommendations on steps that might be taken within the mandate and competence of the WTO as provided in paragraph 36 of the Doha Ministerial Declaration (WT/MIN(01)/DEC/1), in particular concerning the proposal for the establishment of a permanent committee on trade, debt and finance, on which positions had not narrowed. On 21 November 2006, the Working Group adopted its Annual Report (2006) to the General Council on a lapse-of-time basis.

## Trade Negotiations Committee

The Trade Negotiations Committee (TNC) was established by Ministers at Doha with the specific tasks of establishing appropriate negotiating mechanisms as required and supervising the progress of the negotiations. Operating under the authority of the General Council, the TNC held four formal meetings in the first half of 2006 to review the state of play overall in the Doha Round. In order to fulfil its oversight role, at its first two meetings of the year the TNC received reports from Chairpersons of the Bodies it had established to undertake negotiations in specific subject areas, as well as updates from the TNC Chairman (the Director-General) on his contacts with Members at various levels.

At its third meeting on 1 May, the Chairman noted that Members had faced up to the fact that they had not been in a position to establish modalities in Agriculture and NAMA or reach an agreement on the RTA Transparency Mechanism by 30 April, as set out in the Hong Kong Ministerial Declaration. Nonetheless, he believed that they had already moved to convert their disappointment into determination. There was a high level of convergence on how to move forward in the most efficient and practical manner, in order to make significant progress on key issues as quickly as possible, so that agreement could rapidly be reached on modalities. At its meeting on 1 July, the TNC agreed that the Chairman would conduct intensive and wide-ranging consultations, based on the draft texts prepared by the Chairs of the negotiating groups, with the aim of facilitating the urgent establishment of modalities in Agriculture and NAMA and that he should report to the TNC as soon as possible.

In the light of his consultations, the Chairman reported to an informal TNC meeting on 24 July that the situation was very serious. It had become clear that the gaps between Members' positions on the modalities remained too wide. Faced with the persistent impasse, the Chairman said that the only course of action that could be recommended was to suspend the negotiations across the Round as a whole to enable the serious reflection by participants which was clearly necessary. In his report to the General Council at its meeting later that week, the Chairman noted that this recommendation had been accepted by participants at the informal TNC meeting, although it had been accepted with regret.

In the latter half of the year, the number and frequency of the informal contacts among Members, both in Geneva and beyond, which had been going on since the suspension of the negotiations in July increased. In his remarks at an informal TNC meeting in November, the Chairman suggested that this was a sign of the growing and widely-shared desire to make the most of every opportunity to lay the foundations for further progress. In his report to the General Council at its end-of-year meeting in December, the Chairman noted that the political will to conclude the Round was being reaffirmed constantly across the board. New flexibilities had been announced by major players in general terms. The challenge remained to translate this political will and these signals of flexibility into substantive changes in position, which were necessary in order to unblock the process. At its November informal meeting, the TNC had given the green light to the Negotiating Group Chairs to start carrying out contacts and consultations as they judged most appropriate, in keeping with the usual principles of transparency and inclusiveness, in order to multilateralize the many informal contacts which had been taking place among Members and to bring them back to the Negotiating Groups in Geneva. Members would need to increase the rhythm of the informal work that was under way when they returned after the end-of-year break, in order to exploit the window of opportunity that remained ahead in the first quarter of 2007 and then take the Round to a successful conclusion later that year.

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### III. WTO Accession Negotiations

Viet Nam's accession package was adopted by the General Council on 7 November 2006. Following domestic ratification, Viet Nam signalled acceptance of its membership package on 12 December 2006 and became the 150<sup>th</sup> Member of the WTO thirty days later. The Government of Tonga requested additional time to complete the ratification of its accession package adopted by Ministers in Hong Kong, China.<sup>12</sup> At its meeting on 27-28 July 2006, the General Council extended the time-limit for the acceptance of the Accession Protocol of Tonga to 1 July 2007.<sup>13</sup> Tonga will become a member of the WTO thirty days after notification of domestic ratification is received by the WTO.

WTO membership is open to any State or customs territory having full autonomy in the conduct of its trade policies. As of 31 December 2006, 28 Governments were pursuing their accession to the WTO viz. Afghanistan, Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Cape Verde, Ethiopia, Iran, Iraq, Kazakhstan, Lao PDR, Lebanon, Libya, Montenegro, Russian Federation, Samoa, Sao Tomé and Príncipe, Serbia, Seychelles, Sudan, Tajikistan, Ukraine, Uzbekistan, Vanuatu, Yemen.

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### IV. 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:

#### Non-recognition of Rights under Articles XXIV and XXVIII of GATT 1994

An issue of systemic concern, first raised in December 2004, and considered by the General Council throughout 2005 and 2006 without satisfactory resolution, relates to the EC's non-recognition of claims of interest submitted by Honduras and Guatemala in the consultation and negotiation processes under Articles XXIV:6 and XXVIII of the GATT 1994, in connection with the EC's modification of its WTO concessions following the accession to the European Union of ten new member States in May 2004, as well as the entry into force of an EC-wide tariff-only regime for bananas as from 1 January 2006. Under WTO provisions, when a Member wishing to modify its WTO Schedule of Concessions does not recognize claims of interest in regard to the consultation and negotiation process to be undertaken on the concession being modified, the Member making the claim can refer the matter to the General Council. Consultations are being pursued by the Chairman of the General Council with the aim of facilitating a satisfactory resolution to the concerns that have been brought to the General Council's attention.

#### Aid-for-Trade Initiative

A new and important focus for the WTO in 2006 was the Aid-for-Trade initiative, aimed at helping developing countries, particularly least-developed countries (LDCs), to build the supply-side capacity and trade-related infrastructure they need to assist them to implement and benefit from WTO Agreements, and to expand their trade. As mandated by the Hong Kong Ministerial Declaration, the Director-General established a Task Force to provide recommendations on how to operationalize Aid for Trade and ensure its contributions to the development dimension of the DDA. He also undertook a series of consultation with bilateral donors, multilateral agencies, regional development banks and other stakeholders to assess the prospects for additional Aid-for-Trade funding.

The Task Force's report, which was endorsed by the General Council on 12 October, articulated a rationale for Aid for Trade, placed Aid for Trade in a wider development framework, and set out a series of recommendations for further work and eventual operationalization of Aid for Trade, with a focus on strengthening the "demand side", strengthening the "donor response", and bridging the gap between "demand" and "response" at the country, regional and global level. In particular, the Task Force urged the WTO improve the overall monitoring and evaluation of Aid for Trade – with the aim of creating incentives, through greater transparency, to honour commitments, meet needs, improve effectiveness, and reinforce mutual accountability.

<sup>12</sup> WT/GC/107

<sup>13</sup> WT/L/651

In his report to the General Council on Aid for Trade on 14 December, the Director-General affirmed that, based on his consultations, the main bilateral and multilateral agencies remained committed to following through with their pledges to increase and strengthen Aid for Trade, and that a number of other donors – both developing and developed – had also signalled a willingness to participate in the Aid-for-Trade initiative. He also outlined his proposals for establishing a monitoring and evaluation function in the WTO, the implantation of which will be a central focus of the WTO's Aid-for-Trade work programme in 2007.

## Accessions

During the period covered by this report, the General Council continued to exercise its oversight function in regard to the accession processes of Governments seeking to join the WTO, and the follow-up to these processes. In November, the General Council considered and approved terms and conditions for the accession of Viet Nam agreed in discussions and negotiations between Viet Nam and Members of the WTO in the period since January 1995 when Members took the first step of establishing a working party to examine Viet Nam's request for accession. Viet Nam became the 150th Member of the WTO on 11 January 2007, thirty days following notification of the acceptance of the Protocol of Accession under Viet Nam's domestic legislative procedures.

In keeping with transitional review provisions set out in China's Protocol of Accession to the WTO, the General Council in December conducted its fifth 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 the 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. The review is required to be conducted by the General Council and 16 subsidiary Bodies each year for a period of eight years following China's accession, with a final review in the tenth year or at an earlier date decided by the General Council.

Over the period under review, the General Council also appointed Chairpersons to take forward the work of several accession working parties, conducted consultations on Chairs to be appointed to other working parties and, following the completion of Tonga's WTO accession proceedings and on the basis of a request from that Government, extended the time-limit established for the acceptance by the Government of Tonga of its Protocol of Accession, following which Tonga will formally become a Member of the WTO.

## Waivers under Article IX of the WTO Agreement

In keeping with WTO provisions, the General Council over the period under review considered and granted a number of requests for waivers from obligations under the WTO Agreement as set out in Table II.1 below. Also, in July and December, in keeping with the provisions of Article IX:4 of the WTO Agreement requiring that any waiver granted for a period of more than one year be reviewed not later than one year after it is granted and thereafter annually until the waiver terminates, the General Council conducted a review of the following nine multi-year waivers:

LDCs – Article 70.9 of the TRIPS Agreement with respect to pharmaceutical products, granted on 8 July 2002 until 1 January 2016 (WT/L/478)

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

Kimberley Process Certification Scheme for Rough Diamonds, granted on 15 May 2003 until 31 December 2006 (WT/L/518)

Albania – Implementation of specific concessions, granted on 25 May 2005 until 31 May 2007 (WT/L/610)

Canada – CARIBCAN, granted on 14 October 1996 until 31 December 2006 (WT/L/185)

United States – Former Trust Territory of the Pacific Islands, granted on 14 October 1996 until 31 December 2006 (WT/L/183)

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

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

Cuba – Article XV:6 of GATT 1994, Granted on 20 December 2001 until 31 December 2006 (WT/L/440)

The Council also received a report in December from the Chairman of the Council for Trade in Goods regarding a request under consideration in that Council from the European Communities for the extension of a waiver previously granted to it under Article XIII of the GATT 1994 in connection with a tariff rate quota for bananas originating in the African, Caribbean and Pacific countries.

## Other Issues

Among issues of concern to individual Members that were brought to the General Council for consideration during the period under review were a joint communication from Cuba and the Bolivarian Republic of Venezuela concerning irregularities identified by them in the negotiating and decision-making process at the Hong Kong Ministerial Conference, as well as a statement from Paraguay on behalf of the Informal Group of Developing Countries at the WTO regarding developmental aspects of the Doha Round, transparency in the WTO and accession of developing countries, which had been taken up for discussion at recent meetings of the Informal Group.

Following a procedure initiated in February to facilitate an early decision by Members in regard to the derestriction of official GATT documents that were still restricted – a matter that had been under consideration since 2005 – the General Council in May adopted a Decision under which all official GATT 1947 documents were to be derestricted as of 1 June 2006.

In December, on the basis of an initiative from Brazil and India and in the light of the improvements agreed to in the provisional Transparency Mechanism for Regional Trade Agreements, the General Council adopted a draft Decision, based on an understanding read out by the Chairman, inviting the Committee on Trade and Development to consider transparency for preferential arrangements under paragraph 2 of the Enabling Clause (other than Regional Trade Agreements) and to report back within six months for appropriate action by the General Council.

With regard to the date and venue of the next Session of the Ministerial Conference, on which Ministers at Hong Kong had requested the General Council to hold consultations, the Council noted in December a statement from its Chairman that his recent conversations with Members on this matter had indicated that they were not yet in a position to approach a decision on issues related to the next Session of the Conference, and that the Council would have to revert to this matter at an appropriate time in 2007.

In keeping with the provisions of the General Council Decision of August 2003 on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, the General Council in December considered a report from the Council for TRIPS following the latter's review of the functioning of the system set out in that Decision with a view to ensuring its effective operation.

As part of its overall oversight function, and in pursuance of a 1995 Decision concerning procedures for the overview of WTO activities and for reporting under the WTO, the General Council also conducted a year-end review of WTO activities on the basis of annual reports from all subsidiary Bodies, and reviewed matters relating to the operation of the WTO budget – including the question of administrative measures for Members in budgetary arrears – as well as of the WTO pension plan.

Among other issues brought to the General Council for consideration during the period under review were a report from the Joint Advisory Group of the International Trade Centre – a joint subsidiary organ of the UNCTAD and WTO.

Table II.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, which are still in effect.

Members	Type	Decision of	Expiry	Document
Argentina	Introduction of Harmonized System 1996 changes into WTO Schedules of Tariff Concessions – Extension of Time-Limit	28 July 2006	30 April 2007	WT/L/653
European Communities	European Communities' preferences for Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro, and the Former Yugoslav Republic of Macedonia – Extension of waiver	28 July 2006	31 December 2011	WT/L/654
Panama	Introduction of Harmonized System 1996 changes into WTO Schedules of Tariff Concessions – Extension of Time-Limit	28 July 2006	30 April 2007	WT/L/652
Senegal	Waiver on minimum values in regard to the Agreement on the Implementation of Article VII of General Agreement on Tariffs and Trade 1994 – Extension of waiver	28 July 2006	30 April 2007	WT/L/655
Argentina; Australia; Brazil; Bulgaria; Canada; China; Costa Rica; Croatia; El Salvador; European Communities; Hong Kong, China; Iceland; India; Republic of Korea; Macao, China; Mexico; New Zealand; Nicaragua; Norway; Romania; Singapore; Switzerland; Chinese Taipei; Thailand; United States; Uruguay	Introduction of Harmonized System 2002 changes into WTO Schedules of Tariff Concessions	15 December 2006	15 December 2007	WT/L/674
Argentina; Australia; Brazil; Canada; Costa Rica; Croatia; El Salvador; European Communities; Guatemala; Honduras; Hong Kong, China; India; Republic of Korea; Macao, China; Malaysia; New Zealand; Nicaragua; Norway; Switzerland; United States; Uruguay	Introduction of Harmonized System 2007 Changes into WTO Schedules of Tariff Concessions	15 December 2006	15 December 2007	WT/L/675
Canada	CARIBCAN – Extension of waiver	15 December 2006	31 December 2011	WT/L/677
Cuba	Article XV:6 of GATT 1994 – Extension of waiver	15 December 2006	31 December 2011	WT/L/678
Australia, Botswana, Brazil, Canada, Croatia, India, Israel, Japan, Korea, Mauritius, Mexico, Norway, Philippines, Sierra Leone, Chinese Taipei, Thailand, United Arab Emirates, United States, Venezuela	Kimberley Process Certification Scheme for rough diamonds – Extension of waiver	15 December 2006	31 December 2012	WT/L/676
Additional Members covered by the waiver pursuant to procedures under Paragraph 3 of the Decision:				

## V. Trade in Goods

During the year 2006 the Council for Trade in Goods (CTG) met four times in formal session. The Council carried out China's Transitional Review in connection with paragraph 18 of the Protocol of 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 TRIMs, the Council continued to discuss the review of the operation of the TRIMs Agreement under Article 9 and considered a request for extension of the transition period under the TRIMs Agreement. The Council took note of the periodic reports of the Committee on Market Access and approved the procedures for the introduction of the HS 2007 changes to schedules of concessions using the consolidated tariff schedules. It approved a number of waiver requests under Article IX of the WTO Agreement. These included waiver requests relating to the introduction of the Harmonized System 2002 and 2007 changes into the WTO Schedules of tariff concessions; granting Senegal a waiver from provisions of the Customs Valuation Agreement in order to maintain its officially established minimum values for certain products; granting the EC's request for a waiver for the application of the European Union Autonomous Preferential Treatment to the Countries of the Western Balkans; granting the Canadian request for an extension of its existing waiver for the Caribbean Initiative, CARIBCAN; granting the US request for an extension of the waiver for the Kimberley Process Certification Scheme for Rough Diamonds; and granting the Cuban request for an extension of its existing waiver concerning GATT Article XV:6. The Council continued to discuss the waiver requests for three United States preference programmes (the African Growth and Opportunity Act, the Caribbean Economic and Recovery Act, and the Andean Trade Preference Act), and a waiver request from the European Union for the Tariff Rate Quota for bananas of ACP origin. The CTG adopted the terms of reference under which the CRTA would examine 13 trade agreements. Details of all waivers and trade agreements can be found in document G/L/808.

With respect to the EC enlargement of 10 new member States, the Council heard a statement from Colombia on its concerns, and agreed on the extension of the deadline, set out in the communication from the EC (G/L/695/Add.3), for withdrawal of concessions referred to in Article XXVIII:3 of GATT 1994.

Concerning textile-related issues, discussion continued on the basis of the submissions received in the prior year. One Member also presented a new submission entitled: "Issues Related to Trade in Textiles and Clothing" in document G/C/W/549. Discussions continue on these documents. Finally, the Council heard complaints from Panama regarding certain Colombian customs measures that were being applied to Colombia imports from Panama and from other WTO Members through the Colòn Free Trade Zone.

### Rules of Origin

The main objective of the Agreement on Rules of Origin is to harmonize non-preferential rules of origin and to ensure that such rules do not themselves create unnecessary obstacles to trade. The Agreement sets out a Harmonization Work Programme (HWP) for the harmonization of non-preferential rules of origin to be accomplished by the Committee on Rules of Origin (CRO) in conjunction with the World Customs Organization's Technical Committee on Rules of Origin (TCRO). Much work was done in the CRO and the TCRO and substantial progress was achieved in the three years foreseen in the Agreement for 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 (GC). 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). A major stumbling block to the progress of the HWP was the so-called implications issue, i.e., the implications of the implementation of the harmonized rules of origin upon other WTO Agreements. Members have differing views on how to interpret Article 3(a) of Agreement on Rules of Origin. Although the Chairperson of the CRO, on behalf of the Chair of the General Council, held intensive consultations with Members on these core policy issues, the issues remain unresolved. In July 2006, the GC set July 2007 as the new deadline for completion of the core policy issues. The GC also mandated the CRO to complete its remaining technical work by 31 December 2007. The negotiating texts are contained in documents G/RO/45 and its addenda.

## Market Access

In 2006, the Committee met ten times in formal and informal sessions.

The Committee's main technical work continues to be the introduction of Harmonized System (HS) changes to WTO schedules of concessions. There have been four sets of changes (1992 (very small), 1996, 2002 and 2007) since the creation of the Harmonized System in 1986 which entered into force in 1988. With respect to HS96 changes, the situation is looking slightly better as reflected in documents G/MATAR/2/Rev.37 and 38 where the majority of Members who have followed the procedures in L/6905 (hereinafter referred to as "HS96 procedures") to introduce HS96 changes to their schedules have concluded the process and have certified WTO commitments in the HS96 nomenclature. Also, only two requests for waiver extensions were made unlike previous years when there were many more. It will be recalled that such waivers allow Members to implement the HS changes to their national tariff schedules before having completed the relevant WTO procedures. In other words, it shields them from any action under the DSU for a limited period of time. Concerning the HS2002 changes, the procedures to introduce such modifications to Members' schedules (WT/L/605) (hereafter referred to as "HS02 procedures"), unlike the HS96 procedures, involve the Secretariat doing most of the technical work. The HS02 procedures are working well with one exception which relates to the lack of approval by Members of their own HS02 files. In fact, 36 Members who have had their files approved by all other Members have not approved their own files. This means that their files cannot be certified which in turn means that there is legal ambiguity regarding those Members' WTO commitments in the HS2002 nomenclature. The Committee also considered and approved the extension of the HS2002 collective waiver (WT/L/674). Finally, on the subject of HS changes, the Committee turned its attention to the introduction of HS2007 changes to schedules of concessions. In this regard, the Committee elaborated and approved procedures to introduce such changes to schedules of concessions (WT/L/673). The procedures are largely based on the HS02 procedures. The Committee also approved the HS2007 collective waiver (WT/L/675).

Regarding its other activities, the Committee took note of the work done by the Secretariat on the Integrated Data Base (IDB) and the Consolidated Tariff Schedules (CTS) database. The Committee also approved the requests for access to these databases received from the European Free Trade Association and the West African Economic Monetary Union and the African Union. The Committee conducted the fifth transitional review foreseen under paragraph 18 of the Protocol of Accession of the People's Republic of China. The Committee took note that the legal uncertainty had now been removed with respect to certain tariff commitments that had been approved at the end of the Uruguay Round but which had not entered into force due to legal technicalities (JOB(05)/167/Add.1). Furthermore, the Committee took note of the notifications made on quantitative restrictions (G/MA/NTM/QR/1/Add.10), and noted that there had been no change since 2001 regarding the notifications made pursuant to the Decision on Reverse Notification of Non-Tariff Measures (G/L/60). Finally, in 2006, the Committee took note of the Secretariat document which provided details on the most recent information available in the tariff library and the website addresses where more recent national tariffs could be found (G/MA/TAR/3/Rev.10 and Corr.1).

## Import Licensing

The Agreement on Import Licensing Procedures establishes disciplines on Members' 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. In addition, non-automatic import licensing systems must not be 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, established to afford Members the opportunity of consulting on any matters relating to the operation of the Agreement or the furtherance of its objectives, held two meetings during this period. It reviewed 71 notifications submitted by 43 Members under various provisions of the Agreement, and carried out its Fifth Transitional Review pursuant to Section 18 of the Protocol of Accession of China and the 6th biennial review of the implementation and operation of the Agreement. During this period four Members notified for the first time their responses to the Questionnaire under Article 7.3 of the Agreement. Nevertheless, the Committee noted that the lack of compliance of Members with the transparency obligations of the Agreement had been the main preoccupation of the Committee for some time.

The Committee also received written comments and questions from Members concerning the notifications submitted to it and/or on import licensing procedures maintained by Members, and replies thereto. It also heard oral concerns and comments regarding certain import license procedures applied by some Members.

## 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 69 WTO Members States or separate customs territories. The objective of this agreement is to eliminate tariffs on computers, telecommunications equipment, semiconductors, semiconductor manufacturing equipment, software, and scientific instruments. On 1 January 2000 and 1 January 2005, most developed and developing participating countries and economies respectively, reduced tariffs for most of those products to zero, while some tariff lines for some participants were granted longer implementation periods. The details are contained in each participant's ITA schedule of concessions.

In 2006, the Committee met three times and has continued its work on the non-tariff measures (NTMs) work programme. In this respect, based on the approval of the "Guidelines for EMC/EMI Conformity Assessment Procedures" on an ad referendum basis, the Committee noted the useful work done by the Secretariat in updating the "Draft List of the Types of Conformity Assessment Procedures for EMC/EMI Used by ITA Participants". Several delegations have used the Committee's work on NTMs as their inputs to the NAMA negotiations on NTBs. The Committee has conducted further discussions on classification divergences. In order to facilitate the discussions, the Secretariat prepared and circulated a draft room paper, which tried to categorize the so-called "List V" items based on their prospect of finding a consensus or common interpretation. Additionally, the Committee discussed the issues related to the transposition of HS96 to HS2002 and HS 2002 to HS2007; initiated the preparation for the organization of another symposium in 2007 to commemorate the 10-year anniversary of the ITA; discussed the proposals by the United States concerning product coverage of the current ITA; reviewed the implementation of the ITA; welcomed three new participants: Guatemala, the Dominican Republic and the Socialist Republic of Viet Nam; and continued the consultations with respect to ITA II.

## Customs Valuation

During 2006 the Committee on Customs Valuation held two formal meetings, on 25 April (G/VAL/M/41), and 6 October 2005 (G/VAL/M/42). 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, nor a reservation under paragraph 2, Annex III for minimum values. 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. At year end, 73 Members had notified their national legislation on customs valuation (this figure includes the 14 Members which had 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). Fifty-two Members have not yet made any notification. The Committee also heard from Panama regarding its complaint against certain Colombian customs measures applied to imports of goods from Panama and other WTO Members through the Colón Free Zone.

At its meeting of 6 October, the Committee adopted its 2006 report to the Council for Trade in Goods. Adoption of the fourth through twelfth 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 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/60. 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 21<sup>st</sup> and 22<sup>nd</sup> Sessions during the year.

The Committee continued to discuss paragraph 8.3 of the Ministerial Decision on Implementation-Related Issues and Concerns and noted that no new developments had been made in the matter. It would revert to the matter at the next meeting in 2007.

## Agriculture

The Committee on Agriculture (regular session) held three meetings in 2006<sup>14</sup>. Under the Review Process, questions relevant to the implementation of commitments were raised by Members, such as : applied tariffs in excess of WTO bindings; application of variable import levies on cereals; application of excise duties on imported agricultural products; modification of scheduled tariff quota commitments; tariff quota administration; export regimes and export subsidies applied to sugar, cereal and dairy products; unilateral adjustment of scheduled domestic support commitments where inflation is involved and associated notification practices; consolidation of the EC Schedule as a consequence of enlargement; notification of state trading entities under Article XVII of GATT 1994; and, in view of the prevailing production and supply conditions, potential application of export restrictions on cereals.

As part of the multilateral Review Process, the Committee also continued to examine the implementation of Members' commitments resulting from the Uruguay Round or from accession, on the basis of notifications submitted in the areas of market access (tariff quota administration and utilization and special safeguard actions), domestic support and export subsidies. Since 1995, the Committee has reviewed well over 2,200 notifications, out of which 160 were submitted by Members in 2006.

In accordance with the Doha Ministerial Decision on Implementation-Related Issues and Concerns of 14 November 2001, the Committee continued to discuss the three implementation-related issues in the area of agriculture, namely:

(1) the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes under Article 10.2 of the Agreement on Agriculture;

(2) the examination of possible means to improve the effectiveness of the implementation of the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries ("NFIDC Decision). In this context, the Committee continued to consider a proposal tabled by the African Group and referred to it by the General Council<sup>15</sup>.

(3) the review of the administration of the tariff quota regimes in accordance with the General Council Decision in WT/L/384.

In May 2006, the Committee adopted a follow-up report on the above implementation-related issues. The report was submitted to the General Council for consideration at its July 2006 meeting.<sup>16</sup>

At its October 2006 meeting, the Committee on Agriculture held the fifth transitional review of China's accession commitments, as foreseen under Paragraph 18 of the Protocol of Accession of the People's Republic of China. During that review, concerns were raised with respect to tariff quota allocation mechanisms and taxation policies. At its October session, the Committee also undertook its annual consultation under Article 18.5 of the Agreement on Agriculture with respect to Members' participation in the normal growth of world trade in agricultural products, within the framework of the commitments on export subsidies.

## Sanitary and Phytosanitary Measures

The Agreement on the Application of Sanitary and Phytosanitary Measures (the "SPS Agreement") establishes the rights and obligations of Members regarding measures taken to ensure food safety, to protect human health from plant- or animal-spread diseases, to protect plant and animal health from pests and diseases, or to prevent other damage from pests. Governments must ensure that their SPS measures are based upon scientific principles. Measures which are based upon international standards are presumed to be consistent with the obligation to be scientifically justified. When governments implement measures that are more strict than international standards, these measures must be based upon a risk assessment. Governments are obliged to provide advance notice when proposed new, or modified, regulations differ from relevant international standards.

The SPS Committee meets at least three times a year. In 2006, the Committee

<sup>14</sup> The summary reports of these meetings are contained in documents G/AG/R/45-47. A short factual report on the work undertaken in the course of 2006 can also be found in document G/L/796 (dated 6 November 2006).

<sup>15</sup> The Chairman's oral report to the General Council describing the state-of-play in considering the African Group proposal is contained in document G/AG/22 (dated 16 May 2006).

<sup>16</sup> G/AG/16/Add.1 (dated 13 June 2006).

considered specific trade concerns raised by Members on a wide range of issues including trade restrictions relating to general administrative SPS procedures; concerns regarding maximum levels of pesticide residues in several products; measures taken in response to avian influenza, bovine spongiform encephalopathy (BSE), foot-and-mouth disease (FMD) and Newcastle disease; and various plant health concerns, including import restrictions on longhorn beetles in wooden handicrafts, tolerance levels for soil content on potato tubers, and import restrictions on Enoki mushrooms. The Committee also considered a number of questions regarding the lack of recognition of animal disease-free and plant pest-free status.

The SPS Committee continued to work on issues identified in its Second Review of the Agreement. The Committee also continued consideration of the specific proposals on special and differential treatment which have been made by various Members as well as of specific work to address some of the underlying concerns of developing countries. In particular, the Committee began an analysis of SPS-related technical assistance with the aim of identifying best practices in this regard.

As of 31 December 2006, 7345 notifications have been circulated, including corrigenda, addenda and revisions. The number of notifications in 2006 (1146) was greater than the number submitted in 2005 (850). One-hundred thirty-eight Members (92 per cent) had notified an enquiry point and 131 (87 per cent) had identified their national notification authority.

WTO's technical assistance activities in the SPS area contribute towards the strengthening of the capacities of developing countries in meeting standards for market access of food and other agricultural commodities. In 2006, the WTO Secretariat organized nine national seminars and three regional or sub-regional workshops; it also participated in three other SPS training activities organized by other Members. The programmes of these activities include presentations on the transparency obligations, dispute settlement, implementation problems, specific trade concerns and technical/ scientific issues such as risk analysis and equivalence, as well as the work undertaken by the three standard-setting organizations referenced in the SPS Agreement (Codex, OIE and IPPC). A second two-week specialized trade policy course on the SPS Agreement was held in 2006 for English-speaking participants. This course allowed in-depth and interactive training focused on problems arising in the implementation of the SPS Agreement.

## Subsidies and Countervailing Measures

The Agreement on Subsidies and Countervailing Measures (the "SCM Agreement") 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.<sup>17</sup> Part V of the Agreement governs 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.

### Article 27.4 extensions

Developing-country Members subject to the eight-year transition period in Article 27.2(b) of the SCM Agreement for the elimination of export subsidies had the possibility, not later than 31 December 2001, to seek extension of this transition period. In 2002, the Committee on Subsidies and Countervailing Measures approved requests for extension, for calendar year 2003, of 21 developing-country Members in respect of specific programmes pursuant to Article 27.4 of the Agreement.<sup>18</sup> Most of these (i.e. 43 programmes of 19 Members) were requests based on the 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 Decision; and eight programmes were on the basis of Article 27.4 alone. In 2006, the Committee conducted the mandated standstill and transparency review of these export subsidy programmes and agreed to continue, for calendar year 2007, certain of the extensions previously granted by the Committee for calendar years 2003-2005. These continuations of extensions for calendar year 2006 were granted pursuant to the procedures in G/SCM/39 and can be found in documents G/SCM/50/Add.4-G/SCM/92/Add. 4. Proposals were made in April and June 2006 by developing country Members that benefit from extensions under the procedures in G/SCM/39 to extend these procedures until end 2018.

<sup>17</sup> 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 Article 31 of the SCM Agreement, to extend these provisions.

<sup>18</sup> Antigua and Barbuda; Barbados; Belize; Colombia; Costa Rica; Dominica; Dominican Republic; El Salvador; Fiji; Grenada; Guatemala; Jamaica; Jordan; Mauritius; Panama; Papua New Guinea; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Thailand; Uruguay.

### Annex VII(b)

In paragraph 10.1 of the Doha Implementation Decision, 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. From 1 January 2003, the methodology for calculating constant 1990 dollars set forth in G/SCM/38, Appendix 2, applies. The Secretariat circulated, in document G/SCM/110/Add. 3 and corr.1, a note reflecting: (i) GNI per capita in constant 1990 dollars covering the three most recent years for which data are available (2002-2004); and (ii) GNI per capita in current dollars for the year 2004. Accordingly, Annex VII(b) to the SCM Agreement includes the following Members that are listed therein until their GNP per capita reaches US\$1,000 in constant 1990 dollars for three consecutive years: Bolivia, Cameroon, Congo, Côte d'Ivoire, Egypt, Ghana, Guyana, Honduras, India, Indonesia, Kenya, Nicaragua, Nigeria, Pakistan, Philippines, Senegal, Sri Lanka and Zimbabwe.

### Notification and review of subsidies

Transparency is essential for the effective operation of the Agreement. To this end, Article 25 of the SCM Agreement requires that Members make a notification of specific subsidies by 30 June of each year. At its April 2005 meeting, the Committee continued the understanding reached in 2001 that Members would give priority to submitting new and full notifications every two years and would de-emphasize the review of updating notifications. The 2005 new and full notifications may be found in document series G/SCM/N/123/... A table indicating the status of 2005 subsidy notifications to 26 October 2006 is reproduced in Annex A of the Committee's 2006 report to the CTG (G/L/798). Pursuant to procedures adopted by the Committee in April 2005, special meetings to review 2005 new and full subsidy notifications were held in October 2005 and in April and October 2006.

### Permanent group of experts

The Agreement provides for 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. 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 are required to notify their countervailing duty legislation and/or regulations (or the lack thereof) to the Committee. A table indicating the status of legislative notifications to 26 October 2006 is reproduced in Annex C of the Committee's 2006 report to the CTG (G/L/798). At its spring and autumn 2006 meetings, the Committee continued its review of legislative notifications.

### Countervailing actions

Countervailing actions taken during the period 1 July 2005–30 June 2006 are summarized in Tables I and II below. While notifications are incomplete, the data available indicate that 4 new countervailing duty investigations were initiated in the review period. As of 30 June 2006, Members reported 79 countervailing measures (including undertakings) in force.

Table II.2

#### Exporters subject to initiations of countervailing investigations, 1 July 2005-30 June 2006<sup>a</sup>

Affected Country	Initiations
China	1
India	1
Indonesia	1
United States	1
<b>Total</b>	<b>4</b>

<sup>a</sup>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.

Table II.3

## Summary of countervailing duty actions, 1 July 2005–30 June 2006

Reporting party	Initiations	Provisional	Definitive	Undertakings	Measures in force (definitive duties or undertakings) on 30.06.2006
Argentina	0	0	0	0	3
Australia	0	0	0	0	1
Brazil	0	0	0	0	1
Canada	2	1	0	0	5
Costa Rica	0	0	0	0	1
European Communities	0	0	0	0	14
Japan	0	0	1	0	1
Mexico	0	0	1	0	2
New Zealand	0	0	0	0	1
Peru	0	0	0	0	1
South Africa	0	0	0	0	4
United States	2	2	1	0	45
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>79</b>

## Anti-dumping Practices

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 on Implementation of Article VI of GATT 1994 ("the Agreement") sets forth detailed rules concerning the determinations of dumping, injury, and causal link, and the procedures to be followed in initiating and conducting anti-dumping investigations. It also clarifies the role of dispute settlement panels in disputes concerning anti-dumping actions taken by WTO Members.

*Notification and review of anti-dumping legislation.* WTO Members are under a continuing obligation to notify their anti-dumping legislation and/or regulations (or lack thereof). Members who enact new legislation or amend existing legislation are required to notify the new text or amendment. As of 31 December 2006, 96 Members (counting the EC as a single Member<sup>19</sup>) had submitted notifications regarding anti-dumping legislation and/or regulations. Twenty-eight Members had not yet submitted a notification. Review of Members' notifications of legislation continues at the regular meetings of the Committee on Anti-Dumping Practices, on the basis of written questions and answers.

*Subsidiary bodies.* The Committee has two subsidiary bodies, the Working Group on Implementation (formerly known as the Ad Hoc Group on Implementation), and the Informal Group on Anti-Circumvention. These bodies normally 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. At its meetings in April and October 2006, the Working Group continued discussions on a series of topics referred to it by the Committee in April 1999 and April 2003. 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.

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 2006, and continued discussions on the 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?".

<sup>19</sup> To account for the fact that Cyprus, the Czech republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia acceded to the European Communities as of 1 May 2004, and that the anti-dumping legislations that they had notified prior to that date are no longer in effect (See, G/ADP/N/1/EEC/2/Suppl.6), these Members are no longer separately counted in this tally.

Table II.4

Summary of anti-dumping actions, 1 July 2005 – 30 June 2006 , by reporting Member<sup>20</sup>

	Initiations	Provisional measures	Definitive Duties	Price Undertakings	Measures in force on 30 June 2005 <sup>21</sup>
Argentina	16	0	9	2	64
Australia	14	3	4	5	47
Brazil	6	0	3	2	49
Canada	6	2	0	0	49
China, P.R.	16	24	21	2	88
Colombia	3	1	1	0	3
Costa Rica	2	1	0	0	0
Egypt	7	5	7	0	24
European Communities	26	6	24	3	154
India	30	12	18	1	177
Indonesia	5	0	5	0	14
Israel	0	2	0	0	2
Jamaica	0	0	0	0	3
Japan	0	0	0	0	2
Jordan	1	0	0	0	0
Korea	8	5	2	0	28
Malaysia <sup>22</sup>	0	0	4	0	NR
Mexico	6	7	10	0	70
New Zealand	1	0	0	0	12
Pakistan	9	8	6	3	13
Peru	3	0	5	0	34
Philippines	0	0	0	0	2
South Africa	7	19	3	0	71
Chinese Taipei	1	1	0	0	3
Thailand	0	0	2	0	24
Trinidad and Tobago	0	0	0	0	3
Turkey	9	2	16	0	81
United States	9	9	7	0	262
<b>Total</b>	<b>185</b>	<b>107</b>	<b>147</b>	<b>18</b>	<b>1,279</b>

NR – Not reported

<sup>20</sup> The reporting period covers 1 July 2005 – 30 June 2006. 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.

<sup>21</sup> Includes definitive price undertakings.

<sup>22</sup> No data reported for the period 1 January – 30 June 2006.

*Anti-dumping actions.* Anti-dumping actions taken during the period 1 July 2005 – 30 June 2006 are summarized in Tables II.4 and II.5. The tables are incomplete because certain Members have not submitted the required semi-annual reports for this period or have not provided all of the information required by the format adopted by the Committee. The data available indicate that 185 new investigations were initiated during the period. The Members initiating 10 or more new investigations during this period were India (30), the European Communities (26), Argentina and China (16 each), and Australia (14). Pakistan, Turkey and the United States each initiated nine new investigations, Korea initiated eight new investigations, and Egypt and South Africa each initiated seven, during the period. As of 30 June 2006, 26 Members reported anti-dumping measures (including undertakings) in force. Of the 1279 measures in force reported, 20 percent were maintained by the United States, 14 percent by India, 12 percent by the European Communities, 7 per cent by China, 6 per cent by Turkey and South Africa, and 5 per cent by Argentina.

Products exported from China were the subject of the most anti-dumping investigations initiated during the period (64), followed by products exported from the European

Communities and the United States (13 each), Malaysia (12), Thailand (11), and Chinese Taipei and Korea (10 each). The remaining Members exporting products subject to investigation each were subject to fewer than 10 new investigations.

Table II.5

**Exporters subject to two<sup>23</sup> or more initiations of anti-dumping investigations, 1 July 2005 – 30 June 2006<sup>24</sup>**

Affected country	Total
China	64
European Communities and/or its Member states	13
United States	13
Malaysia	12
Thailand	11
Chinese Taipei	10
Korea, Rep. of	10
India	8
Indonesia	8
Japan	7
Viet Nam	5
Brazil	4
Germany	3
Hong Kong	3
Russia	3
Canada	2
Singapore	2
Ukraine	2
<b>TOTAL</b>	<b>185</b>

## Technical Barriers to Trade

During 2006, the TBT Committee held three regular meetings (reports are contained in G/TBT/M/38-40). At each meeting the Committee considered specific trade concerns brought to its attention by Members. In line with Article 15.4 of the TBT Agreement, on 9 November 2006, Members concluded the Fourth Triennial Review of the Agreement. The Fourth Triennial Review Report is contained in document G/TBT/19. The following were the elements of the Review: Implementation and Administration of the Agreement; Good Regulatory Practice; Conformity Assessment Procedures; Transparency; Technical Assistance; and Special and Differential Treatment. In addition to the regular TBT Committee meetings, a TBT Workshop on Different Approaches to Conformity Assessment, including on the Acceptance of Conformity Assessment Results was held on 16-17 March 2006. The Workshop provided opportunity for delegations to exchange information and experiences on the use of different approaches to conformity assessment. A summary report of the workshop is contained in G/TBT/M/38/Add.1.

<sup>23</sup> Countries the subject of only one initiation of an anti-dumping investigation were: Argentina, Chile, Egypt, Philippines, Saudi Arabia, South Africa, Switzerland, and Turkey.

<sup>24</sup> The reporting period covers 1 July 2005 – 30 June 2006. 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.

## 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. The Working Party held two formal meetings in January and October 2006.

The Working Party's main task is to review the notifications and counter-notifications submitted by Members on their state trading activities. Notifications shall be made in accordance with the questionnaire on state trading adopted in April 1998 (G/STR/3) and revised in November 2003 (G/STR/3/Rev.1). Reviews of the notifications submitted are conducted in formal meetings of the Working Party. In November 2003, the Working Party decided on a change in the frequency of the notifications requiring Members to submit new and full notifications every two years and eliminating the requirement for updating notifications (G/STR/5). This change has been implemented as of the year 2004. 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 January 2006 meeting, the Working Party reviewed 16 notifications: 2004 new and full notifications of Albania; Former Yugoslav Republic of Macedonia; Moldova; New Zealand; Peru; Qatar; Romania; Uganda; and the United States, 2003 updating notifications of Moldova; and Peru, 2002 & 2000 & 1999 updating notifications, and 2001 & 1998 new and full notifications of Peru. At its October 2006, the Working Party reviewed 17 notifications: 2006 new and full notifications of Argentina; Armenia; Australia; Hong Kong, China; Kenya; Macao, China; Moldova; Romania; Thailand, 2004 new and full notifications of Argentina; the Czech Republic; Tunisia; and the United States, 2003 and 2002 updating notifications of Argentina; and Tunisia. The Working Party also adopted its Annual Report to the Council for Trade in Goods for the year 2006.

## Trade-Related Investment Measures (TRIMs)

The Agreement on Trade-Related Investment Measures requires WTO Members to eliminate trade-related investment measures that are inconsistent with Article III or Article XI of 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. Pursuant to Article 5.3 of the TRIMs Agreement, by decisions of the CTG in July 2001 and November 2001, eight developing countries – Argentina, Colombia, Malaysia, Mexico, Pakistan, the Philippines, Romania and Thailand, were granted extensions of the transition period up to end-2003. In December 2003, Pakistan requested a further extension of three years for the maintenance of certain TRIMs in its automobile industry. This request was formally withdrawn by Pakistan in March 2006.

The TRIMs Committee held three meetings during 2006. Reports of the meetings are contained in documents G/TRIMS/M/23 to 25. At its meeting in April, the Committee took note of concerns raised by the United States concerning the implementation by Poland of a certain TRIM-related regulation, and of a new EU regulation that would be put in place effective January 2007 to bring it into compliance with the TRIMs Agreement. Pursuant to the Decision adopted by the General Council on 1 August 2004 (WT/L/579) and paragraph 37 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC)<sup>25</sup>, the TRIMs Committee continued its consideration of the Category II S&D proposals which were referred to it by the Chairman of the General Council. The proposals were originally submitted by the African Group in document TN/CTD/W/3/Rev.2 and relate to Article 4 and Article 5.3 of the TRIMs Agreement. At its meeting in June, the Committee considered a revised version of the proposals submitted by Kenya on behalf of the African Group, which deals more specifically with the concerns of the proponents. This revised version was circulated to Members as a room document (also reproduced as an Annex to document G/L/742). In addition, at its October meeting the Committee conducted the fifth annual review under the Transitional Review Mechanism of China's Protocol of Accession and submitted its report to the CTG (G/L/792).

## Preshipment Inspection

During 2006, the Committee on Customs Valuation carried out the second review of the Agreement on Preshipment Inspection (see document G/VAL/M/42). In addition, the Independent Entity, established in accordance with Article 4 of the Agreement on

<sup>25</sup> Annex F of the Hong Kong Ministerial Declaration contains decisions adopted by the Ministers allowing least-developed countries additional flexibilities with respect to TRIMs.

Preshipment Inspection, carried out its second review in accordance with its Rules and Procedures (WT/L/125/Rev.1). The findings of the panel that carried out this review are contained in document G/PSI/IE/R/2.

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## VI. Trade in Services

### Council for Trade In Services

The Council for Trade in Services held five formal meetings during 2006. Reports of the meetings are contained in documents S/C/M/ 81 to 84. These reports, as well as the annual report by the Council, contained in document S/C/26, should be read in conjunction with this summary. During the reporting period, the Council addressed the following matters:

Review of air transport under the Annex on Air Transport. Pursuant to paragraph 5 of the Annex on Air Transport Services, the Council for Trade in Services is to review periodically, and at least every five years, developments in the air transport sector and the operation of the Annex with a view to considering the possible further application of the Agreement in this sector. The Council held the first meeting dedicated to the second Review of Air Transport Services on 12 September 2006 and addressed developments in ancillary services to air transport, namely: aircraft repair and maintenance; computer reservation system services; selling and marketing; franchising; services auxiliary to all modes of transport when delivered in an air transport context; rental and leasing services; catering services; fuelling services; ground handling services; airport management services, including charging systems; and air traffic control services, including charging systems (S/C/M/84).

Reopening of the Fourth Protocol for acceptance by the Philippines. At its meeting on 11 April 2006, following the request of the Philippines (S/C/W/268), the Council for Trade in Services decided to reopen the Fourth Protocol to the General Agreement on Trade in Services, relating to basic telecommunications for acceptance by the Philippines (S/L/251).

Request for ad hoc observer status by the Universal Postal Union (UPU). At its meeting on 11 April 2006, following a request for *ad hoc* observer status received from the Universal Postal Union (UPU), the Council for Trade in Services, following previous practice, decided to grant *ad hoc* observer status to the Universal Postal Union.

Transitional review under Section 18 of the Protocol on the Accession of the People's Republic of China. At its meeting on 30 November 2006, the Council for Trade in Services conducted and concluded the fifth Transitional Review under Section 18 of the Protocol on the Accession of the People's Republic of China. The Council also took note of the report from the Committee on Trade in Financial Services on its review (S/FIN/17), which formed part of the Council's report on this matter to the General Council (S/C/27).

The Council for Trade in Services took note of notifications made pursuant to GATS Article III:3 (Transparency) by Albania (S/C/N/343-346, S/C/N/349-358), Macao, China (S/C/N/347-348, S/C/N/347/Corr.1-348/Corr.1), and Honduras (S/C/N/364). It took note of notifications pursuant to GATS Article V:7 (Economic Integration), made by Mexico and Nicaragua (S/C/N/359), the European Communities and Chile (S/C/N/360), Thailand and New Zealand (S/C/N/361), Morocco and the United States (S/C/N/362), Korea and Singapore (S/C/N/363), the United States and El Salvador (S/C/N/365), Honduras, Nicaragua and the United States (S/C/N/366), El Salvador (S/C/N/367), and referred those agreements to the Committee on Regional Trade Agreements for examination.

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## VII. Trade-Related Aspects of Intellectual Property Rights (TRIPS)

### Regular Session Council for TRIPS

The Council for TRIPS followed up the reviews of the national implementing legislation of certain developing country Members that were initiated in 2001 and 2002 following the expiry of their transition period at the beginning of 2000. At the end of the year, the completion of eight reviews was pending. At its meeting in October, the Council undertook the fifth annual transitional review of the implementation by China of its WTO commitments in the TRIPS area pursuant to Section 18 of its Protocol of Accession.

In paragraph 44 of the Hong Kong Ministerial Declaration, Ministers took note of the work undertaken by the Council for TRIPS pursuant to paragraph 19 of the Doha Ministerial Declaration and agreed that this work shall continue on the basis of that paragraph and the progress made in the Council for TRIPS to date, and that the General Council shall report on its work in this regard to their next Session. Pursuant to this, the Council continued, under

agenda items "Review of the provisions of Article 27.3(b)", "Relationship between the TRIPS Agreement and the Convention on Biological Diversity", and "Protection of traditional knowledge and folklore" its examination of these issues on the basis of papers submitted by Members, in particular on the relationship between the TRIPS Agreement and the CBD. At its meeting in March, the Council agreed to maintain its present method of work on these matters at that stage, and to keep this method under review to assess whether any change might prove appropriate in the light of developments.

At its meeting in October, the Council carried out the fourth annual review, pursuant to paragraph 8 of the August 2003 Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, of the functioning of the system set out in the Decision. This Decision contains a number of waivers giving effect to the instruction of Ministers at Doha to find an expeditious solution to the problem of the difficulties that WTO Members with insufficient or no manufacturing capacities in the pharmaceutical sector could face in making effective use of compulsory licensing under the TRIPS Agreement. As regards the December 2005 Decision on the Amendment of the TRIPS Agreement, which will make the above-mentioned system a permanent part of the TRIPS Agreement, three Members had accepted the amendment by the end of the year 2006. The amendment remains open for acceptance by WTO Members until 1 December 2007, with a possibility for an extension. It will enter into force once it has been accepted by two thirds of WTO Members. The waiver Decision of August 2003 will apply until then.

The Council 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 October. Updated information was also received from a number of intergovernmental organizations which are observers to the Council, as well as from the WTO Secretariat.

As regards the special and differential treatment proposals referred to it, the Council authorized, at its meeting in March, the Chair to report to the General Council that the situation remained as reported in July 2005 in document IP/C/36, that the TRIPS Council reiterated its earlier recommendation (reproduced in that document), and that no further action was otherwise needed.

The Council's work on the implementation of Article 66.2 as well as on non-violation and situation complaints is described in Section II on the Doha Development Agenda above. Other issues on the agenda of the TRIPS Council included the review of implementation of the TRIPS Agreement under Article 71.1, the review of the application of the provisions of the Section on geographical indications under Article 24.2, and, at the request of the European Communities, a communication from the European Communities on "Enforcement of Intellectual Property Rights". Further information can be found in the Annual Report (2006) of the Council for TRIPS (IP/C/44).

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## VIII. The DSB and Resolution of Trade Conflicts under the WTO's Dispute Settlement Understanding

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 22 times during 2006, 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 2006

In the year 2006, the DSB received 20 notifications from Members of formal requests for consultations under the DSU. During this period, the DSB also established panels to deal with 12 new cases and adopted panel and/or Appellate Body reports in 7 cases, concerning 4 distinct matters. In addition, mutually agreed solutions or withdrawals were notified in 10 cases. The following section briefly describes the procedural history and, where available, the substantive outcome of these cases. It also describes 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 that were active in 2006, developments from 1 January 2006 until 31 March 2007 are reflected. New cases initiated in 2007 are not reflected here. The cases are listed in order of their DS number. Additional information on each of these cases can be found on the WTO website at [www.wto.org](http://www.wto.org).

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

*(For a description of the Panel report see Annual Report 2000, p.73; for a description of the Appellate Body report, see Annual Report 2001, p. 80; for a description of the first compliance Panel and Appellate Body reports, see WTO Annual Report 2002, p. 95; for information on the authorization to suspend concessions, see WTO Annual Report 2004, p. 51; for details on the establishment of a second compliance panel, see WTO Annual Report 2005, p. 44, for details on the second compliance Panel and Appellate Body reports, see WTO Annual Report 2006, p. 35.)*

On 13 February 2006, the Appellate Body circulated its report, which upheld the Panel’s findings. The DSB adopted the Appellate Body report and Panel report as upheld by the Appellate Body at its meeting on 17 March 2006.

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

*(For a description of the Panel and Appellate Body Reports, see WTO Annual Report 2003, p. 89-90; for details relating to the implementation of this report up until 31 December 2004, see WTO Annual Report, p. 53; for details of implementation of this report during 2004, see WTO Annual Report 2005, p. 45.)*

On 19 May 2004, Argentina requested consultations under Article 21.5 of the DSU. On 29 December 2005, Argentina, considering that the measures adopted by Chile to implement the recommendations and rulings of the DSB were inconsistent, *inter alia*, with Article 4.2 of the Agreement on Agriculture, the second sentence of Article II:1(b) of the GATT 1994, and hence, Article XVI:4 of the WTO Agreement, requested the establishment of an Article 21.5 compliance panel. At its meeting on 20 January 2006, the DSB agreed to refer the matter raised by Argentina, if possible, to the original panel. Australia, Colombia, the European Communities and the United States reserved their third party rights. Subsequently, Brazil, Canada, China, Peru and Thailand reserved their third party rights. On 4 April 2006, the parties agreed on the composition of the Panel

On 8 December 2006, the Article 21.5 panel report was circulated to Members. The Panel found that by continuing to maintain a border measure similar to a variable import levy and to a minimum import price, Chile was acting in a manner inconsistent with Article 4.2 of the Agreement on Agriculture and had failed to implement the recommendations and rulings of the DSB. The Panel also found it was unnecessary, for the resolution of the dispute, to make separate findings under Articles II:1(b) of GATT 1994 and XVI:4 of the WTO Agreement.

On 5 February 2007, Chile notified the DSB that it was seeking review by the Appellate Body of certain issues of law and legal interpretations developed by the Panel. On 19 February 2007, Argentina notified the DSB of an Other Appeal and its decision to appeal to the Appellate Body certain issues of law in the Panel Report and certain legal interpretations developed therein by the Panel. On 30 March 2007, the Chairman of the Appellate Body informed the DSB that the Appellate Body Report in this appeal would be circulated to Members no later than 7 May 2007.

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**United States – Provisional anti-dumping measure on imports of certain softwood lumber from Canada, complaint by Canada (WT/DS247)**

On 6 March 2002, Canada requested consultations under Article 4.8 of the DSU (urgency procedure) with the United States regarding an anti-dumping measure applied by the United States to imports of softwood lumber from Canada.

On 12 October 2006, the United States and Canada informed the DSB that they had reached a mutually agreed solution under Article 3.6 of the DSU in the disputes WT/DS236, WT/DS247, WT/DS257, WT/DS264, WT/DS277 and WT/DS311.

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**United States – Final countervailing duty determination with respect to certain softwood lumber from Canada, complaint by Canada (WT/DS257)**

*(For further details relating to the request for establishment of a panel, see WTO Annual Report 2003, pp. 105-106, for information on the Panel report and the notification to the DSB of the United States’ decision to appeal the panel report, see WTO Annual Report 2004, p. 59; for information on the Appellate Body Report and the arrangements adopted for proceedings under Article 21.5 and 22.6 of the DSU, see WTO Annual Report 2005, p. 48, for a description of the proceedings under Article 21.5 of the DSU, see WTO Annual Report 2006, p. 36. )*

On 12 October 2006, the United States and Canada informed the DSB that they had reached a mutually agreed solution under Article 3.6 of the DSU in the disputes WT/DS236, WT/DS247, WT/DS257, WT/DS264, WT/DS277 and WT/DS311.

### **United States – Final dumping determination on softwood lumber from Canada, complaint by Canada (WT/DS264)**

*(For details relating to the establishment of the panel, see WTO Annual Report 2004, p. 60; for information relating to the Panel and Appellate Body reports and the reasonable period of time agreed for implementation, see WTO Annual Report 2005, p. 49, for information on the establishment of the panel under Article 21.5 of the DSU, see WTO Annual Report 2006, p. 37.)*

On 3 April 2006, the Article 21.5 Panel circulated its report to Members. This proceeding concerned the implementation by the United States of part of the DSB recommendations and rulings relating to the finding that the use of “zeroing” by the USDOC in the underlying investigation was inconsistent with Article 2.4.2 of the Anti-Dumping Agreement in the context of a comparison of “a weighted average normal value with a weighted average of all comparable export transactions”. The DSB issued its recommendations and rulings after the Appellate Body upheld the relevant finding of the original panel.

In order to implement the DSB recommendations and rulings, the USDOC calculated new rates for the exporters subject to the anti-dumping duty order, based on a comparison of normal value and export prices on a transaction-to-transaction basis. The USDOC used zeroing in its transaction-to-transaction methodology.

Canada claimed that the USDOC’s continued use of zeroing under the transaction-to-transaction comparison methodology was inconsistent with Articles 2.4.2 and 2.4 of the Anti-Dumping Agreement. The Article 21.5 Panel rejected Canada’s claims.

On 17 May 2006, Canada notified its decision to appeal to the Appellate Body certain issues of law and certain legal interpretations covered in the panel report.

On 15 August 2006, the Appellate Body report was circulated to Members. The Appellate Body reversed the Panel’s findings that the use of zeroing in the United States Department of Commerce’s Section 129 Determination at issue in this case was not inconsistent with the transaction-to-transaction comparison methodology set out in Article 2.4.2 of the Anti-Dumping Agreement. Instead, the Appellate Body found that the use of zeroing was not permitted under the transaction-to-transaction methodology set out in Article 2.4.2 because “the ‘margins of dumping’ established under this methodology are the results of the aggregation of the transaction-specific comparisons of export prices and normal value”, and “in aggregating these results, an investigating authority must consider the results of all of the comparisons and may not disregard the results of comparisons in which export prices are above normal value”. In addition, the Appellate Body reversed the Panel’s finding that the use of zeroing in the Section 129 determination was not inconsistent with the “fair comparison” requirement in Article 2.4 of the Anti-Dumping Agreement. According to the Appellate Body, the use of zeroing under the transaction-to-transaction comparison methodology is inconsistent with Article 2.4 because it distorts the prices of certain export transactions, which are not considered at their real value, artificially inflates the magnitude of dumping, and, therefore, results in higher margins of dumping and makes a positive determination of dumping more likely.

The Appellate Body reversed the Panel’s conclusion that the United States had implemented the DSB recommendations and rulings and recommended that the DSB request the United States to bring its measure into conformity with its obligations under the Anti-Dumping Agreement. At its meeting on 1 September 2006, the DSB adopted the Appellate Body report and the Panel report, as reversed by the Appellate Body report.

On 12 October 2006, the United States and Canada informed the DSB that they had reached a mutually agreed solution under Article 3.6 of the DSU in the disputes WT/DS236, WT/DS247, WT/DS257, WT/DS264, WT/DS277 and WT/DS311.

### **United States – Sunset reviews of anti-dumping measures on oil country tubular goods from Argentina, complaint by Argentina (WT/DS268)**

*(For a description relating to the establishment of the panel, see WTO Annual Report 2004, p. 61; for a description of the Panel report, see WTO Annual Report 2005, p. 49, for information relating to the arbitration under Article 21.3 of the DSU, see WTO Annual Report 2006, p.39.)*

On 26 January 2006, Argentina requested consultations under Article 21.5 of the DSU and paragraph 1 of the parties’ Agreed Procedures under Articles 21 and 22 of the DSU. On 6 March 2006, Argentina requested the establishment of a panel under Article 21.5 of the DSU. At its meeting on 17 March 2006, the DSB referred the matter raised by Argentina to the original Panel. China, the European Communities, Japan and Mexico reserved their third-party rights. Subsequently, Korea reserved its third-party right. On 20 March 2006, the compliance panel was composed.

On 30 November 2006, the Article 21.5 panel report was circulated to Members. The Panel found that certain waiver provisions under the US Tariff Act of 1930 remained inconsistent with the rules governing sunset reviews found in Article 11.3 of the Anti-

Dumping Agreement. The Panel also found that the US Department of Commerce acted inconsistently with Article 11.3 of the Anti-Dumping Agreement in its determination of likelihood of continuation or recurrence of dumping for the purposes of its revised sunset determination in the Section 129 proceedings at issue. The Panel concluded that the US Department of Commerce did not act inconsistently with the relevant provisions of the Anti-Dumping Agreement in developing a new factual basis for its Section 129 determination, or in respect of certain evidentiary and procedural issues.

On 12 January 2007, the United States notified the DSB of its decision to appeal. The United States notified its intention to appeal certain issues of law and legal interpretations developed by the Panel. On 24 January 2007, Argentina notified an Other Appeal to the DSB in respect of certain issues of law and legal interpretations developed by the Panel.

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#### **European Communities – Customs classification of frozen boneless chicken cuts, complaints by Brazil (WT/DS269) and Thailand (WT/DS286)**

*(For information relating to the establishment of this Panel, see WTO Annual Report 2004, p. 62, for a description of the panel and Appellate Body findings, see WTO Annual Report 2005, p. 39)*

At its meeting on 27 September 2005, the DSB adopted the Appellate Body report and the Panel report as modified by the Appellate Body report. On 22 November 2005, Brazil requested that the reasonable period of time in order to implement the DSB's rulings and recommendations be determined through binding arbitration pursuant to Article 21.3(c) of the DSU. On 9 December 2005, Thailand made the same request. On 20 February 2006, the Arbitrator decided the reasonable period of time for implementation would be nine months and therefore would expire on 27 June 2006.

At the DSB meeting on 19 July 2006, the European Communities said that it had fully implemented the DSB recommendations and rulings by adopting Commission Regulation (EC) No 949/2006 on 27 June 2006 and implementing it on the same day. On 14 July 2006, Thailand and the European Communities informed the DSB of an Understanding regarding procedures under Articles 21 and 22 of the DSU. On 26 July 2006, Brazil and the European Communities informed the DSB of a similar Understanding regarding procedures under Articles 21 and 22 of the DSU.

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#### **United States – Investigation of the International Trade Commission in softwood lumber from Canada, complaint by Canada (WT/DS277)**

*(For a description of the establishment of the panel, see WTO Annual Report 2004, p. 63; for information relating to the Panel report, see WTO Annual Report 2005, p. 51, for the findings of the Article 21.5 Panel, see WTO Annual Report 2006, p. 40.)*

On 13 January 2006, Canada notified its decision to appeal to the Appellate Body certain issues of law covered in the Article 21.5 panel report and certain legal interpretations developed by the Panel.

On 13 April 2006, the Appellate Body circulated its report to Members. The Appellate Body reviewed the relevant provisions of the Anti-Dumping Agreement and the SCM Agreement and clarified the standard of review applicable in cases involving a threat of injury determination. The Appellate Body found that the Panel had articulated and applied an improper standard of review in its assessment of the USITC's Section 129 determination and had therefore acted inconsistently with a panel's duties under Article 11 of the DSU. Consequently, the Appellate Body reversed the Panel's findings that the USITC's determination was not inconsistent with the obligations of the United States under Articles 3.5 and 3.7 of the Anti-Dumping Agreement and Articles 15.5 and 15.7 of the SCM Agreement. The Appellate Body also reversed the Panel's finding that the United States had implemented the recommendations and rulings of the DSB in the original dispute. However, the Appellate Body was unable to complete the analysis and to determine whether the USITC's Section 129 determination was consistent or inconsistent with the United States' obligations under Articles 3.5 and 3.7 of the Anti-Dumping Agreement and Articles 15.5 and 15.7 of the SCM Agreement because of the absence of pertinent factual findings by the Panel and undisputed facts on the Panel record.

On 9 May 2006, the DSB adopted the Appellate Body report and the Panel report, as reversed by the Appellate Body report.

On 12 October 2006, the United States and Canada informed the DSB that they had reached a mutually agreed solution under Article 3.6 of the DSU in the disputes WT/DS236, WT/DS247, WT/DS257, WT/DS264, WT/DS277 and WT/DS311.

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#### **European Communities – Measures affecting the approval and marketing of biotech products, complaints by the United States (WT/DS291), Canada (WT/DS292) and Argentina (WT/DS293)**

*(For information on the establishment of this Panel, see WTO Annual Report 2004, p. 65 and WTO Annual Report 2005, p. 53.)*

On 29 September 2006, the panel reports were circulated to Members. The Panel found that the European Communities applied a general *de facto* moratorium on the approval of biotech products between June 1999 and August 2003 (when the Panel was established). Before the Panel, the European Communities denied the existence of such a moratorium. The Panel further found that, by applying this moratorium, the European Communities acted inconsistently with its obligations under Annex C(1)(a), first clause, and Article 8 of the SPS Agreement because the *de facto* moratorium led to undue delays in the completion of EC approval procedures. The Panel, however, found that the European Communities had not acted inconsistently with its obligations under other provisions raised by the complaining parties.

With regard to the product-specific EC measures, the Panel found that the European Communities had acted inconsistently with its obligations under Annex C(1)(a), first clause, and Article 8 of the SPS Agreement in respect of the approval procedures concerning 24 out of 27 biotech products identified by the complaining parties because there were undue delays in the completion of the approval procedures for each of these products. The Panel found, however, that the European Communities had not acted inconsistently with its obligations under other provisions raised by the complaining parties.

With regard to the EC member State safeguard measures, the Panel found that the European Communities acted inconsistently with its obligations under Articles 5.1 and 2.2 of the SPS Agreement with regard to all of the safeguard measures at issue, because these measures were not based on risk assessments satisfying the definition of the SPS Agreement and hence could be presumed to be maintained without sufficient scientific evidence.

At its meeting on 21 November 2006, the DSB adopted the panel reports.

At the DSB meeting on 19 December 2006, the European Communities announced its intention to implement the recommendations and rulings of the DSB in a manner consistent with its WTO obligations.

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#### **United States – Laws, regulations and methodology for calculating dumping margins (“zeroing”), complaint by the European Communities (WT/DS294)**

*(For information on the establishment of the Panel, see WTO Annual Report 2005, p. 53; for an account of the Panel’s findings, see WTO Annual Report 2006, p. 42.)*

On 18 April 2006, the Appellate Body report was circulated to Members. The Appellate Body reversed the Panel’s finding that zeroing, as applied by the United States Department of Commerce when assessing final anti-dumping duty liability for particular importers in the administrative reviews at issue, was not inconsistent with Article 9.3 of the Anti-Dumping Agreement and Article VI:2 of the GATT 1994 and found, instead, that the administrative review determinations at issue were inconsistent with those provisions. According to the Appellate Body, Article 9.3 and Article VI:2 require investigating authorities to ensure that the total amount of anti-dumping duties collected on all entries of a product from a given exporter or foreign producer shall not exceed the margin of dumping established for that exporter or foreign producer. The Appellate Body found that the United States acted inconsistently with this requirement because, by disregarding the results of comparisons for which the export price of specific transactions exceeded the average normal value, it assessed anti-dumping duties in excess of the foreign producers’ or exporters’ margins of dumping. The Appellate Body also declared moot several consequential findings of the Panel that were related to those findings of the Panel that the Appellate Body had reversed. In addition, the Appellate Body upheld the Panel’s finding that the zeroing methodology, as it related to weighted average-to-weighted average comparisons of normal value and export prices in original investigations, is inconsistent, as such, with Article 2.4.2 of the Anti-Dumping Agreement. The Appellate Body emphasized, however, that when bringing a challenge against a “rule or norm” of general and prospective application that is not expressed in the form of a written document, a complaining party must clearly establish, through arguments and supporting evidence, that the alleged “rule or norm” is attributable to the responding Member, its precise content, and that it has general and prospective application. Finally, the Appellate Body rejected claims that the Panel had failed to make an objective assessment of the matter as required by Article 11 of the DSU.

On 9 May 2006, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report.

On 28 July 2006, the United States and the European Communities informed the DSB, pursuant to Article 21.3(b) of the DSU, they had agreed that the reasonable period of time for the United States to implement the DSB recommendations and rulings would be 11 months, expiring on 9 April 2007.

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**Mexico – Tax measures on soft drinks and other beverages, complaint by the United States (WT/DS308)**

*(For information relating to the establishment of the Panel, see WTO Annual Report 2005, p. 54, for an account of the Panel and Appellate Body findings, see WTO Annual Report 2006, p.45.)*

At its meeting on 24 March 2006, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report.

On 22 June 2006, the United States requested that the reasonable period of time for implementation of the DSB's recommendations and rulings be determined through binding arbitration pursuant to Article 21.3(c) of the DSU. On 3 July 2006, Mexico and the United States informed the DSB that they had mutually agreed that the reasonable period of time for Mexico to comply with the DSB recommendations and rulings would be nine months and eight days, expiring on 1 January 2007. However, if the Mexican Congress were to enact legislation between 1 December and 31 December 2006, the reasonable period of time would be ten months and seven days, expiring on 31 January 2007. In light of this agreement, the United States withdrew its request for arbitration pursuant to Article 21.3(c) of the DSU.

On 20 December 2006, Mexico's Senate voted to repeal the tax on soft drinks made with high fructose corn syrup, effective as of 1 January 2007.

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**United States – Reviews of countervailing duty on softwood lumber from Canada, complaint by Canada (WT/DS311)**

On 14 April 2004, Canada request consultations with the United States concerning: (i) the failure of the US Department of Commerce (DOC) to complete expedited reviews of the countervailing duty order concerning certain softwood lumber products from Canada in order to promptly establish an individual countervailing duty rate for each requesting exporter; and (ii) the refusal and failure of USDOC to conduct company-specific administrative reviews of the same countervailing duty order in order to establish a final individual countervailing duty rate for each requesting exporter.

On 12 October 2006, the United States and Canada informed the DSB that they had reached a mutually agreed solution under Article 3.6 of the DSU in the disputes WT/DS236, WT/DS247, WT/DS257, WT/DS264, WT/DS277 and WT/DS311. This solution was in the form of a comprehensive agreement (Softwood Lumber Agreement) between the United States and Canada, dated 12 September 2006.

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**European Communities – Selected customs matters United States, complaint by the United States (WT/DS315)**

*(For information relating to the request for consultations, see WTO Annual Report 2006, p. 45.)*

On 21 September 2004, the United States requested consultations with the European Communities concerning the Communities' administration of laws and regulations pertaining to the classification and valuation of products for customs purposes and its failure to institute tribunals or procedures for the prompt review and correction of administrative action on customs matters. According to the request for consultations from the United States, the non-uniform administration by the European Communities of laws, regulations, judicial decisions and administrative rulings pertaining to the classification and valuation of products for customs purposes and to requirements, restrictions or prohibitions on imports resulted in disparate administration among the member States of these customs measures in a number of respects, including differences in the classification and valuation of goods. Furthermore, the United States claimed that EC customs law was inconsistent with Article X:3(b) of the GATT 1994 because decisions regarding review of administrative action relating to customs matters do not apply to all agencies, and do not have effect throughout the territory, of all member States of the European Communities. The United States considered that the manner of administering the laws, regulations and related measures and the foregoing arrangement to be inconsistent with the EC's obligations under Articles X:1, X:3(a) and (b) of GATT 1994.

On 17 May 2005, the United States requested the Director-General to compose the panel. On 27 May 2005, the Director-General composed the panel. Argentina; Australia; Brazil; China; Hong Kong, China; India; Japan; Korea; and Chinese Taipei reserved their third party rights to participate in the Panel's proceedings.

On 16 June 2006, the Panel report was circulated to Members. The Panel found that: (i) the European Communities had violated Article X:3(a) in three cases involving tariff classification and customs valuation; (ii) the European Communities had not violated Article X:3(a) in five cases in the areas of tariff classification, customs valuation and customs procedures; and (iii) the United States had not proved that the European Communities had violated Article X:3(a) in 11 cases in the areas of tariff classification, customs valuation and

customs procedures. The Panel also found that the European Communities had not acted inconsistently with the requirements of Article X:3(b) of the GATT 1994.

On 14 August 2006, the United States notified its intention to appeal certain issues of law and legal interpretations developed by the Panel.

On 13 November 2006, the Appellate Body report was circulated to Members. The Appellate Body reversed the Panel's finding that the United States was precluded from challenging certain instruments of the European Communities customs legislation listed in the request for the establishment of a panel as a whole or overall. However, the Appellate Body was unable to complete the analysis on this claim because the Panel's "general observations" about the role of a number of institutions and mechanisms in the European Communities provided an insufficient factual basis for assessing whether the challenged legal instruments of the European Communities as a whole failed to ensure uniform administration of its customs law. The Appellate Body reversed the Panel's interpretation that, when a violation of Article X:3(a) of the GATT 1994 is being claimed, the "measure at issue" must be the "manner of administration" of a legal instrument. Instead, the Appellate Body found that a WTO Member is not precluded from setting out in a panel request any act or omission attributable to another WTO Member as the measure at issue.

Regarding the requirement of uniform administration in Article X:3(a), the Appellate Body found that a distinction must be made between the legal instrument being administered and the legal instrument that regulates the application or implementation of that instrument. The Appellate Body reversed the Panel's finding that, without exception, Article X:3(a) of the GATT 1994 relates only to the application of laws and regulations, but not to laws and regulations of general applicability as such. Instead, the Appellate Body found that legal instruments that regulate the application or implementation of laws, regulations, decisions, and administrative rulings of the kind described in Article X:1 of the GATT 1994 can be challenged under Article X:3(a).

The Appellate Body upheld the Panel's finding that the tariff classification of liquid crystal display monitors with digital video interface amounts to non-uniform administration within the meaning of Article X:3(a) of the GATT 1994, and it reversed the other Panel findings of inconsistency in relation to specific instances of tariff classification and customs procedures. With respect to the independent review mechanisms for administrative action relating to customs matters, the Appellate Body upheld the Panel's finding that Article X:3(b) of the GATT 1994 does not require that first instance review decisions must govern the practice of *all* the agencies entrusted with administrative enforcement *throughout the territory* of a particular WTO Member.

At its meeting on 11 December 2006, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report.

### **United States – Measures relating to zeroing and sunset reviews, complaint by Japan (WT/DS322)**

*(For details relating to the establishment of the panel, see WTO Annual Report 2006, p. 48.)*

On 20 September 2006, the Panel report was circulated to Members. The Panel agreed with Japan that the United States' "zeroing procedures" constitute a "rule or norm" that can be challenged, as such, in WTO dispute settlement. With regard to the calculation of margins of dumping on the basis of a comparison between weighted average normal value and weighted average export price for particular product types or models, the Panel found that by maintaining zeroing procedures in the context of original investigations, the USDOC acted inconsistently with Article 2.4.2 of the Anti-Dumping Agreement. The Panel also found that zeroing, as applied by the USDOC, in one specific original investigation was inconsistent with Article 2.4.2. By contrast, the Panel rejected Japan's claims that zeroing was prohibited when calculating margins of dumping on the basis of transaction-specific comparisons of normal value and export price in the context of original investigations. The Panel also rejected Japan's claims regarding the WTO-consistency of zeroing in proceedings other than original investigations, i.e. periodic reviews, new shipper reviews, changed circumstances reviews and sunset reviews.

On 11 October 2006, Japan notified its decision to appeal certain issues of law covered in the Panel report and certain legal interpretations developed by the Panel. On 23 October 2006, the United States notified its decision to appeal certain issues of law covered in the Panel report and certain legal interpretations developed by the Panel.

The Appellate Body report was circulated to WTO Members on 9 January 2007. The Appellate Body upheld the Panel's finding that the "zeroing procedures" constitute a measure that can be challenged as such and dismissed the claim that the Panel had violated Article 11 of the DSU in reaching this conclusion. It reversed the Panel's finding that the United States did not violate the Anti-Dumping Agreement by maintaining zeroing procedures when calculating dumping margins on the basis of transaction-to-transaction

comparisons in original investigations and found instead that the United States violated Articles 2.4 and 2.4.2 of the Anti-Dumping Agreement. The Appellate Body also reversed the Panel's finding that zeroing in the context of periodic reviews and new shipper reviews is not, as such, inconsistent with various provisions of the Anti-Dumping Agreement and the GATT 1994 and found instead the United States acted inconsistently with its WTO obligations by maintaining zeroing procedures in the context of such reviews. In addition, it reversed the Panel's finding that zeroing as applied by the United States in the periodic reviews at issue was not inconsistent with various provisions of the Anti-Dumping Agreement and the GATT 1994, finding instead that the United States had violated Articles 2.4 and 9.3 of the Anti-Dumping Agreement and Article VI:2 of the GATT 1994. Finally, the Appellate Body reversed the Panel's finding that the United States did not act consistently with Articles 2 and 11 of the Anti-Dumping Agreement when, in the sunset reviews at issue, it relied on margins of dumping that had been calculated using zeroing in previous anti-dumping proceedings, finding instead that the United States had acted inconsistently with Article 11.3 of the Anti-Dumping Agreement.

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#### **Japan – Import quotas on dried laver and seasoned laver, complaint by Korea (WT/DS323)**

On 1 December 2004, Korea requested consultations with Japan concerning Japan's import quotas on dried laver and seasoned laver. According to the request for consultations, Korea believed that Japan's restrictive import quotas on dried laver and seasoned laver are inconsistent with, *inter alia*, Articles X.3 and XI of the GATT 1994; Article 4.2 of the Agreement on Agriculture; and Article 1.2 and 1.6 of the Agreement on Import Licensing Procedures.

On 4 February 2005, Korea requested the establishment of a panel. At its meeting on 21 March 2005, the DSB established the panel. China, the European Communities and the United States reserved their third party rights. On 31 March 2005, New Zealand reserved its third party rights. On 30 May 2005, the Director-General composed the panel.

On 23 January 2006, Korea and Japan informed the DSB of a mutually agreed solution under Article 3.6 of the DSU. A brief panel report noting the settlement was circulated to Members on 1 February 2006, in accordance with the provisions of Article 12.7 of the DSU.

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#### **Mexico – Anti-dumping duties on steel pipes and tubes from Guatemala, complaint by Guatemala (WT/DS331)**

On 17 June 2005, Guatemala requested consultations with Mexico concerning the investigation and the subsequent imposition of definitive anti-dumping duties by Mexico on imports of steel pipes and tubes from Guatemala. According to Guatemala, the investigation and the anti-dumping duties are inconsistent with Mexico's obligations under, *inter alia*, Article VI of the GATT 1994 and a number of provisions of the Anti-Dumping Agreement.

On 6 February 2006, Guatemala requested the establishment of a panel. At its meeting on 17 March 2006, the DSB established a panel. China, the European Communities, Honduras, Japan and the United States reserved their third-party rights. On 4 May 2006, the Panel was composed.

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#### **Brazil – Measures affecting imports of retreaded tyres, complaint by the European Communities (WT/DS332)**

On 20 June 2005, the European Communities requested consultations with Brazil on the imposition of measures that adversely affect exports of retreaded tyres from the European Communities to the Brazilian market. The EC request addresses the following measures: (i) Brazil's imposition of an import ban on retreaded tyres; (ii) Brazil's adoption of a set of measures banning the importation of used tyres, which are sometimes applied against imports of retreaded tyres, despite the fact that these are not used tyres; (iii) Brazil's imposition of a fine of 400 BRL per unit on the importation, as well as the marketing, transportation, storage, keeping or keeping in deposit or warehouses of imported, but not of domestic retreaded tyres; and (iv) Brazil's exemption of retreaded tyres imported from other Mercosur countries from the import ban and from the above-mentioned financial penalties, in response to the ruling of a Mercosur panel established at the request of Uruguay. The European Communities considers that these measures are inconsistent with Brazil's obligations under Articles I:1, III:4, XI:1 and XIII:1 of the GATT 1994.

On 4 July 2005, Argentina requested to join the consultations. On 20 July 2005, Brazil accepted Argentina's request to join the consultations. At its meeting on 20 January 2006, the DSB established a panel. Argentina, Australia, Japan, Korea and the United States reserved their third party rights at the meeting. Subsequently, China, Cuba, Guatemala, Mexico, Paraguay, Chinese Taipei and Thailand reserved their third party rights. On 21 December 2006, the Chairman of the Panel informed the DSB that it would not be possible

for the Panel to complete its work in December 2006 and estimated that it will issue its final report to the parties by April 2007.

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**Turkey – Measures affecting the importation of rice, complaint by the United States (WT/DS334)**

At its meeting on 17 March 2006, the DSB established a panel. Australia, China, the European Communities, Korea and Thailand reserved their third-party rights. Subsequently, Argentina, Egypt and Pakistan reserved their third-party rights. On 20 July 2006, the United States requested the Director-General to compose the panel. On 31 July 2006, the Director-General composed the panel.

On 31 January 2007, the Chairman of the Panel informed the DSB that the Panel expected to complete its work by May 2007.

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**United States – Anti-dumping measure on shrimp from Ecuador, complaint by Ecuador (WT/DS335)**

On 17 November 2005, Ecuador requested consultations with the United States concerning the final affirmative determination of sales at less than fair value with respect to certain frozen warm water shrimp from Ecuador published by the United States Department of Commerce (DOC) on 23 December 2004, the amended final determination of sales at less than fair value on 1 February 2005 and the accompanying anti-dumping duty order. According to Ecuador, it has concerns particularly in relation to the DOC's practice of "zeroing" negative anti-dumping margins, based on which the DOC issued the foregoing determinations and order. Ecuador considers that the foregoing determinations and order are inconsistent with Article VI of the GATT 1994 and a number of provisions of the Anti-Dumping Agreement.

On 28 November 2005, India requested to be joined in the consultations. On 1 December 2005, Thailand requested to be joined in the consultations.

On 8 June 2006, Ecuador requested the establishment of panel. At its meeting on 19 July 2006, the DSB established a panel. Brazil, China, the European Communities, India, Japan, Korea and Thailand reserved their third-party rights. Subsequently, Chile and Mexico reserved their third-party rights. On 26 September 2006, the Panel was composed. On 20 October 2006, the parties informed the DSB of an Agreement on Procedures for this dispute.

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**Japan – Countervailing duties on dynamic random access memories from Korea, complaint by Korea (WT/DS336)**

On 14 March 2006, Korea requested consultations with Japan concerning countervailing duties imposed by Japan on certain Dynamic Random Access Memories (DRAMs) from Korea. The request for consultations also concerns certain aspects of the investigation and the determination that led to the imposition of such duties. Korea considers that the determinations are inconsistent with a number of Japan's obligations under the GATT 1994 and under the SCM Agreement.

On 27 March 2006, the United States requested to join the consultations. On 29 March 2006, the European Communities requested to join the consultations. Subsequently, Japan informed the DSB that it had accepted the requests of the European Communities and the United States to join the consultations.

On 18 May 2006, Korea requested the establishment of a panel. At the DSB meeting on 19 June 2006, the DSB established a panel. China, the European Communities and the United States reserved their third-party rights. On 24 August 2006, the Panel was composed.

On 26 January 2007, the Chairman of the Panel informed the DSB that the Panel expected to complete its work by May 2007.

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**European Communities – Anti-dumping measure on farmed salmon from Norway, complaint by Norway (WT/DS337)**

On 17 March 2006, Norway requested consultations with the European Communities concerning Council Regulation (EC) No. 85/2006 of 17 January 2006 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of farmed salmon originating in Norway.

Norway considers that the measure is inconsistent with the European Communities' obligations with a number of provisions of the Anti-Dumping Agreement and Article VI of the GATT 1994. On 27 March 2006, Norway supplemented its initial request for consultations.

On 29 May 2006, Norway requested the establishment of a panel. At its meeting on 22 June 2006, the DSB established a panel. Canada; China; Hong Kong, China; Japan; Korea and the United States reserved their third-party rights. On 27 July 2006, Norway requested

the Director-General to compose the panel. On 2 August 2006, the Director-General composed the Panel.

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### **China – Measures affecting imports of automobile parts, complaints by the European Communities (WT/DS339), the United States (WT/DS340) and Canada (WT/DS342)**

On 30 March 2006, the European Communities and the United States, and on 13 April 2006, Canada, requested consultations with China regarding China's imposition of measures that affect exports of automobile parts from the European Communities, the United States and Canada to China. The measures include the following: (a) *Policy on Development of Automotive Industry* (Order No. 8 of the National Development and Reform Commission, 21 May 2004); (b) *Measures for the Administration of Importation of Automotive Parts and Components for Complete Vehicles* (Decree No. 125), which entered into force on 1 April 2005; and, (c) *Rules for Determining Whether Imported Automotive Parts and Components Constitute Complete Vehicles* (General Administration of Customs Public Announcement No. 4, which entered into force on 1 April 2005; as well as any amendments, replacements, extensions, implementing measures or other measures related.

The European Communities argues that, under the measures identified, imported automobile parts that are used in the manufacture of vehicles for sale in China are subject to charges equal to the tariffs for complete vehicles, if they are imported in excess of certain thresholds. The European Communities considers that the measures are inconsistent with a number of provisions of the GATT 1994, Articles 2.1 and 2.2 of the TRIMs Agreement in conjunction with paragraphs 1(a) and 2(a) of the Illustrative List annexed to the Agreement, Article 3 of the SCM Agreement as well as China's obligations under its Accession Protocol.

The United States argues that the measures identified appear to penalize manufacturers for using imported auto parts in the manufacture of vehicles for sale in China. In the United States' opinion, although China bound its tariffs for auto parts at rates significantly lower than its tariff bindings for complete vehicles, China would be assessing a charge on imported auto parts equal to the tariff on complete vehicles, if the imported parts are incorporated in a vehicle that contains imported parts in excess of thresholds. The United States considers that these measures are inconsistent with the following provisions: Article 2 of the TRIMs Agreement, Articles II (including para. 1) and III (including paras. 2, 4 and 5) of the GATT 1994, Article 3 (including paras. 1 and 2) of the SCM Agreement and the Protocol of Accession.

Canada argues that the measures identified above impose different charges on vehicles manufactured in China depending on the domestic content of the automobile parts used in the manufacture, thus providing domestic manufacturers with an advantage if they use domestic parts. Canada also argues that the measure may also have an impact on foreign investments as they confer an advantage to enterprises, conditioned on the use in vehicle production of domestic instead of imported parts. Canada adds that the charges that may be assessed on automobile parts once a vehicle is complete appear to constitute a charge in excess of those set forth in China's schedule of concessions. China would also be applying the tariff for completed vehicles to completely-knocked down and semi-knocked down kits. The measures also seem to provide subsidies contingent upon export performance and upon the use of domestic over imported goods. Canada considers that the measures at issue are inconsistent with: the Protocol of Accession, Articles II and III of the GATT 1994, Article 2 of the TRIMs Agreement, Article 2 of the Agreement on Rules of Origin and Article 3 of the SCM Agreement.

In dispute WT/DS339, Australia, Canada, Japan, Mexico and the United States requested to join the consultations. China informed the DSB that it had accepted the requests of Australia, Canada, Japan, Mexico and the United States to join the consultations.

In dispute WT/DS340, Australia, Canada, the European Communities, Japan and Mexico requested to join the consultations. China informed the DSB that it had accepted the requests of Australia, Canada, the European Communities, Japan and Mexico to join the consultations.

In dispute WT/DS342, Australia, the European Communities, Japan, Mexico and the United States requested to join the consultations. China informed the DSB that it had accepted the requests of Australia, the European Communities, Japan, Mexico and the United States to join the consultations.

On 15 September 2006, the European Communities, the United States and Canada each requested the establishment of a panel. At its meeting on 26 October 2006, the DSB established a single panel pursuant to Article 9.1 of the DSU. Argentina, Australia, Japan, Mexico and Chinese Taipei reserved their third-party rights. Subsequently, Brazil and Thailand reserved their third-party rights.

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### **United States – Measures relating to shrimp from Thailand, complaint by Thailand (WT/DS343)**

On 24 April 2006, Thailand requested consultations with the United States concerning anti-dumping measures on imports of frozen warm water shrimp. Thailand requested consultations on the United States' application in the preliminary, final and amended final determinations of the practice known as "zeroing" negative dumping margins, the effect of which was to artificially create margins of dumping, and the consequent imposition of definitive anti-dumping measures on imports of certain frozen warm water shrimp from Thailand.

Thailand considers that through its use of "zeroing", the United States has failed to make a fair comparison between the export price and the normal value, and calculated distorted margins of dumping therefore violating a number of provisions of the Anti-Dumping Agreement, and Articles II, III, VI:1 and VI:2 of the GATT 1994.

In addition, Thailand requests consultations on the United States' continuous bond requirement as such and on its application to imports of frozen warm water shrimp from Thailand which it considers may be inconsistent with Articles I:1, II, III, XI:1 and XIII:1 of the GATT 1994 and may not be justified under Article XX(d) of the GATT 1994.

On 1 May 2006, India requested to join the consultations. On 2 May 2006, Japan requested to join the consultations. On 5 May 2006, Brazil requested to join the consultations. On 8 May 2006, China requested to join the consultations. The United States informed the DSB that it had accepted the requests of Brazil, China and India to join the consultations.

On 15 September 2006, Thailand requested the establishment of a panel. At its meeting on 26 October 2006, the DSB established a panel. Brazil, Chile, China, the European Communities, India, Japan, Korea and Mexico reserved their third-party rights.

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### **United States – Final anti-dumping measures on stainless steel from Mexico, complaint by Mexico (WT/DS344)**

On 26 May 2006, Mexico requested consultations with the United States concerning a series of final anti-dumping determinations by the US Department of Commerce concerning imports of stainless steel sheet and strip in coils from Mexico for the period between January 1999 and June 2004. It also addresses: (i) certain sections of the US Tariff Act of 1930, as amended; (ii) the Statement of Administrative Action that accompanied the Uruguay Round Agreements; (iii) specific sections of the US Department of Commerce's regulations codified at Title 19 of the US Code of Federal Regulations; (iv) the 1997 edition of the Import Administration Antidumping Manual; and (v) the methodology employed by the US Department of Commerce to determine the overall margin of dumping for the product subject to the original investigation and administrative reviews, whereby the Department disregarded ("zeroed") negative dumping margins.

Mexico considers that the above laws, regulations, administrative practices and methodologies both "as such" and as applied in the above determinations resulted in the nullification and impairment of benefits directly or indirectly accruing to Mexico under the WTO Agreement and the Agreements annexed thereto. In particular, Mexico claims that the US laws, regulations, administrative practices, methodologies and determinations in question are inconsistent at least with Articles VI:1 and VI:2 of the GATT 1994; a number of provisions of the Anti-Dumping Agreement; and Article XVI:4 of the WTO Agreement.

On 9 June 2006, Japan requested to join the consultations. On 12 October 2006, Mexico requested the establishment of a panel. At its meeting on 26 October 2006, the DSB established a panel. Chile, China, the European Communities, Japan and Thailand reserved their third-party rights. On 15 December 2006, Mexico requested the Director-General to compose the Panel. On 20 December 2006, the Director-General composed the Panel.

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### **United States – Customs bond directive for merchandise subject to anti-dumping/countervailing duties, complaint by India (WT/DS345)**

On 6 June 2006, India requested consultations with the United States on the Amended Bond Directive and the enhanced bond requirement imposed by the United States on imports of frozen warm water shrimp from India. India considers that the Amended Bond Directive as such and the enhanced bond requirement are inconsistent with various provisions of the Anti-Dumping Agreement, the GATT 1994 and the SCM Agreement.

On 21 June 2006, Brazil, China and Thailand requested to join the consultations. The United States informed the DSB that it had accepted these requests. On 13 October 2006, India requested the establishment of a panel. At its meeting on 21 November 2006, the DSB established a panel. Brazil, China, the European Communities, Japan and Thailand reserved their third party rights.

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**European Communities and certain member States – Measures affecting trade in large civil aircraft (second complaint), complaint by the United States (WT/DS347)**

On 31 January 2006, the United States requested consultations with the Governments of France, Germany, Spain and the United Kingdom and with the European Communities concerning measures affecting trade in large civil aircraft. (*See also dispute WT/DS316, WTO Annual Report 2005*). The United States considered that measures of the European Communities and the member States provide subsidies that are inconsistent with their obligations under the SCM Agreement and the GATT 1994. The United States is concerned that the launch aid provided by the European Communities and the member States to Airbus for the development of large civil aircraft and the EIB loans provided to Airbus appear to be subsidies that are inconsistent with Articles 3.1(a), 3.1(b) and 3.2 of the SCM Agreement. The United States is concerned that the measures of the European Communities and the member States that are the subject of their request for consultations appear to be causing adverse effects to US interests within the meaning of Articles 5(a), 5(c), 6.3(a), 6.3(b) and 6.3(c) of the SCM Agreement and that the measures appear to be inconsistent with Articles III:4 and XVI:1 of the GATT 1994.

On 10 April 2006, the United States requested the establishment of a panel. At the DSB meeting on 9 May 2006, the DSB established a panel. Australia, Brazil, Canada, China, Japan and Korea reserved their third-party rights. On 7 July 2006, the United States requested the Director-General to determine the composition of the Panel. On 17 July 2006, Deputy Director-General Alejandro Jara composed the Panel.

On 9 October 2006, the Chairman of the Panel informed the DSB that the United States had requested the Panel on 6 October 2006 to suspend its work, in accordance with Article 12.12 of the DSU. The Panel had agreed to this request.

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**Colombia – Customs measures on importation of certain goods from Panama, complaint by Panama (WT/DS348)**

On 20 July 2006, Panama requested consultations with Colombia with respect to certain Colombian customs measures on the importation of certain goods from Panama. Panama considered that Colombia, through its Customs Code and 11 specific resolutions, has established and applied indicative unit prices or estimated prices exclusively for the customs valuation of certain goods that originate in, and/or are imported from, Panama and specified other countries or customs territories. Panama considered that this indicative or estimated price mechanism led to reference prices, and Colombian importers of the affected goods were required to determine and pay customs duties and other duties or charges and taxes on the basis of such reference prices; otherwise, if the reference prices were not followed, in effect the goods cannot be imported into Colombia. Panama claimed that the mechanism was not based on the valuation methods set out in the Customs Valuation Agreement, and that the mechanism appeared to be inconsistent with Colombia's obligations under the Customs Valuation Agreement and the GATT 1994.

Panama also considered that, through three specific resolutions, Colombia had established a requirement that all goods falling under Chapters 50 to 64 of Colombia's Customs Tariff (textile and footwear products) that originated in, and/or were imported from, Panama or China could enter into Colombia only through specified ports of entry. This restriction on the ports of entry applied only to relevant goods coming from Panama or China and not to goods imported directly from third countries or customs territories. Panama claimed that the restriction on the ports of entry appeared to be inconsistent with Colombia's obligations under Articles I:1, V:6, XI:1 and XIII:1 of the GATT 1994. Lastly, Panama considered that, through a specific resolution, Colombia had established a requirement that commercial invoices of goods coming from the Free Zone of Colon should include, in addition to the regular requirements, the name of the buyer in Colombia, his address and his Tax Identification Number ("NIT"). This requirement applied only to goods coming from the Free Zone of Colon and not to goods originating in third countries or customs territories. Panama claimed that this requirement appeared to be inconsistent with Colombia's obligations under Articles I:1, V:6, XI:1 and XIII:1 of the GATT 1994.

On 3 August 2006, Guatemala and the Philippines requested to join the consultations. On 4 August 2006, China; Hong Kong, China; Pakistan; Chinese Taipei and Thailand requested to join the consultations. Subsequently, Colombia informed the DSB that it had accepted the requests of China; Guatemala; Hong Kong, China; Pakistan; the Philippines; Chinese Taipei; and Thailand to join the consultations.

On 1 December 2006, Panama informed the DSB that, pursuant to Article 3.6 of the DSU, Panama and Colombia had reached a mutually agreed solution in respect of the issues raised by Panama in its request for consultations.

### United States – Measures affecting trade in large civil aircraft (second complaint), complaint by the European Communities (WT/DS353)

On 27 June 2005, the European Communities requested consultations with the United States concerning prohibited and actionable subsidies provided to US producers of large civil aircraft. (See also dispute WT/DS317, *WTO Annual Report 2005*). The European Communities considers that the measures cited in its request for consultations are inconsistent with a number of provisions of the SCM Agreement as well as Article III:4 of the GATT 1994.

On 20 January 2006, the European Communities requested the establishment of a panel. This was established by the DSB at its meeting on 17 February 2006. Australia, Brazil, Canada, China and Japan reserved their third-party rights at the meeting. Subsequently, Korea reserved its third-party rights. On 17 November 2006, the European Communities requested the Director-General to determine the composition of the Panel. On 22 November 2006, Deputy Director-General Alejandro Jara composed the Panel, on behalf of the Director-General.

Table II.6

#### Requests for consultations<sup>26</sup>

Dispute	Complainant	Date of request
Provisional Anti-Dumping and Countervailing Duties on Grain Corn from the United States (WT/DS338)	United States	17 March 2006
United States – Anti-Dumping Administrative Review on Oil Country Tubular Goods from Argentina (WT/DS346)	Argentina	20 June 2006
European Communities – Measures Affecting the Tariff Quota for Fresh or Chilled Garlic (WT/DS349)	Argentina	6 September 2006
United States – Continued Existence and Application of Zeroing Methodology (WT/DS350)	European Communities	2 October 2006
Chile – Provisional Safeguard Measure on Certain Milk Products (WT/DS351)	Argentina	25 October 2006
India – Measures Affecting the Importation and Sale of Wines and Spirits from the European Communities (WT/DS352)	European Communities	20 November 2006
Canada – Tax Exemptions and Reductions for Wine and Beer (WT/DS354)	European Communities	29 November 2006
Brazil – Anti-Dumping Measures on Imports of Certain Resins from Argentina (WT/DS355)	Argentina	26 December 2006
Chile – Definitive Safeguard Measure on Certain Milk Products (WT/DS356)	Argentina	28 December 2006

## Appellate Body Appointment and Reappointments

Mr. David Unterhalter was appointed Appellate Body Member by the DSB on 31 July 2006, and was sworn-in on 28 September 2006.<sup>27</sup> He replaced the late John Lockhart. Mr. Unterhalter will serve for the remainder of the term of office that was held by Mr. Lockhart, that is, until 11 December 2009.<sup>28</sup>

Mr. Arumugamangalam Venkatachalam Ganesan served as Chairman of the Appellate Body from 17 December 2005 to 16 December 2006.<sup>29</sup> On 23 November 2006, Appellate Body Members elected Professor Giorgio Sacerdoti, pursuant to Rule 5(1) of the *Working Procedures for Appellate Review*, to serve as Chairman of the Appellate Body from 17 December 2006 to 16 December 2007.<sup>30</sup> Rule 5 of the Working Procedures for Appellate Review provides that the Chairman of the Appellate Body, who is elected by the Appellate Body Members, shall be responsible for the overall direction of Appellate Body business.

## DSU Negotiations

At the end of 2005, at the Hong Ministerial Conference, Ministers “direct[ed] the Special Session to continue to work towards a rapid conclusion of the negotiations.”<sup>31</sup> Accordingly, in the first half of 2006 the Special Session held a number of meetings under the chairmanship of Ambassador Ronald Saborío Soto of Costa Rica. Continuing the bottom-up approach based on Members’ drafting proposals, the meetings of the Special Session discussed Members’ new and revised drafting proposals, including on third party rights, strictly confidential information, measures under review, post-retaliation, transparency, remand and issues relating to special and differential (S&D) treatment. In addition, some Members indicated that they were working on other drafting proposals.

In December 2006, the Chairman held consultations to prepare the more intensive continuation of the negotiations in early 2007.

<sup>26</sup> 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 either requested or established.

<sup>27</sup> WT/DSB/M/218.

<sup>28</sup> In accordance with Article 17.2 the DSU.

<sup>29</sup> WT/DSB/40.

<sup>30</sup> WT/DSB/41.

<sup>31</sup> WTO Hong Kong Ministerial Declaration, adopted on 18 December 2005, available in document WT/MIN(05)/DEC of 22 December 2005, para. 34.

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## IX. 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 of 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 2006, the TPRB was chaired by Ambassador Claudia Uribe (Colombia).

Under the TPRM, the four largest trading entities (at present, the European Union (EU), the United States, China and Japan) 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 2006, a total of 230 reviews had been conducted, covering 130 WTO Members, with the United States reviewed eight times, Canada, the European Union, and Japan reviewed seven times; Hong Kong, China, five times, nine Members (Australia; Brazil; Indonesia; Republic of Korea; Malaysia, Norway; Singapore; Switzerland and Thailand), four times; 18 Members (Bangladesh, Bolivia, Chile, Colombia, Egypt, Iceland, India, Israel, Kenya, Mexico, Morocco, New Zealand, Nigeria, Philippines, Romania, South Africa, Turkey, Uganda and Uruguay), three times and 35 Members, twice.

During 2006, the TPRB carried out 18 reviews of: in chronological order, Malaysia, Israel, Angola, Djibouti, United States, China, United Arab Emirates, Uruguay, Iceland, Chinese Taipei, Togo, Nicaragua, Bangladesh, Congo, Kyrgyz Republic, East African Community (Kenya, Tanzania, Uganda), Colombia and Hong Kong, China. The Chairperson's concluding remarks for these reviews are included in Annex I. The programme for the year 2007 includes 18 reviews, including Canada and the European Union for the eighth time.

Over the past few years, greater focus has been placed on reviews of least-developed countries, as encouraged by the November 1997 High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development. By the end of 2006, TPR reviews had covered 25 of the 32 LDCs that are WTO Members.

As required in Annex 3 of the Marrakesh Agreement establishing the Mechanism, the TPRB undertook in 2005 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 Sixth Ministerial Conference in Hong Kong, China.

The TPRB is also responsible for carrying out the Annual Overview of developments in the international trading environment that 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 57 58 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.

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## X. Committee on Balance-of-Payments Restrictions

The Committee met under the Chairmanship of Takehiro Kagawa (Japan) to hold its fifth annual review under China's Transitional Review Mechanism in accordance with paragraph 18 of China's Protocol of Accession. At the same time, the Committee adopted its Annual Report for 2006 (WT/BOP/R/85).

## XI. Committee on Regional Trade Agreements

The promotion of preferential trade relations among selective partners through the establishment of regional trade agreements (RTAs) is today a key trade policy objective of many WTO Members. The overall number of RTAs is increasing steadily, a trend likely to be strengthened by the many RTAs under negotiation. In 2006, 27 new agreements were notified to the WTO; of these, 16 were notified under Article XXIV of the GATT 1994, 11 under GATS Article V and none under the Enabling Clause.<sup>32</sup> As of 31 December 2006, 215 active RTAs have been notified to the WTO, of which 148 under GATT Art. XXIV, 46 under GATS Art. V and 21 under the Enabling Clause.

RTAs are not only increasing in numbers but also evolving in their regulatory provisions, scope, coverage and partner composition. Most of the RTAs in the making go beyond tariff concessions in trade in goods to include preferential commitments in services and innovative provisions in areas such as investment, competition policy, trade facilitation, government procurement, intellectual property, electronic commerce and, in some cases, labour and environment. Such innovations may lay the ground for future multilateral rules on these issues; however, the different regulatory regimes put in place through RTAs also make international trade more complex and may undermine the principles upon which the WTO stands, namely transparency, predictability and non-discrimination. As for the nature of the agreements and their partner composition, the evolving preferential trading landscape seems to know no bounds; layers of preferential trading relations are being established at the bilateral, regional, continental and cross-regional level and among partners irrespective of their level of economic development.

Europe is the region with the largest number of RTAs, accounting for almost half of the agreements notified to the WTO and in force. The main regional groupings are the European Union (EU) and the European Free Trade Association (EFTA).<sup>33</sup> South-Eastern Europe is consolidating into a third trading group under the auspices of the Stability Pact;<sup>34</sup> this sub-region signed, in December 2006, the CEFTA plurilateral agreement that will replace all the previous bilateral agreements once it enters into force, as expected in mid-2007. Existing ties between this sub-region and the EU are being further institutionalized: a Stability and Association Agreement (SAA) between the EU and Albania entered into force in 2006 and a SAA with Montenegro and Bosnia-Herzegovina is underway.<sup>35</sup>

In the Mediterranean basin, the establishment of a Euro-Mediterranean FTA between the EU and its Mediterranean partners made further progress in 2005/06;<sup>36</sup> at the 5<sup>th</sup> Euromed Trade Ministerial Conference in March 2006, Euromed Trade Ministers took stock of progress and officially launched negotiations for the liberalisation of trade in services to boost the existing Association Agreements; they also agreed to deepen agricultural liberalisation and to reinforce the institutional and legal framework. Other developments include the endorsement of the Pan-Euro-Mediterranean Protocol of origin by Morocco, Israel and Egypt.

Beyond its immediate neighbourhood, the EU has focused on advancing already commenced RTA negotiations; these include FTAs with MERCOSUR, the GCC and the six Economic Partnership Agreements (EPAs) with sub-groupings of the African Caribbean and Pacific (ACP) countries.<sup>37</sup> In a change of policy stance, the EU has also signalled an interest to launch new FTA negotiations; prospective candidates include India, Korea, and the members of ASEAN, the CACM and the CAN. The EFTA States' FTA with Korea entered into force in September 2006, the FTA with Lebanon was notified in December 2006 and an FTA with the SACU countries was signed in June 2006. The EFTA States opened FTA negotiations with the countries of the GCC in 2006 and they are considering one with India.

In the Americas, the United States has signed FTAs with Colombia, Peru, five Central American countries and the Dominican Republic (DR-CAFTA)<sup>38</sup>, and it has further pursued negotiations with Ecuador and Panama. Further afield, it has secured deals with some Northern African and Middle Eastern countries, as part of its Middle East Free Trade Initiative: the FTA with Oman has been signed while the FTAs with Morocco and Bahrain have both entered into force; negotiations have been launched with the United Arab Emirates (other prospective FTAs could include Egypt, Kuwait, Qatar and Tunisia). In Asia-Pacific, the United States signed an FTA with Korea in March 2007 and has signalled its intent to add Malaysia to this list in an effort to strengthen ties with ASEAN countries.<sup>39</sup> The other two NAFTA members have also been active; Canada has opened FTA negotiations with Korea and is considering possible FTAs with CARICOM, MERCOSUR and the Dominican Republic. Mexico is also intent on expanding its RTA network and is considering FTAs with Ecuador, Korea and MERCOSUR;<sup>40</sup> its FTA with Japan has entered into force and negotiations are ongoing with Singapore.

<sup>32</sup> GATT Article XXIV for trade in goods; GATS Article V for trade in services; and the 1979 Decision of the GATT Council on Differential and More Favourable Treatment (Enabling Clause) are the legal provisions containing the criteria and procedures that allow Members to enter into RTAs.

<sup>33</sup> As of 31<sup>st</sup> December 2006 EU members (25) were: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, the Netherlands and the United Kingdom; Romania and Bulgaria's accession is not accounted for in this report. EFTA members (4) are: Iceland, Liechtenstein, Norway and Switzerland

<sup>34</sup> Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia & Montenegro and UNMIK/Kosovo.

<sup>35</sup> Croatia and the Former Yugoslav Republic of Macedonia have candidate status for EU accession. Negotiations for an SAA with Serbia have been temporarily suspended.

<sup>36</sup> The Mediterranean partners are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey. A grid of bilateral RTAs in trade in goods is already in place and parallel ones are being established by the EFTA States and Turkey. The EU-Algeria FTA was notified in July 2006.

<sup>37</sup> The EC is negotiating with six different groups of countries: ECOWAS plus Mauritania; CEMAC plus the DRC and Sao Tomé and Príncipe; Eastern and Southern Africa (ESA), the CARIFORUM (CARICOM plus the Dominican Republic and the Bahamas) and the Pacific Islands.

<sup>38</sup> The CAFTA-DR was signed on August 5, 2004. The agreement entered into force for El Salvador and the United States on March 1, 2006, for Honduras and Nicaragua on April 1, 2006, and for Guatemala on July 1, 2006. Entry into force for Costa Rica and the Dominican Republic is pending.

<sup>39</sup> The United States has an FTA with Singapore and ongoing negotiations with Thailand.

<sup>40</sup> Mexico and MERCOSUR signed in 2002 a framework agreement for the creation of an FTA.

Also in the Americas, Panama has concluded an FTA with Singapore and CARICOM has ratified agreements with Cuba and Costa Rica. The Andean Community members, while working as a group towards an FTA with MERCOSUR, are pursuing several other FTAs on an individual basis: in addition to its FTA with the United States, Peru is engaged in negotiations with Singapore and has concluded an early harvest agreement with Thailand in view of a fully-fledged FTA; as for Colombia and Ecuador, they are both engaged in FTAs with the United States;<sup>41</sup> Venezuela, for its part, is in the process of acceding to MERCOSUR. Turning to MERCOSUR, it has signed framework agreements aiming at the establishment of FTAs with the GCC, India, Israel, Egypt, Morocco and the SACU, and is undertaking a joint FTA feasibility study with Korea. Chile too is expanding its FTA network after the entry into force in November 2006 of the Trans-Pacific Strategic Economic Partnership (SEP-4) with New Zealand, Brunei and Singapore and the FTA with China, and has signed a framework agreement for a possible FTA with India; it has also opened negotiations with Japan, and has held preliminary FTA talks with Thailand.

Countries in the Asia-Pacific are consolidating their drive towards regionalism at an accelerated pace. None of the existing sub-regional groupings aim to become customs unions;<sup>42</sup> thus, while there are instances of collective FTA negotiations, most of the RTAs being created are on an individual country basis. The apparent lack of regional coordination in RTA building, if unchecked, may give rise to overlapping memberships and increased complexity in intra-regional trade relations; examples include the Asia-Pacific Trade Agreement (APTA)<sup>43</sup> and the BIMSTEC<sup>44</sup>, both of which include countries that are members of both ASEAN and SAFTA.

At the country level, Japan's focus on partnerships with Asian countries has broadened to include cross-regional partners;<sup>45</sup> Japan has launched negotiations with Chile, Brunei and the GCC countries, and it has commenced feasibility studies for FTAs with Australia, India and Switzerland. In addition to FTAs with Chile and the EFTA States, Korea has signed an FTA with Singapore; it has launched negotiations with ASEAN, Canada, the United States, India and Japan, and it is considering FTAs with Australia, MERCOSUR, Mexico and the EU. The regional giant, China, is not lagging behind; it has signed an FTA with Chile, launched negotiations with the GCC, Pakistan, Singapore, Australia and New Zealand, and is considering an eventual agreement with India, in what would be the world's largest FTA in terms of population. Chinese Taipei is also seeking to conclude RTAs agreements; in addition to its FTA with Panama, it has signed FTAs with Guatemala and Nicaragua and is negotiating others with the Dominican Republic, El Salvador and Honduras.

The ASEAN group is negotiating with India, Japan, Australia and New Zealand, as well as considering an FTA with Korea and possibly the EU.<sup>46</sup> At the same time, some ASEAN members (Singapore, Thailand and Malaysia) are negotiating agreements individually. Singapore's FTAs with Jordan, India, Korea and Panama have entered into force and so has the SEP-4; it has ongoing FTA negotiations with Canada, Mexico, Pakistan, Peru and it is considering FTAs with Egypt and Sri Lanka; as for its ongoing FTA negotiations with Bahrain, Kuwait, Qatar and the UAE, a decision was taken in November 2006 to include these under a Singapore-GCC FTA negotiations for which are scheduled to start in 2007. Thailand has also become an active RTA player in recent years: its FTAs with Australia and New Zealand have entered into force; it has concluded a framework agreement with India<sup>47</sup> and signed FTAs with Bahrain; it has FTA negotiations with the EFTA States, Japan, Peru and the United States; and it is considering FTAs with Chile and Pakistan. Malaysia has signed an FTA with Japan and a partial scope agreement with Pakistan;<sup>48</sup> it has launched negotiations with Australia and New Zealand; and it is considering FTAs with India and the United States.

In the Pacific, in addition to what has already been noted earlier, Australia is considering an FTA with the GCC countries. The Pacific Island Countries Trade Agreement (PICTA)<sup>49</sup> among the members of the Pacific Islands Forum has entered into force and they are negotiating an EPA with the EU.

Turning to South Asia, SAARC members<sup>50</sup> are busy implementing the South Asian Free Trade Area (SAFTA). At the country level, India, in addition to its FTA with Singapore, has signed an FTA with Mauritius, partial scope agreements with Chile, MERCOSUR, SACU and Thailand and has FTA negotiations with ASEAN, the GCC countries and Korea; RTAs are also under consideration with China, the EU, Japan, Indonesia, and Malaysia. Pakistan has an FTA with Sri Lanka and a partial scope agreement with Malaysia; it is negotiating with China, the GCC and Singapore and is considering an FTA with Indonesia.

<sup>41</sup> The Colombia-US FTA has been signed while the Ecuador-US FTA is under negotiation.

<sup>42</sup> In Asia: ASEAN and the South Asian Association for Regional Cooperation (SAARC). In the Pacific: the CER between Australia and New Zealand and the Pacific Islands Forum.

<sup>43</sup> Formerly named the Bangkok Agreement, APTA includes Bangladesh, China, India, Korea, Laos and Sri Lanka.

<sup>44</sup> Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand.

<sup>45</sup> Japan has FTAs with Singapore and Malaysia; it has signed one with the Philippines and is negotiating with Indonesia, Korea, Thailand, Vietnam as well as ASEAN.

<sup>46</sup> ASEAN plus China, Japan and Korea is what has come to be known as ASEAN+3

<sup>47</sup> The framework agreement provides for an "early harvest" and for FTA negotiations.

<sup>48</sup> Malaysia and Pakistan are also negotiating an FTA to replace the partial scope agreement.

<sup>49</sup> As of June 2005, ten countries had already ratified PICTA, while six signatories were needed for it to become effective.

<sup>50</sup> Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

<sup>51</sup> The EAEC emerged from a customs union between Russia, Belarus and Kazakhstan with the later accession of Kyrgyzstan and Tajikistan. Ukraine and Moldova have been granted the status of observers.

<sup>52</sup> CACO replaces the Central Asia Economic Union, which was composed of Kazakhstan, Kyrgyzstan and Uzbekistan. When Tajikistan joined in 1998, it was renamed Central Asian Economic Cooperation. Its final name, CACO, was adopted in 2002, following which Russia joined the group in 2004.

<sup>53</sup> ECO, which was founded originally in 1985 by Iran, Turkey and Pakistan, currently also includes Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

<sup>54</sup> Pan-Arab FTA members are: the GCC countries plus Egypt, Iraq, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Sudan, Syrian Arab Republic, Tunisia, and Yemen.

<sup>55</sup> The UEMOA has already been a functioning monetary union since 1994; the ECOWAS, comprising all UEMOA members plus other West African countries, decided to merge with UEMOA. On 1 January 2005, ECOWAS launched the CET to become a customs union, providing for three years of transition period.

<sup>56</sup> The COMESA, the SADC, the EAC and the SACU.

<sup>57</sup> Examples of such conflicts are numerous. The most blatant is Tanzania, which is in a customs union with Kenya and Uganda, and negotiating with the SADC EPA while Kenya and Uganda have opted for the ESA EPA. Conversely, SADC members Malawi, Mauritius, Zambia and Zimbabwe have chosen to negotiate with ESA while COMESA members Angola and Swaziland (the latter is also a SACU member) have opted for the SADC EPA configuration. A further complicating factor is the standing of South Africa with respect to these negotiations given its membership in SACU and its FTA already in place with the EU.

<sup>58</sup> Under the Transparency Mechanism, the Secretariat is also mandated to draft a factual presentation for all RTAs notified to the WTO for which the factual examination was not completed by 31 December 2006, except for those RTAs notified under the Enabling Clause; as of 31 December 2006 there were 62 RTAs falling in this category. In addition, some 90 RTAs for which the factual examination was completed by 31 December 2006 and those notified to the WTO under the Enabling Clause by this date will be subject to a factual abstract prepared by the Secretariat.

<sup>59</sup> See [Reference to part of the Report on negotiations of WTO Rules].

Integration initiatives in Central Asia have been mainly directed at re-establishing the economic links that existed before the fall of the communist block. However, most early attempts to reproduce those links through plurilateral initiatives, i.e the CIS FTA, have not materialized and although the CIS' institutional framework is still present, preferential liberalization has been achieved through an overlapping network of bilateral agreements and other plurilateral initiatives; the latter include the Single Economic Space between Kazakhstan, Russia, Belarus and Ukraine; the EurAsian Economic Community between Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan;<sup>51</sup> and the Central Asian Cooperation Organization, whose members are Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Russia.<sup>52</sup> Other regional organizations include the ECO, whose members, among other initiatives, are part of the ECO trade agreement (ECOTA).<sup>53</sup>

The most significant initiatives in the regional drive towards closer economic integration include the Agadir Agreement between Jordan, Egypt, Tunisia and Morocco; the agreement was signed in February 2004 and was scheduled to enter into force in January 2006, although this does not seem to have been the case. The other initiative is the Pan-Arab Free Trade Area which has been ratified by its members and is currently in force.<sup>54</sup> Among the Gulf countries, the GCC has established itself as a customs union and is engaged in several RTA negotiations both with regional and cross-regional partners. On the cross-regional front, the GCC shares a peculiarity that has been observed also in other customs unions whereby while most RTA negotiations are pursued by the GCC as a group, in other cases (such as with the United States), GCC members have chosen a "go alone" policy.

Among all world regions, African RTAs come closest to the traditional concept of regional integration based on the geographical proximity of the RTA partners and political cooperation through economic integration. Many of these integration schemes suggest overly ambitious programmes. Extra-regional preferential trade relations have been based, until recently, on non-reciprocal preferences under schemes such as the GSP, the African Growth Opportunity Act (AGOA), and the EU-ACP programs. The shift to reciprocal preferences will soon extend to most Sub-Saharan countries with the EPAs replacing the long-standing unilateral preferences granted by the EU under its ACP policy. The EPA process has taken centre stage in African RTA developments in recent years and it is likely to significantly affect intra-RTA dynamics given the asymmetry in members' configuration among these agreements and existing integration schemes. The EPA process is supposed to build upon and strengthen existing regional integration arrangements; while this may be the case in Western and Central Africa, where negotiations are taking place with the ECOWAS and CEMAC (with the sole inclusion of Mauritania in ECOWAS and Sao Tomé and Príncipe and DR Congo in CEMAC),<sup>55</sup> it may not be so apparent in Eastern and Southern Africa where the EPA negotiations foresee two configurations (East and Southern Africa (ESA) and SADC minus) with members from four distinct regional integration schemes.<sup>56</sup> Considering that each of these RTAs is either already a customs union (EAC and SACU), or planning to become one (SADC and COMESA) it is expected that the ESA and SADC EPAs may clash significantly with the integration agendas of the existing RTAs.<sup>57</sup>

The Committee on Regional Trade Agreements (CRTA), the body entrusted with verifying the compliance of notified RTAs with the relevant WTO provisions, held four meetings in the course of 2006. In view of the agreement in the Negotiating Group on Rules on a new transparency mechanism for RTAs, and the changes that this would bring to their examination process, the CRTA focused on finishing all the examinations already underway. The Decision on a Transparency Mechanism for Regional Trade Agreements was adopted by the General Council in December 2006 clarifying procedures for the consideration of RTAs.<sup>58</sup> Despite the improvements in transparency and procedural issues achieved with the new Transparency Mechanism, there has been no further progress on its mandate of consistency assessment of RTAs, due to long-standing institutional, political and legal difficulties. Since the establishment of the WTO, Members have been unable to reach consensus on neither the format nor the substance, of the reports on any of the examinations entrusted to the CRTA. The DDA negotiations on systemic issues related to RTAs, under the auspices of the Negotiating Group on Rules, which reports to the TNC, are aimed at addressing these difficulties.<sup>59</sup>

## XII. Committee on Trade and Development

### Committee on Trade and Development in Special Session

The Hong Kong Ministerial Declaration mandated the Special Session to complete the review of all the outstanding Agreement-specific proposals and report to the General Council, with clear recommendations for a decision by December 2006. The Special Session

was also instructed to resume work on all other outstanding issues, including on the cross-cutting issues and to report on a regular basis to the General Council. In addition, the Bodies to which the Category II proposals are being addressed, were directed to complete consideration of those proposals and report periodically to the General Council, with the objective of ensuring that clear recommendations for a decision were made no later than December 2006.

During 2006, the Special Session held a total of four formal meetings and a number of informal consultations at which Members continued their consideration of the remaining Agreement-specific proposals and resumed discussions on the cross-cutting issues. Members engaged in text-based discussions on the 16 remaining Agreement-specific proposals (eight from Category I and eight from Category III). Overall, Members managed to make some progress on six of the proposals. On four of the proposals, namely three proposals relating to Article 3.5 of the Agreement on Import Licensing and one proposal relating to Article XVIII of the GATT, Members were able to come up with revised texts. On another two of the proposals relating to the SPS Agreement, informal discussions continued on the basis of alternative texts proposed by some Members. On the remaining ten proposals, the divergences were considerable with the main issue of contention being that of predictability of outcome versus due process in the granting of flexibility. It was felt that unless Members could strike a balance between the two it would be difficult to make progress.

During discussions on the Agreement-specific proposals, the LDCs continued to stress the need for quick and effective implementation of the duty-free quota-free (DFQF) market access decision adopted at Hong Kong.<sup>60</sup> To facilitate discussions on the decision, the LDCs tabled two submissions in the Special Session, one on rules of origin and the other on market access.<sup>61</sup> The paper on the rules of origin points to the need for the DFQF market access decision to be accompanied by a single set of simple rules of origin and lays out the LDCs' preferred criteria for conferring origin. The paper on market access urges Members, including developing country Members declaring themselves in a position to do so, to make their positions known as early as possible, on how they intend to implement the decision. During discussions on the submissions some Members raised concerns about considering issues related to the decision in the Special Session. In their view, further discussions on the decision should be held only in the Regular Session of the CTD. However, the LDCs have maintained the position that further work to set out the means by which Members will implement this decision should be carried out in the Special Session of the CTD. Both the US and Japan informed Members of the steps they were taking to implement the decision.<sup>62</sup> In addition, Brazil and India indicated that they were undertaking internal consultations on how they would implement the decision.

In pursuance of the Hong Kong mandate, Members also resumed discussions on the cross-cutting issues. A number of issues including the need to develop guidelines for special and differential treatment (S&D) as well as to create a framework on S&D were raised. However, due to differences on most of the elements, Members agreed to initially focus only on the possible elements of a Monitoring Mechanism. Members consider the Monitoring Mechanism to be an important step in the continuing review of the effectiveness and operationalization of S&D. While Members have broadly established what the primary role of the Mechanism should be, they are yet to agree on its possible scope and structure. Further discussions on the Monitoring Mechanism are continuing. To facilitate these discussions, the Secretariat has compiled and circulated extracts of all the proposals made earlier on the Monitoring Mechanism.<sup>63</sup>

The Special Session was unable to complete the consideration of all the Agreement-specific proposals by December 2006 due to, among other things, the suspension of the negotiations. However, Members have agreed to continue work on all aspects of the mandate, including on the outstanding Agreement-specific proposals in the hope of coming up with recommendations as soon as possible.

## Committee on Trade and Development in Regular Session

The Committee on Trade and Development held six formal meetings in 2006 (56<sup>th</sup> to 61<sup>st</sup> Sessions).<sup>64</sup> The Committee's 2006 Annual Report, contained in document WT/COMTD/58, provides a detailed account of all the activities of the CTD in 2006. Apart from receiving and discussing notifications regarding market access for developing countries and least-developed countries (LDCs), the Committee considered the WTO's technical assistance and training activities and had regular discussions on the declining terms of trade for certain primary commodities and the implications of such declines on the trade and development prospects of primary commodity exporting countries. The CTD discussed work related to paragraph 51 of the Doha Declaration on identifying and debating developmental and environmental aspects of the negotiations in order to help achieve the objective of having

<sup>60</sup> Annex F of WT/MIN(05)/DEC.

<sup>61</sup> TN/CTD/W/30 and W/31 respectively.

<sup>62</sup> In this regard, the US and Japan tabled submissions in the Regular Session of the CTD contained in documents WT/COMTD/149 and Adds. 1, 2 & 3 and WT/COMTD/W/150 respectively.

<sup>63</sup> JOB(06)/229, dated 25 July 2006.

<sup>64</sup> Detailed reports of these meetings can be found in documents WT/COMTD/M/56 to 61.

sustainable development appropriately reflected and considered the decision on duty-free and quota-free market access for LDCs taken at the Hong Kong Ministerial Conference. It also heard a presentation at its 58<sup>th</sup> Session on the European Communities' Export Helpdesk for Developing Countries.

The WTO's technical assistance and training activities were discussed over the course of the year. The Committee took note of the Annual Report on Technical Assistance and Training, 1 January to 31 December 2005<sup>65</sup>, at its 56<sup>th</sup> Session and of the Technical Cooperation Audit Report for 2005<sup>66</sup> at its 57<sup>th</sup> Session. The 60<sup>th</sup> Session of the CTD focused on technical cooperation and training issues. At that meeting, the Committee considered the Final Report of the Strategic Review of WTO Trade-Related Technical Assistance Activities<sup>67</sup> along with the Management Response to the Strategic Review.<sup>68</sup> Also at the 60<sup>th</sup> Session, the Committee took note of the Semi-Annual Review of the Implementation of Activities, 1 January to 30 June 2006.<sup>69</sup> The Technical Assistance and Training Plan 2007<sup>70</sup> was formally adopted by Members at the 61<sup>st</sup> Session. The CTD also reviewed the report of the 39<sup>th</sup> Session of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO (JAG), held on 24 to 28 April 2006. The report<sup>71</sup> was presented by the Chairperson of the JAG at the 57<sup>th</sup> Session of the CTD.

The CTD is the WTO body which considers notifications under the Enabling Clause relating to market access for developing countries and LDCs. The Committee continued its consideration of the notifications made in 2005 concerning the Framework Agreement on Comprehensive Economic Cooperation between the Association of South East Asian Nations (ASEAN) and the People's Republic of China<sup>72</sup> and the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the People's Republic of China.<sup>73</sup> At the 57<sup>th</sup> Session, the European Communities notified its revised Generalized System of Preferences (GSP) scheme<sup>74</sup>, which the CTD considered over the course of the year. A notification concerning the Protocol on the Establishment of the East African Customs Union<sup>75</sup> was made at the 61<sup>st</sup> Session.

Discussion on the declining terms of trade for primary commodities and its implication for primary commodity exporting countries continued in 2006 based on presentations by the International Coffee Organization, the Food and Agriculture Organization and the International Cocoa Organization. The Committee recognized that a panel discussion bringing together a number of organizations working on commodity issues would be a useful way to move forward. It agreed to hold such an event during the early part of 2007.

Under the agenda item relating to paragraph 51 of the Doha Ministerial Declaration, the Committee at its 58<sup>th</sup> Session continued its review of the developmental aspects of the negotiations on the basis of a second revision to a background paper prepared by the Secretariat.<sup>76</sup> In view of the suspension of the Doha negotiations at the time, Members agreed at the 59<sup>th</sup> Session to temporarily suspend their discussion under this agenda item. Members reviewed the situation at the 61<sup>st</sup> Session and agreed to revert to this issue at the first meeting of the CTD in 2007.

The Committee agreed at its 56<sup>th</sup> Session to include, for all remaining meetings of the year, an agenda item relating to the Decision taken at the Hong Kong Ministerial Conference on duty-free and quota-free DFQF market access for LDCs. Under this agenda item, a number of Members provided information on the steps they were taking, or had already taken, to provide DFQF market access to LDCs. At its 61<sup>st</sup> Session, the CTD conducted its first annual review of the implementation of the Hong Kong Decision, as mandated in Annex F of the Hong Kong Ministerial Declaration.<sup>77</sup>

## Committee on Trade and Development in Dedicated Session

At the Hong Kong Ministerial Conference, Ministers reaffirmed their commitment to the Work Programme on Small Economies and urged the adoption of specific measures that would facilitate the fuller integration of small, vulnerable economies into the multilateral trading system. They also instructed the CTD to continue the work in the Dedicated Session and to monitor progress of the small economies' proposals in the negotiating and other Bodies.<sup>78</sup>

In 2006, the Dedicated Session held three formal meetings. The minutes of these meetings are contained in documents WT/COMTD/SE/M/14 to 16. For the 14<sup>th</sup> Dedicated Session, two new submissions were received on issues relating to the trade of small economies and the monitoring of proposals in the negotiating and other Bodies.<sup>79</sup> At this session, Members discussed the revised versions of past proposals on the use of regional bodies to assist small economies with the implementation of their obligations under the Agreements on Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).<sup>80</sup> These proposals were further revised at the 15<sup>th</sup> Dedicated Session.<sup>81</sup> During that session, Members also discussed a revision of the paper "Small Economies Work Programme: The

<sup>65</sup> WT/COMTD/W/146

<sup>66</sup> WT/COMTD/W/148

<sup>67</sup> WT/COMTD/W/152

<sup>68</sup> WT/COMTD/W/153

<sup>69</sup> WT/COMTD/W/154

<sup>70</sup> WT/COMTD/W/151 and WT/COMTD/W/151/Corr.1 (in English only)

<sup>71</sup> ITC document ITC/AG/(XXXIX)/208

<sup>72</sup> WT/COMTD/N/20 and WT/COMTD/51

<sup>73</sup> WT/COMTD/N/20/Add.1 and WT/COMTD/51/Add.1

<sup>74</sup> WT/COMTD/N/4/Add.3 and WT/COMTD/57

<sup>75</sup> WT/COMTD/N/14/Add.1 and WT/COMTD/25/Add.1

<sup>76</sup> WT/COMTD/W/143/Rev.2

<sup>77</sup> WT/MIN(05)/DEC

<sup>78</sup> WT/MIN(05)/DEC

<sup>79</sup> WT/COMTD/SE/W/20 and WT/COMTD/SE/W/21

<sup>80</sup> WT/COMTD/SE/W/15/Rev.1, WT/COMTD/SE/W/16/Rev.1 and WT/COMTD/SE/W/18/Rev.1

<sup>81</sup> WT/COMTD/SE/W/15/Rev.2, WT/COMTD/SE/W/16/Rev.2 and WT/COMTD/SE/W/18/Rev.2

Monitoring Role of the Committee on Trade and Development in Dedicated Session".<sup>82</sup> At the 16<sup>th</sup> Dedicated Session, Members adopted a report to the General Council which recommends that small economies be allowed to use regional bodies to assist them in the implementation of their obligations under the SPS, TBT and TRIPS Agreements. The report was circulated as document WT/COMTD/SE/5 and, at its 10 October 2006 meeting, the General Council took note of the report and agreed to the recommendations made therein.<sup>83</sup>

## Sub-Committee on Least-Developed Countries (LDCs)

The Sub-Committee held three formal meetings in 2006. Detailed reports of these meetings are contained in documents WT/COMTD/LDC/M/43 through WT/COMTD/LDC/M/45. The work of the Sub-Committee has mainly focused on the implementation of the WTO Work Programme for the LDCs (WT/COMTD/LDC/11) adopted by Members on 12 February 2002. The elements of the Work Programme considered in 2006 were: (i) market access for LDCs; (ii) trade-related technical assistance and capacity-building initiatives for LDCs; (iii) trade-related elements of the Brussels Programme of Action for the LDCs for the decade 2001-2010; and (iv) accession of LDCs to the WTO.

### (i) Market Access for LDCs

The item on market access for LDCs was considered at all the meetings of the Sub-Committee in 2006. At its 43<sup>rd</sup> Session, the Secretariat introduced its note entitled "Market Access Issues Related to Products of Export Interest Originating from LDCs", contained in document WT/COMTD/LDC/W/38. The note contains an overview of market access conditions facing LDCs, and includes information on LDCs' export profiles, major products, major markets, tariff measures facing LDC products in developed and developing country markets and developments in the improvement of market access for LDCs. In view of comments received from Members, the Secretariat issued corrigenda to the note (WT/COMTD/LDC/W/38/Corr.1 and Corr.2).

At its 43<sup>rd</sup> Session, the Sub-Committee resumed its consideration of the note entitled "Options for LDCs to Improve their Competitiveness in the Textiles and Clothing Business", contained in document WT/COMTD/LDC/W/37. Updated statistics on textile and clothing imports of selected economies from the LDCs were provided in document JOB(06)/55.

At its 44<sup>th</sup> and 45<sup>th</sup> Sessions, the Sub-Committee considered the Secretariat note entitled "Non-tariff Measures (NTMs) on Products of Export Interest to the LDCs" contained in document WT/COMTD/LDC/W/39 and its addendum. The note was prepared pursuant to a request made by Members at the 43<sup>rd</sup> Session of the Sub-Committee. It contains an overview of the literature on NTMs, identifies the types of NTMs faced by LDC merchandise exports and discusses possible avenues by which some of the NTMs could be addressed. The addendum to the note compiles notifications by LDCs' major trading partners on principal exports of LDCs in areas such as SPS, TBT, quantitative restrictions and import licensing procedures. In view of comments received from Members, the Secretariat issued revisions to the addendum (WT/COMTD/LDC/W/39/Add.1/Rev.2).

At its 45<sup>th</sup> Session, Members requested the Secretariat to look into the possibilities of undertaking a study on the market access situation for LDCs in the area of trade in services.<sup>84</sup>

### (ii) Trade-related Technical Assistance and Capacity-Building Initiatives for LDCs

The item on trade-related technical assistance and capacity-building initiatives for LDCs was considered at the 45<sup>th</sup> Session of the Sub-Committee. The delegation of Canada, as one of the co-chairs of the Transition Team on an enhanced Integrated Framework (IF), gave a progress report on the implementation of the recommendations of the Task Force on an enhanced IF.<sup>85</sup> The Sub-Committee expressed support for the ongoing work to enhance the IF.

### (iii) Trade-related Elements of the Brussels Programme of Action for the LDCs for the Decade 2001-2010

At the 44<sup>th</sup> Session of the Sub-Committee, the delegation of Benin introduced the Cotonou Ministerial Declaration as well as the Cotonou Strategy (WT/L/649 and its revision), which resulted from the Ministerial Meeting of the LDCs held in Cotonou from 5 to 8 June 2006. The Cotonou meeting was organized to prepare for the mid-term comprehensive global review of the implementation of the Programme of Action for the LDCs for the decade 2001-2010, which took place in New York in September 2006. As an input for the New York meeting, the Director-General of the WTO, under his own responsibility, submitted a report on the state of implementation by the WTO of the

<sup>82</sup> WT/COMTD/SE/W/21/Rev.1

<sup>83</sup> See WT/GC/M/104

<sup>84</sup> The Secretariat prepared a brief note entitled "Market Access Issues for LDCs in the Area of Trade in Services" contained in JOB(07)/32, which was first considered at the 46<sup>th</sup> Session of the Sub-Committee held on 22 March 2007.

<sup>85</sup> The recommendations of the Task Force setting out how to enhance the IF are contained in document WT/IFSC/W/15 and Corr.1.

commitments made in the Programme of Action by the international community, in so far as they fall within the competence of the WTO. The report was circulated to Members as document WT/COMTD/LDC/13.

#### (iv) Accession of LDCs to the WTO

The Sub-Committee considered the item on Accession of LDCs to the WTO at its 45<sup>th</sup> Session. The Secretariat introduced a note contained in document JOB(06)/242, which provided the state of play in the accession working parties of the LDCs. As of October 2006, ten LDCs were at various stages of their accession process, which represented more than one-third of ongoing accession negotiations.

### The Integrated Framework For Least-Developed Countries<sup>86</sup>

During 2006, the Integrated Framework (IF) continued to make progress with its implementation and expansion among the beneficiaries of least-developed countries (LDCs). At the same time, it entered into a critical review which aimed at enhancing various aspects of the IF. This exercise followed the endorsement of the IF as a viable model for LDCs' trade development by Ministers at the Hong Kong Ministerial Conference in December 2005, who also recognised the need to enhance various aspects of the IF.

By the end of 2006, 24 LDCs had undertaken and validated their Diagnostic Trade Integration Studies (DTIS). These countries are: Benin, Burundi, Cambodia, Chad, Djibouti, Ethiopia, Guinea, Lao PDR, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Uganda, Yemen and Zambia. In these countries, trade increasingly became part of their development plans, such as Poverty Reduction Strategy Papers (PRSPs). A further nine LDCs had started the preparation of their DTIS: Angola, Burkina Faso, Central African Republic, Comoros, The Gambia, Niger, Samoa, Sudan and Vanuatu. Another eight LDCs were at the pre-DTIS stage: Afghanistan, Democratic Republic of Congo, Equatorial Guinea, Guinea Bissau, Haiti, Liberia, Solomon Islands and Togo. In 2006, two additional LDCs, Cape Verde and East Timor, requested to join the IF.

In terms of funding, pledges to the IF Trust Fund were made by some 16 bilateral and multilateral donors and totalled US\$37 million during 2006.<sup>87</sup> The funds are used for supporting national implementation capacities (including the focal points) and the preparations of the DTIS under its Window I; thirty two such studies had been financed as of 31 October 2006. Whilst the bulk of funding for assistance to implement the actions contained in the DTIS comes from LDCs' traditional channels through the PRSP and/or Consultative Group/Round Table process, the IF Trust Fund through its Window II provides limited funding to support some activities identified in the Action Matrix. As of 31 October 2006, 15 IF beneficiaries had accessed this fund, benefiting different activities.

During 2006, the IF community spent considerable time and efforts to enhance the IF, first led by a Task Force and followed by a Transition Team. Following the recommendations by the Development Committee of the World Bank and the IMF at their meeting in September 2005, as well as the endorsement of such recommendations by Trade Ministers at Hong Kong in December 2005, the Task Force was created to provide recommendations to enhance the IF. The work of the Task Force, composed of representatives of LDCs and donors, was concluded with the adoption of its recommendations in July 2006 by the Integrated Framework Steering Committee (IFSC).<sup>88</sup> In broad terms, the Task Force recommended:

- (a) a significant strengthening of capacity in each LDC recipient country, funded by the IF Trust Fund, to manage the IF process, including mainstreaming of trade, preparation of the DTIS and projects, and other activities within the scope of the IF;
- (b) the creation of a new independent Executive Secretariat, administratively housed in the WTO Secretariat, which would take operational decisions, manage the IF Trust Fund and report to a Board consisting of donors, LDCs and the IF Agencies; and
- (c) a funding target of US\$400 million over an initial five-year period through a multilateral trust fund and bilateral cooperation.<sup>89</sup>

Following the adoption of the Task Force report, the IF Transition Team, comprising representatives of LDCs, donors and IF Agencies, was established to operationalize the recommendations, so that the enhanced IF could enter into force no later than 31 December 2006, as set by Ministers at Hong Kong. Under the Transition Team, three clusters were set up to examine different aspects of the enhancement, namely: (i) legal and administration; (ii) in-country; and (iii) finance. As the 31 December 2006 deadline was missed, work in the Transition Team and its three clusters continued into 2007 with a view to concluding its work by the summer of 2007.

The IFSC, the body which oversees the work of the IF, held three formal sessions in 2006 (16<sup>th</sup> to 18<sup>th</sup> Session). Detailed reports of these meetings are contained in documents WT/IFSC/M/15 through WT/IFSC/M/18. The Integrated Framework Working Group (IFWG),

<sup>86</sup> See the IF website ([www.integratedframework.org](http://www.integratedframework.org)) for more detailed information on the IF.

<sup>87</sup> The contributing donors to the IF Trust Fund are: Belgium, Canada, Denmark, Finland, France, Ireland, Netherlands, Norway, Sweden, Switzerland, UK, US, UNDP and the World Bank.

<sup>88</sup> For details see document WT/IFSC/W/15 and Corr.1.

<sup>89</sup> As set out in document WT/IFSC/W/15, of the proposed \$400 million – an indicative figure – \$77 million would be dedicated to core function support, including support to the Focal Point; \$320 million for Action Matrix implementation support; it was anticipated that at least half of the latter figure would be met through the IF multilateral fund, and the remainder through bilateral cooperation. An amount of \$14 million was set aside for the newly established Executive Secretariat.

which manages the day-to-day operation of the IF, held four meetings (43<sup>rd</sup> to 46<sup>th</sup> Meeting) during 2006. Results of these IFWG meetings were reported to the IFSC. Within the IF Secretariat, housed in the Development Division of the WTO Secretariat, progress was made in the establishment of the IF Programme Implementation Unit, (PIU) dedicated to the implementation of the IF, which allowed for the PIU to begin its function in early 2007.

## Working Group on Trade and Transfer of Technology

During 2006 the Working Group on Trade and Transfer of Technology (WGTTT) continued the examination of the relationship between trade and transfer of technology as well as considered possible recommendations that might be taken within the mandate of the WTO to increase flows of technology to developing countries. The WGTTT held four formal sessions in 2006. Detailed reports of these meetings can be found in documents WT/WGTTT/M/15 to 18.

On the relationship between trade and transfer of technology, Members discussed three studies; two by UNCTAD and one by UNIDO. The first study by UNCTAD on "Salmon Industry in Chile" highlighted the importance of home- and host-country measures in facilitating technology transfer and their impact on attracting further investment and technology. The study underscored the fact that efforts by national and international partners in the transfer, adaptation, development, and diffusion of technologies had led to distinct gains. The study also highlighted the importance of cooperation between public institutions, academia and the private sector and the role these could play in encouraging flows of technology to developing countries. The importance of investment in research and the need for cohesive partnerships between the private and public sector were also brought out.

UNCTAD also shared with the Working Group the findings of their ongoing work on "Trends in Cross-Border Flows of Technology". It has been found that the benefits of increased technology transfer were concentrated in a few countries and limited to a few industries. Sectors such as health, agriculture and energy as well as basic infrastructure that were crucial to national development had not benefited. Since trade and trade rules had a bearing on the trends of technology flows, the study found that measures to reduce the cost of trade in intellectual property and capital goods as well as to help developing countries build a sound domestic technological base could facilitate international flows of technology.

The UNIDO study on "Technology Transfer & Trade: The Toy Industry in India" underscored the importance of technology and innovation for achieving economies of scale and creating competitiveness; developing local skills and capacity; conformance to international standards through technology upgrading; innovative designing; and quality and the application of IT for enhanced competitiveness in the development of small scale industry. The study underlined the vital importance of technology and innovation for economies of scale and for creating competitiveness.

In continuing consideration of possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries, the Working Group considered a joint submission by India, Pakistan and the Philippines.<sup>90</sup> Highlighting the crucial role of technology and technical know-how for improving productivity, promoting export growth and attaining developmental goals, the submission also proposed certain recommendations that the Working Group could make to increase technology flows to developing countries. In a subsequent session, these Members provided clarifications and responded to questions by other Members on the issues contained in the submission.

The Working Group also continued its consideration of an earlier communication from Cuba<sup>91</sup> which analysed some of the provisions relating to technology transfer in the TBT and SPS Agreements. The communication highlighted difficulties faced by developing countries in the two areas and proposed certain recommendations to enhance flows of technology to these countries.

Although the work carried out in the Working Group contributed to an enhanced understanding of the issues involved, Members acknowledged that a lot of work still remained to be done. In its annual report 2006<sup>92</sup>, the Working Group recommended, to the General Council, that it continue its work with a view to fulfilling the mandate contained in paragraph 37 of the Doha Ministerial Declaration.

<sup>90</sup> WT/WGTTT/W/10.

<sup>91</sup> WT/WGTTT/W/12.

<sup>92</sup> WT/WGTTT/8

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## XIII. Committee on Trade and Environment

See the Doha Development Agenda in Part I above for CTE activities in 2006 (see page 17).

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## XIV. Committee on Budget, Finance and Administration

In 2006, as part of its ongoing responsibilities, the Committee on Budget, Finance and Administration (CBFA), continued to monitor the financial and budgetary situation of the Organization including the implementation of the related schemes and measures pertaining to the receipt of contributions. It considered elements related to human resources management and heard progress reports on the Security Enhancement Programme, the WTO Pension Plan and the future office needs of the WTO.

The Committee noted that there continued to be a persistent problem of accumulation of arrears, which had implications for all Members in the final accounts of the organization and therefore made a recommendation to the General Council to revise the Administrative Measures currently in effect in the WTO (WT/BFA/86).

The Special Recruitment Exercise to fill the consolidated posts through a competitive process was successfully completed at the end of June. The staff concerned were offered and accepted their fixed-term contracts effective 1 July 2006.

With respect to the future building needs of the WTO, the Director-General came to the conclusion that the most efficient way for the WTO to function was under one roof. Therefore, he was convinced that the Avenue de France project was not adequate for the WTO since it meant a permanent division into two sites, which would not only pose constraints on delegations and staff but also increase operating costs significantly. Consequently, the Director-General addressed the Committee with a proposal to start discussions with the Swiss authorities with respect to a comprehensive examination of all aspects concerning the identification of a suitable site and all other relevant issues regarding a possible new headquarters for the WTO (WT/BFA/89).

Furthermore, the Director-General outlined that a solution had to be found for the immediate housing needs of the WTO. The Committee subsequently recommended that he hold intensive discussions with the Swiss authorities in this regard (WT/BFA/90). In addition, the Committee recommended that the Director-General be invited to urge the Swiss authorities to liberate the premises occupied by the IUHEI Library in the Centre William Rappard at the earliest possible date, in view of the pressing space and security concerns of the Organization (WT/BFA/90).

The Committee recommended that the General Council approve the revision to the 2007 budget of the biennium 2006-2007 amounting to CHF 182 million (WT/BFA/93 and WT/BFA/93/Add.1).

The Committee also discussed and/or was informed about the following points in the various meetings: (i) the situation of contributions for the Doha Development Agenda Global Trust Fund, (ii) WTO Programmes for Training, (iii) the question of WTO Members in arrears and (iv) the Mid-Term Review of the International Trade Centre UNCTAD/WTO.

Reports of meetings are contained in documents WT/BFA/84, WT/BFA/85/Rev.1, WT/BFA/86, WT/BFA/87, WT/BFA/88, WT/BFA/89, WT/BFA/90, WT/BFA/91, WT/BFA/92, WT/BFA/93, WT/BFA/93/Add.1 and WT/BFA/94.

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## XV. Plurilateral Agreements

### Agreement on Government Procurement

The following WTO Members are Parties to the plurilateral Agreement on Government Procurement (GPA) of 1994: Canada; the European Communities (covering its 27 member States); Hong Kong, China; Iceland; Israel; Japan; Korea; Liechtenstein; the Kingdom of the Netherlands with respect to Aruba; Norway; Singapore; Switzerland; and the United States. Albania, Georgia, Jordan, the Kyrgyz Republic, Moldova, Oman, Panama and Chinese Taipei are at various stages in the process of negotiating their accession to the Agreement. At the Committee's meeting on 2 June 2006, a Decision was taken on Modalities of Accession to the Agreement on Government Procurement (GPA/87).

The Committee continued its negotiations under Article XXIV:7(b) and (c) of the Agreement. The negotiations comprise the following elements: (i) simplification and improvement of the text of the Agreement, including, where appropriate, adaptation to advances in the area of information technology; (ii) expansion of the coverage of the

Agreement; and (iii) elimination of remaining discriminatory measures and practices which distort open and competitive procurement. Substantial progress was made on the revision of the text of the Agreement (element (i) noted above). At the meeting of the Committee on Government Procurement of 8 December 2006, the Chairman reported that the negotiators had reached a provisional agreement on a revised text for the Agreement (GPA/W/297). The agreement of the negotiators is provisional based on the following considerations: first, the text remains subject to a legal check and verification of its linguistic consistency in all three WTO languages; second, the Agreement is subject to a mutually satisfactory outcome to the coverage negotiations (i.e. elements (ii) and (iii) above). With regard to the coverage negotiations, Parties agreed on the overall goal of completing the negotiations (and therefore all aspects of the GPA negotiations) in the first half of 2007.

Other matters considered by the Committee in 2006 included modifications to the Appendices to the Agreement, statistical reports, and notifications of threshold figures in national currencies. Additional details are available in the Report (2006) of the Committee on Government Procurement to the General Council (GPA/89 of 11 December 2006).

## PART II

### I. 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 with numerous activities and exchanges focusing on specific aspects related to WTO activities and the Doha Development Agenda 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".

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 workshops and symposia. The WTO's annual Public Forum has become one of the most important and biggest outreach event involving civil society representatives from all around the world. Briefings on meetings of the major WTO Councils and Committees are organized regularly for Geneva-based NGO representatives, including by the Director-General. In 2006, briefings intensified in the run-up to major meetings of the WTO. The WTO Secretariat receives a large number of meeting requests from NGOs from all over the world and the WTO's Director-General and Secretariat staff regularly meet representatives from NGOs. WTO Secretariat officials participate as often as possible in major meetings where subjects of interest to civil society are discussed. A monthly list of NGO position papers received by the Secretariat is compiled and circulated for the information of WTO Members, and NGOs can be invited to the WTO to informally present their policy papers and analysis for interested WTO Members and staff.

#### Ministerial Conferences

NGO attendance at WTO Ministerial Conferences is based on a basic set of registration procedures established by the General Council. Under these procedures: (i) NGOs are allowed to attend the Plenary Sessions of the Conference; and (ii) NGO registration applications are considered by the WTO Secretariat on the basis of Article V:2, i.e., NGOs need 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.

The table below gives the numbers of NGO attendance at all WTO Ministerial Conferences held to date.

Table II.7

#### NGO attendance at Ministerial Conferences

Ministerial	No. of eligible NGOs	NGOs who attended	N° of participants
Singapore 1996	159	108	235
Geneva 1998	153	128	362
Seattle 1999	776	686	approx. 1500
Doha 2001	651	370	370
Cancún 2003	961	795	1578
Hong Kong, China 2005	1065	811	1596

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## Public Forum

Since 1999, the WTO has organized an annual Public Forum which provides civil society with opportunities to engage with government officials, academics, media and other civil society representatives. The seven events held to date have shown that governments and civil society can have open and constructive dialogues on issues where differences exist, and identify and discuss possible solutions. On 25 and 26 September, the 2006 Public Forum was held at the WTO headquarters with more than 1000 participants. Under the overall theme "What WTO for the XXIst Century?", the Forum allowed for a frank exchange of views among participants and reflected upon the type of WTO they would like to see for the future. A total of 36 individual panels were held, organized by participants and the WTO. They concentrated on general topics of a systemic nature, sustainable development, agriculture and environment, as well as issue-specific matters such as regional trade, international standards, subsidies, employment and trade and gender. A summary of the proceedings of the 2006 Public Forum has been published, attesting to the importance of the views of all participants to the worldwide debate on the multilateral trading system.

## Cooperation with other International Organizations

The WTO works closely with other international intergovernmental organizations, especially those involved with trade-related subjects. The WTO cooperates and coordinates with the United Nations and its agencies, with Bretton-Woods institutions and with other international and regional bodies.

In its efforts to further the development dimension of trade, the WTO works together with the United Nations Conference on Trade and Development (UNCTAD). A major focus of joint work concerns capacity building and providing technical assistance to developing and least-developed countries. UNCTAD is a major partner in the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) and also in the Joint Integrated Technical Assistance Programme (JITAP). Moreover, many inter-regional meetings and training activities are organized to assist developing countries' representatives to learn more about WTO trade issues and negotiations. Such activities are sponsored either by the WTO or UNCTAD, or both, and involve staff from both organizations.

Other international intergovernmental organizations that cooperate with the WTO on the development dimension, particularly in the IF and JITAP, include the United Nations Development Programme, International Trade Centre, International Monetary Fund, and the World Bank.

The WTO remains a participant in various activities organized by the United Nations, its agencies, and other international intergovernmental organizations. The Director-General regularly attends meetings of the UN Chief Executives Board (CEB); WTO Secretariat officials also participate in the Board's subsidiary bodies. Furthermore, the WTO Secretariat is represented on a high-level United Nations coordination committee monitoring progress towards achieving the United Nations' Millennium Goals. WTO also participates in a follow-up mechanism relating to the International Conference on Financing for Development.

## Outreach Activities for Parliamentarians and Civil Society

In 2006, the WTO continued its extended programme of outreach activities for civil society and parliamentarians. There were three regional workshops conducted in Malaysia (for parliamentarians from the Asian region), Fiji (for Pacific parliamentarians) and Singapore (for civil society from the Asian region). The workshops are designed to help Parliamentarians and civil society better understand the WTO and to keep them abreast of developments regarding the DDA negotiations. They are additional to national workshops for parliamentarians which are carried out as part of the WTO's regular technical assistance work.

An important outcome of the extension of the WTO's outreach activities is the enhancement of close working relations with regional and local civil society and parliamentary organizations. Given the positive feedback from participants to the regional activities and the growing demand from around the world for similar activities, the WTO will continue its regional outreach in 2007.

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## II. Public Information Activities

The change in public perceptions of the WTO which coincided with the launch of the Doha Development Agenda continued through 2006 as negotiations progressed.

These developments have meant that the public debate on the WTO during 2006 has largely focused on the relative merits of negotiating proposals in the Doha Round and their

impacts on developing and developed countries. The outright calls to abolish the WTO which characterized discussions in previous years have largely given way to proposals on how to improve and reform the WTO system.

This shift in the focus of the public discussion on the WTO issues reflects a better understanding among the general public, and among journalists, about the role and work of the organization.

## Regular Contacts with Media and the Public

A number of specific efforts in 2006 contributed to this new environment for public debate on the WTO, including:

- regular contact with journalists in Geneva through weekly press briefings, news conferences and photo opportunities, as well as regular contact with over 1,500 journalists around the globe who have registered to use our internet Media newsroom. All of them received weekly email bulletins on developments at the WTO.
- a sustained level of contacts with the public through 125 information briefings at the WTO involving about 3,400 participants More than 100,000 individuals have self-registered with our contacts database to receive regular email bulletins on WTO developments. This list is comprised largely of academics, consultants, government officials and students with a specific interest in trade issues.
- There were over 60,000 public email enquiries and comments received by the WTO over the year.
- The WTO distributed nearly 50,000 books and information brochures free of charge In English, French and Spanish to the public and to WTO Members during 2006.

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### The WTO Website [www.wto.org](http://www.wto.org)

The number of visitors to the WTO website continues to grow at the rate of 15-20% per month. The website attracted an average of 1.1 million visitors per month during the year. Users of the site downloaded millions of pages of WTO publications and documents, including over 130,000 copies of the WTO Annual Report, about 140,000 copies of the World Trade Report and about 135,000 copies of the International Trade Statistics.

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### WTO Publications

A list of 105 books and brochures were produced during 2006 in English, French and Spanish versions. The full list of current WTO publications is included as Annex II at the end of this publication.

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## III. Technical Cooperation and Training

The year 2006 was the third year during which the new approach to WTO's Technical Assistance and Training, as contained in the TA Plan 2006 (WT/COMTD/W/142), was put into effect. The TA Plan takes into account the evolving priorities in the DDA negotiations. In designing the Secretariat's Trade-Related Technical Assistance (TRTA) activities, the main objective was to build long-lasting human and institutional capacity and to enhance ownership. The products have, as much as possible, been tailored to the needs of the recipients. This flexibility has been found to be indispensable to allow for the delivery of Technical Assistance (TA) that is focused and timely, related to identified needs. The Secretariat has again been pro-active and addressed all regional groupings to explain the features of the TA Plan and beneficiaries' entitlements, and to draw their attention to how TA can be requested. Finally, in order to monitor the quality of the products and to ensure that the needs of the beneficiaries are best catered for, the activities are assessed through the Back-to-Office Reports (BTORs), which are systematically analyzed by the Technical Cooperation Audit, leading to follow-up recommendations.

A particular difference with other years was that in the year 2006 a Strategic Review of WTO-provided TRTA was conducted, following the signature of a contract with an external (independent) evaluation team in November 2005. The outcome of the Review was presented to the Secretariat in July 2006. This was the first ever external evaluation conducted of TRTA provided by the Secretariat and its outcome is contained in the Final Report of 19 September 2006 (WT/COMTD/W/152). The WTO Secretariat prepared a Management Response to the Report on 17 October 2006 (WT/COMTD/W/153), as mandated in the Terms of Reference. The recommendations were extensively discussed in the Committee on Trade and Development (CTD), both in formal and informal sessions. Several of the recommendations were, to the extent possible, incorporated in the preparations of the TA Plan 2007 (WT/COMTD/W/151), which was presented to the Members in October 2006. The discussions on the recommendations will be pursued in 2007.

In 2006, and in line with expectations, a total of 486 activities were implemented including Geneva-based activities as well as activities held abroad. Of these activities, 44 took place in Geneva (Trade Policy Courses (TPCs), Geneva Week, symposia etc.) and 442 were field based (Regional Trade Policy Courses (RTPCs), regional and national seminars, etc.) This number comprised activities of significantly different durations, varying between one day and 12 weeks, and involving as little as one staff member, or as many as over two dozen for the longer courses. For this reason that the notion of “participant/days” was introduced, which gives an appropriate weight to each activity when measuring implementation. In 2006, the total number of participant/days for planned regional events, amounted to 29,752, which corresponds to 84 per cent of the total of anticipated participant/days in the TA Plan (i.e. 35,430). It is recalled that the notion of participant/days is not applicable to all products, and can thus only be seen as a rough indicator.

The delivery of all TRTA activities in 2006 held abroad involved some 4,469 days of staff travel, in addition to which the preparation time should be counted. This number does not account for staff time related to the implementation of Geneva-based activities. Travel involved 229 staff members and consultants who, collectively undertook 882 missions in implementing the 442 field activities. The average time associated with an activity is thus some five days and on average, each of the WTO staff members have been associated with four missions. A majority of WTO divisions are involved in one way or another in the delivery of TRTA, through contributions either to Geneva- and/or to field-based activities. Most divisions undertook field missions and participated in a variety of workshops and training events. WTO divisions were essentially involved in the delivery of activities relating to the Agreements under their responsibility, as well as in the Geneva-based Courses, the RTPCs and the Short Trade Policy Courses (STPCs). The Institute for Training and Technical Cooperation (ITTC) accounted for over a quarter of all staff travel (1,216 days). Despite the availability of L-staff, who are assigned to various WTO divisions, and whose main task is to provide support in the delivery of technical assistance and training, there was strong pressure on all divisions, as the Sixth Ministerial Conference which was held in December 2005 had led to new deadlines in some specific areas of the DDA negotiations. The Secretariat was required both to provide support in the negotiations and to implement commitments as contained in the TA Plan.

As to the objective of maintaining a regional balance in the distribution of the TA activities (cf Table 1) the majority of activities were held in Africa (178), representing some 37 per cent of WTO’s TRTA, followed by Asia and Pacific (91), representing one fifth of all activities. A total of 55 activities were organized for Latin America (11%), 40 for Central and Eastern European and Central Asian Countries (8%), 33 for the Arab and Middle East countries (7%), and 32 for the Caribbean (7%). While the Least-Developed Countries (LDCs) are not listed separately, it should be noted that out of all activities, LDCs have been associated with a total of 212 activities, which represents some 44 per cent of all TRTA. This includes national activities held in LDCs (99) as well as regional seminars, workshops and training activities to which LDCs were invited.

A total of 246 activities were held at the national level and 163 activities were regional events. Thus, while the total number of regional seminars has remained relatively stable, the number of national activities has increased. This is consistent with the notion that more targeted TRTA is required at the national level. The remaining 77 activities consisted of WTO’s participation in activities organized by other agencies and to which the Secretariat was asked to make a contribution, as well as WTO’s representation in trade-related conferences, symposia and high-level meetings. These activities are mostly undertaken as part of the partnership arrangements with other agencies that the WTO cooperates with, and are directly relevant in terms of TRTA and capacity building.

The regional and global activities undertaken, as contained in Tables 1 and 2, include Joint Integrated Technical Assistance Programme (JITAP) regional workshops and seminars, university workshops in preparation of the RTPCs, the eTraining modules, as well as over 30 regional activities that were held under WTO’s partnership arrangements with other agencies and bodies, to which WTO was requested to make a specific input.

In terms of preparation, human and financial resources, with the exception of the three-month TPCs held either in Geneva or in the region (RTPCs), the regional seminars are the most demanding, requiring preparation time of up to nine weeks, depending on whether the activity is organized solely by the WTO or part of a partnership arrangement with another agency. Through the implementation of the partnerships, this burden is lessened somewhat.

As to the subjects covered (Table 2), the vast majority of activities, national and regional combined, specifically addressed WTO Agreements. With regard to topic-related seminars, services and assistance provided in support of the Trade Policy Reviews (TPRs) were in strong demand, followed by SPS, Market Access issues (NAMA, Customs Valuation, Rules of Origin), TRIPS, Development issues, Trade Facilitation and Rules.

In line with the Doha Declaration, priority attention continued to be given to LDCs. Not only is this confirmed with the absolute and relative numbers, i.e. the frequency with which LDCs have been associated with TRTA, but this is also expressed through the products, several of which are specifically or largely geared towards LDCs. In this regard, mention can be made of the Integrated Framework (IF) and JITAP, the three-week Introduction Course for LDCs, Geneva Weeks, Reference Centres, the Netherlands Trainee Programme (NTP), support provided in the needs assessments and TPRs. Also, it is recalled that LDCs are entitled to three national activities and that they receive priority attention in the accession process. Whenever possible, priority was given to LDCs in the selection process for Geneva-based training courses.

Table II.8

**TRTA by region**

	National TA		Regional/Global TA		Other (Conferences, etc.)		Total	
Africa	119	48%	39	24%	20	26%	178	37%
Arab and Middle East countries	13	5%	15	9%	5	6%	33	7%
Asia and Pacific	42	17%	30	18%	19	25%	91	19%
Caribbean	20	8%	11	7%	1	1%	32	7%
CEECACs*	24	10%	12	7%	4	5%	40	8%
Latin America	27	11%	23	14%	5	6%	55	11%
Other (global) coverage (incl. WTO-based projects)	1	0%	33	20%	23	30%	57	12%
<b>Total</b>	<b>246</b>	<b>100%</b>	<b>163</b>	<b>100%</b>	<b>77</b>	<b>100%</b>	<b>486</b>	<b>100%</b>

\* Central and Eastern Europe Central Asia and the Caucasus

Table II.9

## Overview of TRTA provided

	National TA		Regional/ Global TA		Other (Conferences, etc.)		Total
<b>1. WTO agreements and related issues</b>	<b>187</b>	<b>55%</b>	<b>108</b>	<b>31%</b>	<b>48</b>	<b>14%</b>	<b>343</b>
Accession	10	77%	1	8%	2	15%	13
Agriculture	5	45%	6	55%			11
Competition Policy	2	67%			1	33%	3
Development Issues	6	29%	4	19%	11	52%	21
Dispute Settlement	5	36%	7	50%	2	14%	14
Environment	2	40%	3	60%			5
Government Procurement	1	17%	5	83%			6
Market Access (CV, NAMA, Rules of Origin)	14	58%	8	33%	2	8%	24
Multi-topic general TA (incl. DDA ATP)	45	74%	14	23%	2	3%	61
Notifications	4	100%					4
Outreach	3	43%	3	43%	1	14%	7
Regional Trade Agreements	1	8%	7	54%	5	38%	13
Rules	8	50%	6	38%	2	13%	16
Sanitary and Phytosanitary Measures	8	30%	9	33%	10	37%	27
Services	18	60%	7	23%	5	17%	30
Technical Barriers to Trade	2	33%	4	67%			6
Trade Facilitation	9	53%	8	47%			17
Trade Negotiation Techniques	6	55%	5	45%			11
Trade Policies Review Mechanism	25	83%	2	7%	3	10%	30
TRIPS	13	54%	9	38%	2	8%	24
<b>2. Training courses</b>			<b>40</b>	<b>85%</b>	<b>7</b>	<b>15%</b>	<b>47</b>
eTraining / Distance learning			6	100%			6
Geneva-based trade policy courses			4	100%			4
Regional trade policy courses (incl. preparation)			9	56%	7	44%	16
Short trade policy courses			10	100%			10
Thematic and specialized courses			6	100%			6
Introduction courses (LDCs)			2	100%			2
Introduction Days			3	100%			3
<b>3. General capacity-building activities</b>	<b>51</b>	<b>70%</b>	<b>6</b>	<b>8%</b>	<b>16</b>	<b>22%</b>	<b>73</b>
Geneva Week			2	100%			2
Integrated Framework / LDCs	9	75%	1	8%	2	17%	12
JITAP	19	86%	3	14%			22
IT / WTO Reference Centre	23	100%					23
Participation in activities organized by other bodies					14	100%	14
<b>4. Academic partnership programmes</b>	<b>8</b>	<b>35%</b>	<b>9</b>	<b>39%</b>	<b>6</b>	<b>26%</b>	<b>23</b>
University programme	8	35%	9	39%	6	26%	23
<b>Total</b>	<b>246</b>		<b>163</b>		<b>77</b>		<b>486</b>

Table II.9 (cont'd)

**TRTA by Subject Matter**

	National TA	Regional/ Global TA	Other (Conferences, etc.)	Total
<b>Pro memoria</b>				<b>79</b>
Internships (NTP and Missions)		38		
Research project		9		
Doctoral support (PhD programme)		14		
IT-related projects – TA tools development		12		
Other TRTA-related projects		6		

## Annex I – Trade Policy Review Body – Concluding Remarks by the Chair of the Trade Policy Review Body

### MALAYSIA

The fourth Trade Policy Review of Malaysia has enabled us to improve our understanding of the developments in its trade and related policies since its previous Review in 2001, and of the challenges it now faces. The Government and Secretariat reports, together with Malaysia's responses to Members' questions, have contributed to the transparency of Malaysia's trade policies and practices. Our discussion has clearly benefited from the active participation of the Malaysian delegation as well as from the insightful contribution of our discussant and the numerous interventions by Members.

Members welcomed the recovery of the Malaysian economy after the Asian financial crisis and noted that Malaysia has pursued policies aimed at strengthening and diversifying its economy, liberalizing trade and investment, building knowledge-based industries and services, and carrying out structural reforms in key areas, including the financial sector. Exports have increased significantly, supporting real GDP growth and both unemployment and inflation have remained low. Members encouraged Malaysia to continue efforts to ensure that it stays on the path of development and reforms and thereby strengthens its resilience to external shocks.

Members appreciated the constructive role played by Malaysia in the Doha Development Agenda negotiations and its varied efforts to achieve progress and consensus. They also noted that, at the same time, Malaysia had been intensifying its bilateral free-trade negotiations with other WTO Members, whether on its own or as part of ASEAN.

Members applauded successive steps taken by Malaysia to reduce its average applied MFN tariff rate. However, they expressed some concern that over one-third of tariff lines are not bound, and gaps between bound and applied rates are large, thereby imparting a degree of unpredictability to the tariff. Some Members pointed out that high tariffs, combined with non-tariff measures, limited trade opportunities in significant sectors, such as steel, automobiles and automotive components. In the automobile sector, particular concerns were raised concerning the approved permit system affecting imports and the rebate on excise taxes available to local manufacturers. Some Members noted that Malaysia had become a more active user of anti-dumping measures and was planning to develop safeguard legislation. Members acknowledged Malaysia's efforts to align its national standards with international ones and urged Malaysia to expedite the harmonization of its remaining standards. Clarification was also sought with respect to the array of incentive programmes provided by the Government to many industrial companies as well as to the status of draft competition legislation. Some Members were interested to know of any government plans to make government procurement more open and transparent. Members appreciated that Malaysia has taken steps to strengthen its intellectual property regime and encouraged Malaysia to continue its efforts to improve enforcement.

On sectoral issues, Members noted that services are the largest component of Malaysia's economy and one of the key drivers of economic growth, although progress in liberalizing the services sector lagged behind agriculture and manufacturing. Some Members encouraged Malaysia to progressively liberalize its services sectors and to reduce or remove restrictions on foreign ownership, notably through improving its commitments in the context of the current services negotiations.

This successfully concludes our Review of Malaysia. Members expressed their appreciation for the oral and written responses to their questions from the Malaysian delegation and looked forward to receiving the few still outstanding. Members clearly value Malaysia's efforts to continue to liberalize its trade regime and trade-related policies, to encourage both outward and inward investment. They also appreciate Malaysia's aim of achieving developed country status by 2020. Given the contribution of the multilateral trading system to the achievement of this goal, I am sure that Members can look forward to Malaysia's continued active support for the WTO and the ongoing negotiations.

## ISRAEL

This third Trade Policy Review of Israel has been both thorough and informative; it has allowed a better understanding of Israel's trade policies and practices, of their evolution over the last six years, and of their outlook. The reports by Israel and the Secretariat, and the exhaustive responses of the delegation of Israel to the questions by Members, have served as a valuable resource and have made a significant contribution to transparency. We owe the high quality of the review to the presence of an impressive Israeli delegation, led by Vice-Director General Udi Sheintal, and to the active involvement of Members. Our thanks are also due to our discussant, Ambassador Ronald Saborío Soto, for his very insightful contribution to our meeting.

Members welcomed Israel's recent strong economic performance, largely driven by foreign trade and innovation, and supported by structural and macroeconomic reform. Members encouraged Israel to pursue its reforms, particularly to further reduce state intervention and enhance competition.

Members appreciated Israel's firm commitment to and active participation in the multilateral trading system, including the Doha Development Agenda. They noted, however, that an increasing part of its trade is taking place under preferential regimes. While Members congratulated Israel for the steps taken to liberalize its trade regime, they encouraged it to bring its other duties and charges, as well as some applied MFN tariffs into line with its WTO binding commitments. Referring to the sharp contrast between Israel's low non-agricultural and high agricultural tariffs, some Members encouraged it to undertake tariff reductions on agricultural products. They requested Israel to consider improving market access to imports from developing countries. Members also appreciated the unilateral lifting of prohibitions on imports from Members that have no diplomatic relations with Israel or do not allow imports from it.

On sectoral policies, Members pointed to the high level of support to and protection for Israel's agriculture sector. Noting that almost all segments of the energy sector are still under state monopoly, Members encouraged Israel to take further steps to liberalize this sector. They also observed the growing importance of the services sector for the Israeli economy and expressed appreciation for its liberalization through, inter alia, the privatization programme. They were also interested in further reform plans that could improve the efficiency of Israel's economy.

Members sought clarification on a number of issues, notably: import licensing and prohibitions; contingency trade remedies; standards and technical regulations; investment and export incentives; government procurement; and protection of intellectual property rights.

Members expressed their appreciation for the responses to their questions as provided by the Israeli delegation.

In conclusion, Members value Israel's efforts to improve its economic environment. As a small economy based on innovation and strongly dependent on foreign trade, Israel has a lot to gain from a free and open trade environment. I encourage Israel to continue liberalizing its trade regime, both on goods and services, with a view to further improving its transparency and predictability. I urge Members to support Israel's reforms by providing greater market access to its goods and services.

## ANGOLA

I should like to thank all participants in this very informative first Trade Policy Review of Angola. The high level of the delegation from Luanda, led by the Deputy Minister to the Prime Minister, was an important sign of the seriousness with which Angola has treated the review process. The reports by Angola and the Secretariat, and the responses of the Angolan delegation to the searching questions by Members and our discussant, Mr Postma, have made a significant contribution to knowledge of Angola's economy and of its trade and development policies.

Members recognized that, following the end of the civil war in 2002, Angola has made great strides in stabilizing its economy and promoting growth of GDP. However, the economy is still highly dualistic, and many challenges remain in redeveloping the non-mineral sectors and ensuring that the benefits of growth and development are spread throughout the economy. Members welcomed the extensive and ongoing updating and

liberalization of Angola's trade and investment legislation. However, they raised issues relating to transparency in various areas of law and economic policies, including the use of oil revenue; to the Government's capacity to implement the large volume of new legislation; and to technical assistance required and made available.

Members appreciated Angola's growing participation in the WTO system, including the Doha Development Agenda. They encouraged Angola to participate more actively in the goods and services negotiations, including binding of tariffs at applied rates and presenting offers in the field of services. Members also noted that, while currently Angola applied MFN treatment to all suppliers, it is increasingly involved in regional and inter-regional trade agreements. They discussed the effects of such agreements on Angola's trade policies and practices, and encouraged Angola to consider the balance that may be struck between regional, bilateral and multilateral trading links.

Members recognized that, as part of its reconstruction process, Angola is currently applying an import-substitution model of trade policies, and stressed that this would not necessarily be a viable model in the longer term. At the same time, they congratulated Angola for progress in its Customs reform, including the forthcoming adoption of WTO customs valuation methods. They welcomed the new tariff structure and the reductions recently made, while recalling that there is still considerable tariff escalation and that significant gaps between bound and applied rates and a wide range of tariff-distorting exemptions remain. They encouraged Angola to bring other duties and charges into line with its WTO binding commitments, and emphasized the need for greater transparency and openness in some areas, notably government and parastatal procurement, as incentives for greater foreign investment and trade.

Members welcomed Angola's efforts to revitalize the non-mineral-based sectors of its economy, through programmes for agricultural and manufacturing development and the increasing liberalization of many services sectors, including finance and telecommunications.

Members sought clarification on a number of issues, including: sustainable development strategies and the role of trade; environmental issues; phasing out of preshipment inspection; penalty tariffs; development of standards and technical regulations; elimination of subsidies and price controls; new legislation regarding intellectual property rights; policy regarding genetically modified organisms (GMOs); prudential regulation in the financial sector; and policies relating to energy-related, postal and courier, and transport services.

Members expressed their appreciation for the responses to their questions as provided by the Angolan delegation and looked forward to further clarifications promised by the delegation.

In conclusion, Members welcome the significant progress made by Angola in economic and trade policy reforms, and at the same time recognize the many challenges faced by Angola in reconstructing its economy. They encourage Angola to give trade a central role in its development strategy, particularly in revitalizing the non-oil sectors of the economy, and to avoid inward-looking trade policies as a long term solution.

Members also welcome the requests made by Angola for technical assistance on a bilateral basis, from the WTO, and in the context of the Integrated Framework for Trade-related Technical Assistance, and urge the agencies concerned to respond urgently to these requests.

## DJIBOUTI

This first Trade Policy Review of Djibouti had been both thorough and informative; it had allowed a better understanding of Djibouti's trade policies and practices, and of their outlook. We owe this to the presence of a high-level delegation of Djibouti, led by HE Mr Rifki Abdoukader Bamakhrama, Minister for Trade and Industry, to the very incisive comments by our discussant, Ambassador Samuel Amehou, and to the active involvement of Members.

Members acknowledged Djibouti's reform efforts, and emphasized the contribution of port activities to its recent economic performance. They encouraged Djibouti to pursue its reforms, in particular to further reduce State intervention in the economy, address its supply-side constraints and rationalize its trade regime, with a view to diversifying its economy and further benefiting from its membership of the WTO. Referring to Djibouti's recent experience with the Diagnostic Trade Integration Study (DTIS) process under the Integrated Framework, Members encouraged Djibouti to mainstream trade into its development and poverty reduction strategies. Questions were posed about Djibouti's further integration into regional groupings, including the Common Market for Eastern and Southern Africa (COMESA), and about its planned strategies to fully exploit trade preferences available to it.

Members commended Djibouti for having bound all its tariff lines and for its ongoing customs reforms. However, they expressed concerns about the lack of transparency in its internal consumption tax (TIC) system: considered as a tariff, the TIC rates carried by some tariff lines could be seen as exceeding Djibouti's bindings; otherwise, the exemption of most domestic production from the TIC could lead to concerns about compliance with the WTO

principle of national treatment. Members urged Djibouti to implement the WTO Customs Valuation Agreement, and to take steps to reform its taxation system and to meet the notification requirements under the WTO Agreements. Further information was sought about Djibouti's government procurement regime, the scope of activities allowed in its free zones, and about the codes on investments and on commerce under preparation. Referring to a recent declaration by the Government of Djibouti, a Member noted that implementation of any restriction not in conformity with WTO rules could result in a problem.

Members also sought clarification on other issues, notably: agriculture; mining and energy; services; standards and technical regulations; investment incentives; protection of intellectual property rights; and technical assistance needs.

Members appreciated the responses provided by the Djibouti delegation.

In conclusion, Members valued Djibouti's efforts and its commitment to improving its business environment, with a view to fully exploiting its comparative advantages. A business-friendly environment, combined with the full enforcement of the WTO Agreements by Djibouti and the improvement of its multilateral commitments on goods and services, would enhance the transparency and predictability of its trade regime, and contribute to attracting the foreign direct investment needed for the diversification of its economy. I am pleased that many Members identified ways in which they were assisting Djibouti and had committed to continue doing so. I urge both the WTO Membership and the Secretariat to be receptive to Djibouti's needs of trade-related technical assistance, which, together with its reforms, would help it to fully integrate into the multilateral trading system.

## UNITED STATES

This eighth Trade Policy Review of the United States has provided an opportunity to discuss changes in U.S. trade policies and practices since January 2004, revisit issues considered in earlier reviews, and enhance our understanding of the current state of the U.S. trade and investment regime. Our discussions have greatly benefited from the whole-hearted engagement of the U.S. delegation led by Ambassador Allgeier, from the informed contributions by the discussant, Ambassador Mohamed, and from the insightful comments made by a large number of WTO Members.

At the outset, I would like to highlight the unequivocal recognition by Members that the U.S. trade regime is one of the world's most liberal and transparent. But no trade policy regime is perfect and Members took advantage of this review to engage the United States in a frank exchange of views about possible improvements to its trade regime. The discussions took place in a constructive atmosphere, and were greatly aided by the efforts made by the U.S. delegation to provide timely answers to questions that had been submitted two weeks before the meeting, and to other advance questions posed by Members. I thank Ambassador Allgeier and his delegation for their hard work in this respect, and for the U.S. attachment to the TPRM and its effective operation.

The interest shown by Members in the policies of the United States is evidence of its major role in the multilateral trading system, and of its economic importance as the world's largest importer and one of its engines of growth. In this regard, Members were complimentary of the strong U.S. growth record but expressed concerns about the size and sustainability of present imbalances. The United States acknowledged that an open trade policy does not provide the tools to deal directly with aggregate trade imbalances; instead, addressing such imbalances would be aided by higher rates of U.S. savings, and stronger growth and more attractive investment conditions in foreign markets.

The United States was commended for its leadership in the multilateral trading system and the DDA, and was invited to continue exercising this leadership to facilitate the conclusion of the negotiations. Members welcomed the steps taken by the United States to comply with WTO rulings, but noted that in some cases implementation of rulings was pending or had been delayed. The United States was also asked to submit lagging WTO notifications. The importance granted by the United States to its participation in regional trade agreements was stressed, with some Members considering such participation supportive of multilateral efforts but others raising concerns about its possible distortionary effects. A number of developing countries recognized the benefits they derived from U.S. unilateral preferences but it was also noted that this should not be at the expense of non-beneficiaries.

The U.S. trade regime was acknowledged as being generally open, but concerns remain in areas such as tariff peaks, non-ad valorem duties, and the administration of tariff quotas. These measures seem to affect in particular textiles and clothing and agricultural products. Several Members also described certain technical regulations and SPS measures as significant impediments to trade. Members also raised the issue of restrictions on government procurement including at the sub-federal level.

Members expressed concern about the continued active use of anti-dumping measures, and the additional bond requirements introduced in 2004. While Members noted that investigation initiations have declined, the United States was urged to exercise restraint in initiating new investigations. Members also voiced some worry about government support to agriculture, noting that trade distorting forms of support are still significant and might have risen recently. The United States was invited to seize the opportunity for reform provided by the expiry of the 2002 Farm Act next year. The United States was also urged to notify up-to-date information on domestic support, including for programmes under the 2002 Farm Act.

Members noted that security considerations continue to play a prominent role in the formulation of U.S. trade and investment policy. Thus, they urged the United States to ensure that security-related initiatives are non-discriminatory and as least trade-restrictive as possible.

Regarding services, comments were mainly made with respect to telecommunications, maritime and air transport, financial services, as well as professional services and movement of natural persons. On maritime transport, some Members asked the United States to review the Jones Act, and to table an offer in the context of the ongoing service negotiations.

In closing, I would like to thank again the U.S. delegation for the oral and written responses provided during the meeting; we all look forward to receiving answers on outstanding questions. The wide interest shown by Members in this review reflects the vital importance of the United States to the multilateral trading system. It also demonstrates the value of the TRPM even for Members that, like the United States, maintain largely open and transparent trade and investment regimes. This review has highlighted a number of possible improvements to the U.S. regime, many of which could be brought about as part of the DDA negotiations. In this regard, I am heartened by the statement by the United States that its long run economic interests have been very well served by openness. I am also encouraged by the stated willingness of the United States to take political risks to achieve a mutually beneficial outcome to the DDA, something I would urge all Members to do.

## PEOPLE'S REPUBLIC OF CHINA

The first Trade Policy Review of the People's Republic of China has given us a much better understanding of China's trade policies and practices and of challenges that remain. I thank Vice Minister Yi Xiaozhun and his delegation as well as the Discussant, Ambassador Gafoor of Singapore, and Members of the TPRB for contributing to our frank exchange of views. China's response to a large number of questions is also appreciated.

Recognizing the considerable steps taken by China in reforming its economy, and the role played by openness in fostering its rapid economic growth, Members commended China's continued trade liberalization. China has taken major steps, especially in the run up to its WTO accession, to streamline its trade policy regime, revising and updating a large number of laws in the process. Reform has resulted in a remarkable transformation of the Chinese economy. Real economic growth has been at some 9% over almost two decades, resulting in an eleven-fold increase in per capita income between 1978 and 2005. The percentage of China's population living below the poverty line has declined from 73% in 1990 to 32% in 2003. Trade and investment reforms have resulted in China becoming the world's third largest trader and one of the largest recipients of FDI.

Nevertheless, there remain a number of challenges. These include growing income inequalities and the need for job creation, while continuing and deepening economic reforms. China noted that in meeting its goal of annual average GDP growth of 7.5% over the next five years, particular attention would be paid to agriculture, rural development and farmers' incomes, balanced regional development, technological innovation, energy conservation and environmental protection. Regarding the exchange-rate regime, which some Members raised, China said that it was taking steps to further develop its foreign exchange market. There were also remarks by some Members about China's RTA activity. China noted that RTAs could not, and should not, replace the multilateral trading system; rather they could usefully complement the system.

On trade policy, Members complemented China on measures to implement its accession commitments. As a result, border measures, including the tariff and export restrictions, had declined. Applied and bound rates are close, making the tariff more predictable and transparent. Notwithstanding these achievements, many Members raised the issue of transparency in policymaking and implementation, and were concerned about the use of certain measures on imports and exports, especially anti-dumping and countervailing, standards, SPS, export taxes and VAT rebates. Some Members also thought that policies, such as that on automobile parts, were being used to restrict imports. China said that it had implemented its accession commitments in good faith. As a result, the economy was

much more open and transparent. China's trade and related laws had also been extensively reviewed, and amended where necessary, to meet its WTO commitments.

Members noted although direct intervention by the Government in the economy had declined, but expressed concern that indirect measures were still used to "guide" investment in certain sectors, particularly in manufacturing, including the steel and automotive sectors. They thanked China for its recent notification on subsidies and raised further questions. Several questions were raised about the investment climate, as well as about the draft Competition Law and its treatment of the public sector.

Many Members expressed concern that, despite China's efforts, the enforcement of intellectual property rights (IPRs) remained problematic. They urged China to address this. China acknowledged that there remained gaps between the level of protection of IPRs in China and developed Members. Nevertheless, China had set up a complete legislative and enforcement mechanism for IPRs and had raised public awareness of IPRs.

Reform in agriculture was commended by Members; further liberalization would help raise rural productivity. China's demand for natural resources and energy, in the view of some Members, could also be better met through a more open and transparent policy on investment in this sector. On energy conservation and environmental protection, Members requested details on steps to be taken to improve energy efficiency.

On services, many Members noted that commitments undertaken by China were more extensive than those of other developing countries. However, liberalization in services had been slower than in other areas and Members encouraged China to continue to relax ownership and entry requirements and to strengthen regulation. Continued reform, particularly in the financial sector, was crucial to ensure a better allocation of resources.

Members urged China to continue its active participation in the current negotiations and to work for a successful conclusion to the DDA. They noted, and welcomed, steps taken by China to provide assistance to LDCs, including through improved market access and debt forgiveness.

This review has been very useful in giving us all an overview of China's trade policies and practices. I would once again like to thank the Chinese delegation for their efforts, the Discussant for his insightful comments, and Members for contributing to what has been a very enlightening two days of discussions. We look forward to receiving the remaining outstanding responses within the next month.

## UNITED ARAB EMIRATES

This first Trade Policy Review of the United Arab Emirates has given us a very much better grasp of UAE trade policies and practices and of the challenges that it faces. Our discussions have greatly benefited from the full engagement of the UAE delegation led by Her Excellency Sheikha Lubna Al Qasimi, Minister of Economy, the insightful contributions by the discussant, Dr A. Gross, and the comments by a large number of participants.

Members commended the UAE for its strong economic expansion over the past decade. This was the result of the exceptional performance of the hydrocarbon subsector, but also of a successful diversification strategy partly supported by a large influx of foreign labour, and a generally open and business-oriented environment. Some concerns were expressed about the UAE's recent inflationary pressures, its limits on foreign equity participation, and its "emiratization" policy. Information was sought about the type of exchange rate system envisaged by the Gulf Cooperation Council (GCC), of which the UAE is a member. Members asked about the schedule for full harmonization of policies under the GCC, and how the UAE reconciles its bilateral FTA negotiations with its GCC membership.

The UAE's applied tariff, based on the GCC common external tariff, is low, at an average of some 5%; most of the UAE's applied MFN tariffs (except on alcohol and tobacco) are zero or 5%. The entire tariff is bound but some 30 applied rates exceed bindings. Customs procedures are simple, facilitating trade. Most of the UAE's trade takes place on an MFN basis, lending added emphasis to the importance of the multilateral system to the UAE's trade performance and therefore to the need for the UAE's further active participation in the WTO. Several participants noted the absence of competition legislation, that importing activities and distribution services can be reserved for exclusive national agents, and that branches of foreign companies are obliged to recruit a local agent. In these areas relevant laws are being considered for adoption or amendment. Clarification was sought about the procurement regime of non-federal public bodies, including state-owned enterprises and municipalities, and about the UAE Offsets Group.

Many Members sought information on UAE standards and technical regulations, including its conformity assessment and accreditation systems, and invited it to add to its TBT notification. Further clarification was sought about the UAE's 32 free zones, its protection of geographical indications, well-known marks, and confidential information, and about the enforcement of its legislation on intellectual property.

In services, a vibrant, growing sector of the economy, certain Members noted that the emirate Governments retain control over certain activities, and asked whether, as part of its economic reforms, the UAE intends to separate the regulatory functions of state enterprises from their commercial activities. Information was sought about the end of the State monopoly in telecommunications. Given that the UAE is a “world-class” supplier of key services, such as maritime transport and tourism, some Members invited it to undertake further commitments in the ongoing services negotiations.

Members very much appreciated the responses provided by the UAE delegation to all questions.

In conclusion, I congratulate the UAE on the openness of its trade regime and encourage it to pursue its reforms, including further improvement of its multilateral commitments, with a view to enhancing the transparency and predictability of its trade regime, and its adherence to WTO principles. I invite Members to assist the UAE by keeping their markets open for products and services of interest to it.

## URUGUAY

This third Trade Policy Review of Uruguay has helped to paint a clearer picture of the evolution of trade and investment policies in Uruguay and of the country’s integration and participation in the multilateral trading system. Our sincere gratitude goes to Ambassador Amorin, Ambassador Valles, Mr. Saráchaga and the rest of the Uruguayan delegation whose participation has been highly valuable to the work of this Body. We would also like to thank the discussant, Ambassador Matus, for his interesting and learned contribution to our discussions, Mr. Herreros, and the numerous Members that contributed to the success of this Review.

Members expressed their satisfaction with the sound economic growth that Uruguay has experienced since 2003, following a serious economic and financial crisis, which it dealt with by adopting a macroeconomic adjustment programme and measures to strengthen the financial system. A number of participants observed that Uruguayan exports to markets outside the region had been key to reactivating the economy, and spoke of the need to pursue the economic reforms in order to ensure sustainable growth.

Members praised Uruguay for its significant contribution to the construction and consolidation of the multilateral trading system, including its active participation in the Doha Development Agenda. They invited Uruguay to keep its notifications to the WTO up to date, notably in SPS and TBT. Emphasis was also placed on Uruguay’s participation in MERCOSUR, and several participants raised questions as to the benefits of such participation. Uruguay replied that MERCOSUR is an essential component of its growth strategy, and that it would be seeking to deepen and expand that process. It was also essential to explore individually the possibility of concluding bilateral agreements with a trade component.

Members recognized Uruguay’s efforts to modernize its trade regime, and welcomed its initiatives to facilitate trade. Among many other measures, Uruguay has adopted the WTO definition of customs value, has simplified its customs procedures, and has reduced its applied tariffs. Members commended Uruguay for resorting so rarely to trade defence measures. It was also pointed out that while Uruguay has bound its entire tariff, it could increase the predictability of its trade regime by narrowing the gap between bound and applied tariffs.

At the same time, Members expressed concern at certain measures that had been adopted in recent years, in particular the use of other charges on trade, and welcomed the announcement that such charges will be eliminated as of July 2007. Certain customs procedures were also questioned, as was the distinction made between imports and domestic products in applying certain internal taxes (VAT and the specific internal tax - IMESI). With respect to the numerous questions regarding its tax regime, Uruguay replied that the regime is currently being revised, and it is considering eliminating exemptions and distortionary taxes. Members welcomed Uruguay’s efforts to improve the protection of intellectual property rights as well as the ongoing process to adopt a new competition law.

Stressing the importance of the services sector to the development of the Uruguayan economy and the liberalization that had taken place in that sector over the past few years, Members invited Uruguay to assume new commitments under the GATS including in sectors in which it had few or no commitments, such as telecommunications and maritime transport. Uruguay responded that it is considering binding commitments in new areas, such as professional and distribution services.

In conclusion, I think that this Body sees the general direction of Uruguay’s trade policy in a very positive light. Uruguay’s commitment to the principles of multilateralism has helped to turn international trade into a catalyst for its economic growth. In order to stimulate and consolidate this growth, Members urged Uruguay to continue to liberalize its

economy and diversify its trade relations, and to review a few individual aspects of its trade regime. I am certain that Uruguay will maintain its traditional commitment to the work of this organization and that it will continue to play a positive role in the Doha Development Agenda, which could be of particular benefit to Uruguay if successful. I would like to close this meeting by once again thanking the Uruguayan delegation, the discussant, and the Members present for their constructive participation in this review.

## ICELAND

This third Trade Policy Review of Iceland has been highly informative, providing us with valuable insights into the trade policies and practices underpinning Iceland's economic success story. We owe this to the participation of Ambassadors Johannsson, Sigurdsson and Árnason and the rest of the Icelandic delegation, the very thoughtful interventions by Mr. Ehlers, and the active involvement of Members. Throughout the review process, the authorities of Iceland have shown a strong commitment to transparency and thus made a key contribution to the success of this Review.

Members commended Iceland's impressive economic performance and export diversification since its last Review in 2000. They noted that this could be attributed in great part to Iceland's generally open trade regime, a continuous process of structural reforms as well as its specialization and close integration in the global economy. Some Members pointed to the short-term challenges currently facing the Icelandic economy, including the large current account deficit, but also pointed out that it remains one of the world's most competitive.

Iceland acknowledged that a strong multilateral trading system is of particular importance for smaller Members like itself. Members appreciated Iceland's active participation in the WTO, as reflected by its leadership role in the on-going negotiations on fisheries subsidies, and the valuable contribution made by its representatives to the work of WTO bodies. They also highlighted the growing number of preferential trade initiatives entered into or under consideration by Iceland, which Iceland sees as complementary to the multilateral system. Some Members were concerned about restrictions affecting investment from non-EEA or non-OECD countries, and invited Iceland to reconsider them, and to secure any future reforms in the WTO. Iceland indicated that work is under way to prepare a review of its legislation on inward direct investment.

Iceland was praised for not having had recourse to contingency measures, and its accession to the Government Procurement Agreement was welcomed. Members urged Iceland to carry on the process of reform of its trade regime, including by reducing high tariffs, binding all of its industrial tariffs, and closing the gap between bound and applied rates. Members encouraged Iceland to complete outstanding WTO notifications, which Iceland engaged to do as appropriate. Iceland provided clarification on a range of intellectual property issues, as well as on its SPS regime.

Iceland drew attention to the difficulties it faces in agricultural production, and Members acknowledged Iceland's efforts to gradually align its policies with market-based solutions. However, they also noted that Iceland's agriculture continues to be heavily supported, which imposes a cost on taxpayers and consumers, and may affect trade. Members thus urged Iceland to continue its reform efforts in this area, with Iceland stating that it expected the completion of the DDA to result in the further restructuring of its agriculture sector.

Members noted the importance of the services sector in Iceland. Iceland was commended for its programme of privatization and liberalization, in particular in the areas of financial services and telecommunications, and was encouraged to expand the scope of its GATS commitments.

In conclusion, I believe that Iceland offers an excellent real-world example of how small island economies may overcome the limitations of size and location by engaging in structural reforms and taking advantage of international specialization. Members encouraged Iceland to carry out its own liberalization efforts on an MFN basis to help broaden its economic relations. Members also greatly appreciated Iceland's strong commitment to the multilateral trading system, and invited it to continue to play an active and constructive role to ensure a successful conclusion of the DDA.

## CHINESE TAIPEI

This first Trade Policy Review of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) has been highly informative and thought-provoking, thus contributing to a much better understanding of Chinese Taipei's trade and related policies and the challenges it faces. I very much appreciate the valuable contribution of Deputy Minister Ruey-Long Chen and his delegation; also, our discussion has greatly

benefited from insightful comments by our discussant, Ambassador Bruce Gosper of Australia, and many thoughtful interventions by Members.

Members commended the recent steady growth in Chinese Taipei's economy. In 2005, real GDP grew by 4.1% and per capita GDP was over US\$15,000. Members expressed their appreciation of Chinese Taipei's continued reform, particularly trade liberalization; this is at the heart of its economic success. Members also recognized that the multilateral trading system, by keeping markets open, contributes to the steady growth of Chinese Taipei's economy. With a view to promoting sustained growth, Members called on Chinese Taipei to continue to improve the environment for inbound direct investment.

Members welcomed Chinese Taipei's active participation in the multilateral trading system, including its strong support for the Doha Development Agenda. Members also noted the engagement of Chinese Taipei in regional and bilateral trade arrangements, which are seen by Chinese Taipei as complementary to the multilateral trading system.

Almost all of Chinese Taipei's trade is on an MFN basis, with a simple average applied MFN tariff of 7.8% in 2005. All tariff lines are bound and most applied rates coincide with bound rates, thereby making the tariff predictable. About 31% of all tariff lines are duty-free. However, Chinese Taipei's tariff has some tariff peaks (often concealed by non-ad valorem rates), tariff escalation, and tariff quotas. Members expressed particular concern over relatively high tariffs in agriculture. Members also noted that a number of tariff lines are subject to import and export licensing requirements. Members welcomed the fact that Chinese Taipei has seldom resorted to contingency measures.

Members were concerned that inbound cross-strait trade was prohibited on some 2,200 tariff lines and that little inbound cross-strait direct investment had been allowed.

Members noted Chinese Taipei's commitment to achieving a more transparent and open government procurement regime: they urged Chinese Taipei to permit greater external participation in its government procurement activities. Members called for further harmonization of Chinese Taipei's standard and SPS arrangements with international ones. While Members commended Chinese Taipei's significant improvement in the enforcement of intellectual property rights, some Members called for greater efforts in this regard.

Members encouraged Chinese Taipei to consider further reforms in agriculture. Chinese Taipei stated that efforts are being made to modernize and transform the agriculture sector to make it more capital and technology-intensive. Some Members questioned the effectiveness of tax incentives, subsidies and tariff quotas applicable to certain manufacturing industries.

Members noted the importance of the services sector to the Chinese Taipei economy, and encouraged it to further liberalize this sector, especially financial services and telecommunications. Members were interested in regulatory developments in services, such as Chinese Taipei's plan for privatization of state-owned financial institutions, including postal savings, the new independent telecommunications regulator, and developments concerning the regulation of cross-strait transport and movement of natural persons.

Members expressed their appreciation for the oral and written responses to their questions provided by the Chinese Taipei delegation. They look forward to receiving any outstanding answers to questions within a month.

This successfully concludes the first Trade Policy Review of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. The review has been very useful in giving us a far better understanding of Chinese Taipei's trade policies and practices. As some Members noted, Chinese Taipei provides an excellent model as a newly acceded WTO Member. I hope that Chinese Taipei will continue to play an active role in the WTO and in the ongoing negotiations, and take to heart the concerns expressed by Members, particularly with regard to its policies on agriculture, sanitary and phytosanitary measures, government procurement, and cross-strait trade and investment. I would once again like to thank the delegation of Chinese Taipei for its active engagement in this review, the discussant for his insightful comments, and Members for contributing to what has been a very enlightening two days of discussions.

## TOGO

This second Trade Policy Review of Togo has revealed its reform efforts since its first review in 1999, and the challenges it faces, as a least developed country, in participating in the multilateral trading system. Our discussions have benefited greatly from the full engagement of the delegation of Togo, led by HE Mr Jean-Lucien Savi de Tove, Minister of Trade, Industry and Handcrafts, insightful contributions by the discussant, Mr Gunther Sleeuwagen, and comments by participants.

Members congratulated Togo on its reform efforts, in particular the advance of its privatization programme. Nevertheless, the privatizations of the flagship phosphate and electricity companies were reversed. Subsequently, cement overtook phosphate as Togo's

leading export. Despite rising volumes, cotton export receipts have been adversely affected in recent years by weak world prices, as well as the appreciation of the euro. Because of socio-political turmoil, the business environment has not been sufficiently compelling to attract significant investment. These factors, together with the suspension of foreign aid (on which Togo is heavily dependent), and the high costs of inputs (including petroleum products), have led to sluggish economic growth, causing per capita income to decline and poverty to become more significant.

Members commended Togo on the trade liberalization that has taken place in the context of the establishment of the Common External Tariff of the West African Economic and Monetary Union (WAEMU). They sought information on the full establishment of the free-trade area component of both WAEMU and the wider Economic Community of West African States, as well as on the plan for their merger. Members enquired about Togo's use of the trade preferences available to it, and about its current and future participation in bilateral trade agreements. They encouraged Togo to further integrate its trade policy into its overall economic policy for the purposes of further exploitation of its comparative advantages (the deep-water port of Lomé, substantial reserves of phosphates, and significant cotton-producing capacity); sustainable development; and reduction of poverty and unemployment.

Noting that, in addition to customs tariffs, various other duties and charges also apply to imports, Members enquired about the conformity of the value-based inspection and verification charge with Article VIII of GATT 1994, and of the special tax on beverages with Article III. They encouraged Togo to improve its multilateral commitments by reducing bound tariff rates, and enlarging the coverage of its commitments on goods and services. Members also sought clarification on a number of issues, notably: customs procedures and valuation, and the transit regime; TBT and SPS measures; export processing zone and investment regimes; public procurement; protection of intellectual property rights; agriculture (food security and foreign exchange earnings); and tourism, financial and telecommunications services.

Members appreciated the responses provided by the delegation of Togo.

In conclusion, I congratulate Togo on its liberalization efforts, and encourage it to pursue its reforms and its agenda for political changes. The reforms, together with socio-political stability, should enable Togo's access to debt-reduction initiatives, liberate resources for the purpose of poverty reduction, and enhance the confidence of and support by development partners, including through trade-related technical assistance. Such assistance would have a significant role in sustaining the momentum of the reforms and strengthening Togo's adherence to WTO principles as well as its ability to participate in the WTO, notably the Doha Development Agenda.

## NICARAGUA

This second Trade Policy Review of Nicaragua has been both thorough and informative; it has allowed us a better understanding of Nicaragua's trade policies and practices, of their evolution since 1999, and of their outlook. The reports by Nicaragua and the Secretariat, and the responses of the delegation of Nicaragua to the questions by Members, have served as a valuable resource and have made a significant contribution to transparency. We owe the high quality of this review to the participation of the Nicaraguan delegation, led by HE Mr Alejandro Argüello, Minister of Development, Industry and Trade, and to the active involvement of Members. Our thanks are also due to our discussant, HE Mr Juan Antonio March, for his insightful contribution to our meeting.

Members welcomed Nicaragua's positive overall economic performance over the last few years, with moderate GDP growth, and improvements in the fiscal and current account deficits. They noticed that the ongoing reforms are contributing to the establishment of a competitive market economy, and encouraged Nicaragua to continue its structural reforms, so as to reduce widespread poverty and achieve social progress. The reforms, together with increased investment in infrastructure and in human capital, would help to further stabilize the economy.

Members appreciated Nicaragua's firm commitment to the multilateral trading system, including the Doha Development Agenda. They noted, however, that an increasing part of its trade was taking place under preferential regimes. While Members congratulated Nicaragua for the steps taken to further liberalize its trade and investment regimes, they encouraged it to reverse the increase in its applied MFN tariff of the last few years, partly as a result of Nicaragua's commitments under its regional trade arrangements. Members also encouraged Nicaragua to reduce the gap between applied and bound tariff rates. One Member raised a concern regarding a tax imposed by Nicaragua on goods and services coming from or originating in that Member.

On sectoral issues, Members noted Nicaragua's high dependence on exports of agricultural and agricultural-processed products. They also commended Nicaragua for the steps being taken to address inefficiencies, particularly in mining, energy, and manufacturing, including through the enactment of new laws. Members noted that further liberalization of services may improve the efficiency of Nicaragua's economy and the competitiveness of its exports, especially by reducing costs related to financial services, telecommunications and transport.

Members sought clarification on a number of issues, notably: customs procedures and valuation; internal taxation; import and export licensing; contingency trade remedies; standards and SPS measures; free zones; public enterprises and privatization; government procurement; and protection of intellectual property rights.

Members expressed their appreciation for the comprehensive responses to their questions as provided by the Nicaraguan delegation.

In conclusion, Members value Nicaragua's efforts to improve its economic environment. As a small economy that is highly dependent on foreign trade, Nicaragua has a lot to gain from a free and open trade environment. I encourage Nicaragua to continue improving its multilateral commitments, both on goods and services, with a view to further improving its transparency and predictability. I urge Members to support Nicaragua's reforms by providing greater market access to its goods and services.

## BANGLADESH

The third Trade Policy Review of Bangladesh has given us a much better understanding of Bangladesh's trade policies and practices together with the challenges that it faces. I thank Secretary Feroz Ahmed and his delegation as well as the discussant, Ambassador Stephenson of Canada, and Members of the TPRB for contributing to our fruitful exchange of views. Bangladesh's response to a large number of questions is also appreciated.

Members commended Bangladesh's efforts to ensure steady growth of GDP through prudent macroeconomic policies and reforms in certain areas, despite endogenous and exogenous challenges. While noting efforts to improve governance, certain Members encouraged Bangladesh to increase its capacity for revenue collection and move away from dependence on tariffs and other border charges as a main source of revenue. Some Members considered that there is room for progress in implementing privatization plans. Members congratulated Bangladesh on its increased FDI inflows during the period under review and encouraged further improvements in the foreign investment framework. Members noted that Bangladesh's comprehensive poverty reduction strategy has led to an improvement of certain social indicators, including the share of people living below the poverty line. Trade and trade policy measures are an integral part of these efforts.

In the light of Bangladesh's heavy dependence on exports of clothing and strong global competition in the sector, certain Members recommended efforts to diversify the export base and markets. Bangladesh indicated that this is a priority and various facilities are being provided to exporters of non-traditional items.

Members noted Bangladesh's deepening regional integration and other preferential arrangements in parallel with its efforts at the multilateral sphere; Bangladesh indicated that these initiatives are to, inter alia, expand its export market base. They also commended Bangladesh's contribution to WTO work, including its leadership in the LDC group. Several Members took note of Bangladesh's concerns over the decision at the Hong Kong Ministerial Conference on duty-free quota-free market access for LDCs, in particular with respect to textiles and clothing. Certain Members enquired on the adequacy of and further needs for trade-related technical assistance available to Bangladesh during the period under review.

Members commended Bangladesh's trade liberalization efforts, aimed at raising export competitiveness. Despite recognizing progress in simplifying the tariff structure and lowering applied ad valorem rates, Members encouraged Bangladesh to expand the scope of its bindings concerning non-agricultural tariff lines and to narrow the wide gap between bound and applied tariff rates. Several Members requested information on the state of revision of other border charges in line with WTO commitments. Action in these areas should improve market access predictability and transparency.

Some Members commended and encouraged further legal and regulatory reforms to ensure gradual implementation of WTO obligations, particularly in the area of intellectual property rights. This should contribute to attracting more foreign investment and increasing Bangladesh's integration into the rules-based MTS.

There was also discussion in particular about the risks posed to the Bangladeshi economy by the expiry of the Agreement on Textiles and Clothing and about adjustment measures taken by Bangladesh in this respect; Bangladesh's non-endorsement of regional cumulation in the EC rules of origin for intermediate inputs from neighbouring countries in

order to obtain a higher utilization of the EC-GSP scheme, including those for production of garments; and about policy measures concerning pharmaceuticals. In light of the importance of the services sector to the economy and its future development prospects, several Members urged Bangladesh to pursue progressive liberalization in this sector and to expand its GATS commitments.

This Review has been very useful in giving us all an overview of Bangladesh's trade policies and practices and the challenges it faces. I would once again like to thank the Bangladeshi delegation for their efforts, the discussant for his insightful comments, and Members for contributing to what has been a very enlightening two days of discussions. We look forward to receiving the remaining outstanding responses within the next month.

## REPUBLIC OF THE CONGO

This first Trade Policy Review of the Republic of the Congo has fostered a better understanding of its reconstruction efforts and the challenges it faces in building capacity to fully participate in the multilateral trading system. Our discussions have benefited greatly from the full engagement of the large, high-level delegation of the Republic of the Congo, led by Her Excellency Madame Moundele-Ngollo, Minister of Trade, Consumption and Supply, the excellent contributions of the discussant, Ambassador Amehou, and interventions by participants.

Following the emergence of the Republic of the Congo in 2002 from a decade of socio-political turmoil, the basis for economic recovery was established by structural reform, macroeconomic stabilization, and regulatory change. Privatization took place in the downstream petroleum industry, financial services, and tourism. The business environment was improved by new investment, forestry, and mining codes. Other reform priorities concerned the transport infrastructure, electricity, water, and fixed-line telecommunications. Members sought information on plans to further improve the trade and business environment, in particular the management of government petroleum receipts, public procurement, standards, and competition policy. Members enquired about progress on the PRSP, currently under elaboration, and how it takes into account the role of trade policy, sustainable development, and social policy. They congratulated the Republic of the Congo on its sustainable forestry management and sought clarification on specific related aspects.

Members queried the consistency of the tariff exemptions for agricultural inputs with the common external tariff of the Central African Economic and Monetary Community, of which the Republic of the Congo is a member. They encouraged the Congo to phase-out other duties and charges on imports as well as quantitative restrictions, reduce the tariff on cool boxes, reform the VAT regime, and improve the administration of sanitary and phytosanitary measures, to fully comply with WTO obligations. Members queried whether preshipment inspection was still needed, and whether technical assistance was required to fully implement the WTO Customs Valuation Agreement or to make notifications. Clarification was sought on the measures applying to trade in uncut diamonds, and the Republic of the Congo was encouraged to re-join the Kimberley Process.

Members asked whether the Republic of the Congo faced difficulties in implementing norms of intellectual property protection. Eliminating bottlenecks in services would help it develop transit trade. On tourism, the Republic of the Congo was asked to clarify the classification criteria for hotels and the new regulations concerning agencies and establishments. Members encouraged the Republic of the Congo to improve its multilateral commitments on goods and services.

Members appreciated the responses provided by the Republic of the Congo, and looked forward to receiving written answers to outstanding questions.

In conclusion, the Chairperson congratulated the Republic of the Congo on its commitment to trade integration, and encouraged it to pursue its reform agenda. These reforms, supported by trade-related technical assistance, would strengthen its adherence to WTO principles, as well as its ability to participate in the work of the WTO. Trading partners were urged to support the diversification efforts of the Republic of the Congo through better market access for its exports of goods and services, and WTO Members and the Secretariat were invited to be receptive to its technical assistance needs.

## KYRGYZ REPUBLIC

This first Trade Policy Review of the Kyrgyz Republic has been thorough and informative and has given us a better understanding of its trade policies and practices, of their evolution and of the challenges the Kyrgyz Republic faces. The reports by the Kyrgyz authorities and the Secretariat, as well as the detailed responses of the delegation of the Kyrgyz Republic to written questions, have provided a valuable resource for domestic reflection and for transparency within the WTO. Our discussion has been stimulated by

the full and impressive engagement of the high-level Kyrgyz delegation as well as by the discussant's insightful contribution and the many thoughtful comments by Members.

Members commended the Kyrgyz Republic for the positive developments in its transition to a market-oriented economy, including the continued process of economic reform, started with independence in 1991 and strengthened by WTO accession in 1998, and the considerable efforts to integrate its transitional economy into the multilateral trading system. Members applauded the significant GDP growth of recent years, averaging 4% annually during 2000-05, and the achievements of curbing inflation, reducing budget deficits, privatization, and currency stabilization. These point to the strengthening of economic fundamentals in the Kyrgyz Republic.

Members appreciated the Kyrgyz Republic's strong commitment to trade liberalization and the maintenance of one of the most open trade and investment regimes in its region. For example, the simple average applied MFN tariff is low at 4.9% and there is little tariff dispersion or escalation; however, in some cases, applied tariff rates exceed bound levels. The Kyrgyz Republic has also eliminated discriminatory excise taxes and has not taken any contingency protection measures. Members also noted the Kyrgyz Republic's efforts to harmonize domestic standards and SPS measures with international ones. Members welcomed the Kyrgyz Republic's participation in the DDA negotiations and its ongoing efforts to liberalize further, for example, through the negotiations to join the plurilateral agreements on Government Procurement and Trade in Civil Aircraft. Members appreciated the special challenges posed by the Kyrgyz Republic's land-locked status, which makes its trade competitiveness to some extent dependent on the transit trade facilities of its neighbours.

Members pointed out areas where the Kyrgyz Government could improve its trade and investment regime. These include administrative barriers to doing business due to excessive government intervention and insufficient transparency in licensing procedures, problems with government inspections, and unclear public procurement policies. Some Members expressed their concern about pronounced corruption indicators, the prevalence of smuggling and the existence of a shadow economy, and urged the Government to continue to develop and implement strategies to deal with such issues.

Members commended the efforts of the Kyrgyz Republic to diversify its economy away from excessive reliance on mineral resources. Members noted that agricultural policy is based on raising rural incomes and achieving food security by 2010 by means of market-based reforms. They welcomed liberalization in the telecommunication sector and urged the Government to move ahead with privatization plans, especially in the energy and telecommunications sectors.

Members appreciated the oral and written responses to their questions provided by the Kyrgyz delegation and look forward to receiving further responses as soon as possible.

In conclusion, Members have shown a marked interest in the Kyrgyz Republic's trade and related policies. In this context, I would encourage the Kyrgyz Republic to proceed with its efforts to continue with its reform process and improve its trade and investment climate, which will permit its economy to benefit fully from the multilateral trading system. At the same time, I encourage Members to assist the Kyrgyz Republic by providing adequate technical assistance, including in trade capacity building, and by further opening their markets to Kyrgyz exports.

## EAST AFRICAN COMMUNITY (KENYA, TANZANIA AND UGANDA)

This first joint Trade Policy Review of the East African Community (EAC) partner states has allowed us a better understanding of their trade regimes, and of their policies and aspirations. Our dialogue has been thorough and comprehensive, stimulated by the full and open engagement of the high-level delegations of Kenya, Tanzania, and Uganda, as well as of the EAC Secretariat. Our thanks are also due to our discussant for his very insightful contribution.

Members commended the EAC partner states for their progress, despite adverse consequences of droughts, in their economic reform programmes in which trade and investment liberalization had played a key role. In the light of their recent macroeconomic performance, the EAC partner states were encouraged to move ahead in implementing structural reforms so as to build up an environment conducive to sustainable economic growth and development. Reforms in the energy subsector would help by reducing production costs, particularly in the manufacturing sector.

Members appreciated the EAC partner states' firm commitment to the multilateral trading system, including the Doha Development Agenda. They welcomed efforts made by the EAC partner states in simplifying their tariff regime. Nonetheless, some Members emphasized that lack of harmonization within the EAC in certain key trade measures, such

as internal taxes, customs procedures, other duties and charges on imports, and fees on production, undermines the utility of having a common external tariff. They expressed hope that the full establishment of the customs union, and harmonization of monetary and fiscal policies would contribute to the further integration of its members into the global economy. Members encouraged the EAC partner states to reduce their bound rates, enlarge the scope of their tariff bindings, eliminate their applied compound tariffs (all bound duties being ad valorem), and Kenya and Tanzania to remove their other duties and charges bound at zero.

Members noted that the EAC partner states were benefiting from non-reciprocal preferences, while also participating in various preferential trade arrangements. Several Members called attention to the complications of trade policy-making stemming from membership in overlapping preferential arrangements. This was not only difficult to manage, given the limited resources available, but could also detract from multilateral efforts.

Members encouraged the EAC partner states to further liberalize their services sector, and enhance their commitments under the GATS. Members also sought clarification on a number of issues, notably: customs procedures and valuation, including pre-shipment inspection; contingency trade remedies; standards and SPS measures; state-owned enterprises and privatization; government procurement; protection of intellectual property rights; and agriculture and related activities.

Members expressed their appreciation for the comprehensive responses to their questions as provided by the delegations of EAC partner states and looked forward to further responses.

In conclusion, the numerous interventions, questions in particular, by Members during this Review are indicative of their interest in EAC partner states' trade regimes. Members value EAC states' efforts to improve their economic environment and reduce poverty. As small economies that are highly dependent on foreign trade, they have a lot to gain from an open trade environment. I encourage them to continue improving their multilateral commitments, both on goods and services, with a view to enhancing the predictability and credibility of their trade regimes. Trading partners can help by ensuring that their markets are fully open, and by providing appropriate technical assistance; the recent Aid for Trade initiative could also help.

## COLOMBIA

Chairing this third Trade Policy Review of Colombia in replacement of Ambassador Uribe has proved to be a rewarding experience. The review has been exemplary in many ways, offering as it has a better understanding of the evolution of Colombia's trade policies and practices over the last ten years. We owe this to the hard work and commitment to the TPRM objectives of Vice-Minister Muñoz, Ambassador Uribe and the rest of the Colombian delegation; the thoughtful intervention by the discussant, Ambassador Allgeier; and to the engagement of the many Members who took part in this exercise.

Members welcomed the acceleration of Colombia's economic growth in recent years. This was attributed to sound macroeconomic policies and structural reforms undertaken in the aftermath of the economic downturn in 1998-99. Members highlighted the contribution to growth made by expanding exports and investment, and encouraged Colombia to persevere with structural reform to achieve its ambitious economic growth and poverty alleviation targets.

Members commended Colombia's commitment to the multilateral trading system, including its active and constructive participation in the Doha Development Agenda. Members also took note of Colombia's involvement in preferential agreements, and urged it to ensure coherence among its bilateral and regional initiatives, and between these initiatives and the WTO. Members appreciated recent steps to enhance the security of investment, but noted that further steps could still be taken to reduce the perceived risks of investing in Colombia. In this context, Members also took note of Colombia's efforts to address its internal conflict.

Members recognized the efforts made by Colombia to modernize and liberalize its trade regime. They noted, however, that applied average tariff protection has increased slightly and considered that the predictability of the trade regime would be enhanced by narrowing the gap between bound and applied tariffs. Colombia was invited to ensure that certain practices related to customs, import licensing, SPS and TBTs do not become unjustified trade barriers.

Members welcomed Colombia's commitment to phasing out by end 2006 a number of programmes providing export subsidies, but some were still concerned about the price-band system. Colombia offered information concerning consumption taxes and the proposed elimination of differences in the application of the VAT to imports and domestic products. Colombia also explained various aspects of its competition policy and IPR protection

regimes. Members took note of the elimination of the agricultural absorption policy but a number of them questioned the administration of tariff quotas.

Members praised Colombia for undertaking reforms to modernize its services sector, noting its relatively large size. They also pointed out that Colombia had reaped numerous benefits from past liberalization efforts, and encouraged it to continue along this path, including by expanding its GATS commitments. Colombia indicated that its Doha revised services offer included additional commitments in many sectors that are currently unbound or only partially bound.

In conclusion, the numerous interventions and questions during this Review are indicative of Colombia's active role in WTO and of Members interest in its policies. Members clearly welcomed the steps taken by Colombia towards a more open and competitive economy, while also encouraging Colombia to consolidate and build on its achievements of recent years. In this respect, Colombia's current efforts to strengthen and give greater predictability to its legal framework will prove key in boosting traders' and investors' confidence. These efforts are indeed crucial, and Colombia could buttress them by anchoring its existing legal framework through the widening and deepening of its multilateral commitments. I was pleased to hear that Colombia is ready to take steps in this direction, which would support both Colombia's development strategy and our collective efforts in the Doha Development Agenda.

## HONG KONG, CHINA

The fifth Trade Policy Review of Hong Kong, China has given us a much better understanding of the Hong Kong Special Administrative Region's (HKSAR) trade policies and practices together with the challenges that it faces. I thank Miss Yvonne Choi and her delegation as well as the Discussant, Ambassador Mario Matus of Chile, and Members of the TPRB for contributing to our fruitful exchange of views. Hong Kong, China's response to the large number of questions was also appreciated.

Members noted that Hong Kong, China continues to be one of the most open economies in the world and a business friendly place, while at the same time scoring high in relation to socio-economic benchmarks. Since the last Trade Policy Review, its economy has bounced back rapidly as a result, inter alia, of sound economic policies and a favourable external environment. Nevertheless, some Members noted that given the openness of the economy, risks are largely exogenous. Some Members noted strong indications of a stable growth outlook in the years ahead. To address tax revenue concerns, certain Members encouraged the authorities to broaden the tax base with a more general tax on consumption.

Members commended Hong Kong, China's long-established active and constructive role in the WTO and its positive contribution to the DDA negotiations. They welcomed Hong Kong, China's commitment to the primacy of the rules-based multilateral trading system; they also noted the benefits from and prospects under the Closer Economic Partnership Arrangement (CEPA)-driven liberalization, marking the closer bilateral ties with the Mainland China. CEPA enhanced the flow of goods, services, capital, and persons across the border.

Members appreciated the absence of trade restrictive measures, but noted that the scope of Hong Kong, China's tariff bindings remains low; they urged Hong Kong, China to expand bindings coverage in the context of the Doha Round of negotiations. Several Members expressed concern over the impact of the excise duties on imports, including those of wine. Certain Members indicated that, although Hong Kong, China had liberalized its rice trade regime by eliminating the import quota in 2003, some control measures remain in place.

Members noted Hong Kong, China's wide-ranging improvements in the protection of intellectual property rights, but encouraged further efforts in areas such as transparency, the legal framework as well as enforcement in, inter alia, production, street vending and transit of counterfeit goods.

Members noted the lack of a comprehensive competition policy law and commended recent initiatives for improving this situation. Some Members encouraged Hong Kong, China to further open its government procurement system. Concerning environmental protection, a Member enquired about Hong Kong, China's experience in implementing the "polluter pays" principle.

Members noted that Hong Kong, China has become increasingly a services-oriented economy. Certain Members encouraged Hong Kong, China to make GATS commitments in some specific sectors. They also acknowledged liberalization in the financial and telecommunications sectors and encouraged further opening efforts in several other services sectors.

This Review has been very useful in giving us all an overview of Hong Kong, China's trade policies and practices and the challenges it faces. I would once again like to thank

the Hong Kong, China delegation for their efforts, the Discussant for his insightful comments, and Members for contributing to what has been a very enlightening two days of discussions. We look forward to receiving the remaining outstanding responses within the next month.

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## Annex II – WTO Publications

This Annex contains publications which can be purchased directly from the World Trade Organization. For the most up-to-date list, please visit the on-line bookshop on the WTO website at [www.wto.org](http://www.wto.org)

### Legal publications

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#### **The Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts**

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. Co-published with Cambridge University Press.

ISBN: 05-217-8580-4 Paperback

Price: CHF 70.00

Leatherbound edition with Bookmarks

Price: CHF 200.00

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#### **WTO Basic Instruments and Selected Documents**

The official collection of legal documents, protocols, and reports adopted by the World Trade Organization. It contains the Protocols for Accession for new WTO members along with other legal instruments. Co-published with Bernan Press.

Volume I (1995) – February 2003 ISBN: 08-9059-191-1

Volume II (1996) – February 2005 ISBN: 92-870-3302-1

Volume III (1997) – October 2006 ISBN: 08-9059-193-8

Hardback

Price: CHF 110.00

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#### **GATT Basic Instruments and Selected Documents – Vol 1 – 42**

This complete set contains all 42 volumes of the GATT BISD series. This annual series presents the principal decisions, resolutions, recommendations and reports adopted by the GATT contracting parties every year. A volume was published every year from 1953 up to 1994. Co-published with William S. Hein.

Hardback Edition

Price: CHF 1835.00

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#### **WTO Analytical Index – Guide to WTO Law and Practice**

First Edition (2 volumes) The WTO Analytical Index is the authoritative guide to the interpretation and application of findings and decisions of WTO panels, the WTO Appellate Body and other WTO bodies. The material is presented in separate chapters for each WTO agreement. These chapters generally present the text of the particular article or agreement, chronologically arranged excerpts of relevant jurisprudence and decisions, a discussion of the relationship to other articles and WTO agreements, and cross-references to the GATT Analytical Index when applicable. Co-published with Bernan Press.

ISBN 08-9059-603-4

Hardback

Price: CHF 203.00

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**GATT Analytical Index: Guide to GATT Law and Practice (1995)**

The GATT's own article-by-article handbook on the General Agreement, describing the draft history, interpretation and application of the rules, based on official documentary records. The 6th edition is the most complete and up to date presentation of GATT law: it spans 1945 to the end of 1994, when the World Trade Organization was established. It includes decisions by GATT bodies, the many interpretations of GATT law made by dispute settlement panels, and a new chapter on institutional and procedural matters. Thoroughly researched, each chapter analyses precedents and practice, and presents the relevant material in the original text, with full documentary references. Co-published with Bernan Press.

ISBN: 08-9059-480-5

Price: CHF 150.00

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**WTO Agreements Series**

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**Agreement Establishing the WTO**

The WTO's agreements are the legal foundation for the international trading system that is used by the bulk of the world's trading nations. This series offers a set of handy reference booklets on selected agreements. Each volume contains the text of one agreement, an explanation designed to help the user understand the text, and in some cases supplementary material.

ISBN: 92-870-1168-0

Price: CHF 30.00

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**GATT 1994 and 1947**

The WTO's agreements are the legal foundation for the international trading system that is used by the bulk of the world's trading nations. This series offers a set of handy reference booklets on selected agreements. Each volume contains the text of one agreement, an explanation designed to help the user understand the text, and in some cases supplementary material.

ISBN: 92-870-1165-6

Price: CHF 30.00

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**Agriculture**

The WTO's agreements are the legal foundation for the international trading system that is used by the bulk of the world's trading nations. This series offers a set of handy reference booklets on selected agreements. Each volume contains the text of one agreement, an explanation designed to help the user understand the text, and in some cases supplementary material.

ISBN: 92-870-1207-5

Price: CHF 30.00

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**WTO Sanitary & Phytosanitary Measures**

The WTO's agreements are the legal foundation for the international trading system that is used by the bulk of the world's trading nations. This series offers a set of handy reference booklets on selected agreements. Each volume contains the text of one agreement, an explanation designed to help the user understand the text, and in some cases supplementary material.

ISBN: 92 870 1207 5

Price: CHF 30.00

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**Technical Barriers to Trade**

The WTO's agreements are the legal foundation for the international trading system that is used by the bulk of the world's trading nations. This series offers a set of handy reference booklets on selected agreements. Each volume contains the text of one agreement, an explanation designed to help the user understand the text, and in some cases supplementary material.

November 2004

ISBN: 92-870-1245-8

Price: CHF 30.00

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### **Legal Instruments embodying the Results of the Uruguay Round – 1-34**

The legal instruments embodying the results of the Uruguay Round of multilateral trade negotiations, adopted in Marrakesh on 15 April 1994, published in a set of 34 volumes. The complete set covers the legal texts, the ministerial decisions and the Marrakesh declaration, the signatory countries, as well as the individual agreements, the schedules of specific commitments on services, the tariff schedules for trade in goods, and the Plurilateral Agreements. Schedules in the original language only. Available from William S. Hein Inc.

Hardback Edition  
Price: CHF 3900.00

## **Annual publications**

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### **WTO Annual Report**

The Annual report of the WTO focuses on the regular activities of the organization, the details of its current structure, staff and budget. The Annual report is published in the first half of each year.

WTO Annual Report 2006 – ISBN: 978-92-870-3372-7  
WTO Annual Report 2005 – ISBN: 92-870-3307-2  
WTO Annual Report 2004 – ISBN: 92-870-1239-3  
WTO Annual Report 2003 – ISBN: 92-870-1223-4  
Price: CHF 50.00

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### **World Trade Report**

The World Trade Report is an annual WTO publication focused on trade trends and policy issues. The core topic addressed in 2006 is subsidies. The Report also takes a look at recent trade developments and examines a range of trade topics, including trade in textiles and clothing, flows of international receipts and payments of royalties and license fees, trends in the trade of leastdeveloped countries, and the impact of natural disasters and terrorist acts on international trade flows. The World Trade Report is useful for policymakers and for any individuals or groups interested in global trade policy.

World Trade Report 2006 – ISBN: 92-870-3352-8  
World Trade Report 2005 – ISBN: 92-870-3310-2  
World Trade Report 2004 – ISBN: 92-870-1240-7  
World Trade Report 2003 – ISBN: 92-870-1230-X  
Price: CHF 60.00

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### **International Trade Statistics**

This report provides comprehensive statistics on trade in merchandise and commercial services for an assessment of world trade flows by country, region and main product groups or service categories.

Some 250 tables and charts depict trade developments from various perspectives and provide a number of long-term time series. Major trade developments are summarized and discussed in the first part of the report under Overview. Detailed trade statistics are provided in Appendix tables.

International Trade Statistics 2006 – ISBN 978-92-870-3355-0 – December 2006  
International Trade Statistics 2005 – ISBN 92-870-3313-7 – November 2005  
The International Trade Statistics report is also available on a CD-Rom or online at [http://www.wto.org/english/res\\_e/statis\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e/statis_e.htm).  
Price: CHF 50.00

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### **World Tariff Profiles**

A joint publication of the WTO, ITC, and UNCTAD. This new publication provides a comprehensive picture of bound and applied nominal tariff protection for some 150 countries and territories. The information on each country's market access situation is presented in the form of summary tables which facilitate cross-country comparisons and in country pages with disaggregations by sectors and duty ranges. In addition, a section in the country pages highlights the market access conditions faced in major export markets. A special effort has been undertaken by ITC to convert nearly all of the non-ad valorem duties into ad valorem equivalents. The underlying methodological issues relating to this conversion as well as different aggregation methods for tariff averages and changes in tariff averages are discussed in an annex, which also provides all the technical notes.

ISBN 92-870-3369-7 – May 2007  
Price: CHF 50.00

## Handbooks and guides

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### **A Handbook on the GATS Agreement**

This handbook aims to provide a better understanding of GATS and the challenges and opportunities of the ongoing negotiations. For users who are familiar with the General Agreement on Tariffs and Trade (GATT), similarities and differences are pointed out where relevant. Likewise, for users who are familiar with the balance-of-payments definition of 'trade', departures from the Agreement's coverage are explained. To stimulate further thinking about the core concepts and implications of the Agreement, several text boxes have been included to provide 'food for thought', and at the end of each chapter test questions have been added to recapitulate and ensure understanding of the core content.

May 2005. Co-published with Cambridge University Press.

ISBN: 05-218-5071-1 Hardback

Price: CHF 100.00

ISBN: 05-216-1567-4 Paperback

Price: CHF 45.00

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### **A Handbook on the WTO Dispute Settlement System**

This guide has been prepared by the WTO Secretariat to explain the practices that have arisen in the operation of the WTO dispute settlement system since its entry into force on 1 January, 1995. Its detailed content will be useful to expert practitioners as well as to those wanting to gain a basic understanding of the dispute settlement system.

July 2004. Co-published with Cambridge University Press.

ISBN: 05-216-0292-0 – Paperback

Price: CHF 75.00

ISBN: 0-521-84192-5 – Hardback

Price: CHF 160.00

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### **A Handbook of Anti-Dumping Investigations**

This unique handbook prepared by specialists in the WTO Secretariat covers the major areas arising in anti-dumping investigations as embodied in the relevant WTO provisions. It provides explanations for grasping the intricacies of anti-dumping proceedings. This book will interest anyone dealing with anti-dumping and related issues in international trade.

Co-published with Cambridge University Press.

ISBN: 05-218-3042-7

Price: CHF 144.00

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### **Dictionary of Trade Policy Terms**

This is a guide by the WTO and Cambridge University Press to the vocabulary used in trade negotiations. Its nearly 2000 entries cover in simple language traditional GATT and WTO concepts and terms used in trade-related activities. Co-published with Cambridge University Press.

ISBN: 05-215-3825-4

Price: CHF 48.00

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### **Tariff Negotiations and Renegotiations under the GATT and the WTO – Procedures and Practices**

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 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 before the publication of this book. He offers some conclusions and recommendations. This book will be of particular interest to negotiators including Geneva based delegations, members of government trade ministries, economists, and all academics who specialise in trade policy.

October 2001. Co-published with Cambridge University Press.

ISBN: 05-218-0449-3

Hardback

Price: CHF 110.00

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### **The Internationalization of Financial Services – Issues and Lessons for Developing Countries**

The Internationalization of financial services is an important issue for the strengthening and liberalizing 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. November 2001. Co-published with Kluwer Law International.

ISBN: 90-411-9817-2

Price: CHF 75.00

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### **Guide to the GATS**

This work brings together in one volume the background papers on major service sectors prepared by the WTO Secretariat for the WTO's Council for Trade in Services, in preparation for the new round of negotiations which started in January 2000 and includes the issues which WTO Members need to consider when framing their negotiating positions and objectives for the new round and preparing their industries for a more open trading environment. Co-published with Kluwer Law International.

ISBN: 90-411-9775-3

Price: CHF 60.00

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### **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.

ISBN: 90-411-9804-0

Price: CHF 52.00

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### **Guide to the Uruguay Round Agreements**

This publication is the only official and comprehensive explanation by the WTO of the Uruguay Round treaties. It helps readers to navigate the complexities of well over 20,000 pages of decisions, agreements, and commitments arising out of the negotiations. Co-published with Kluwer Law International.

ISBN: 90-411-1125-5

Price: CHF 50.00

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### **Reshaping the World Trading System – Second edition**

Take 120 government and territories, each bent on vigorously seeking its own self-interest. Give them a mandate to reach agreement on new rules for more open markets – not only for goods but for services and intellectual property as well. And give them a time-limit – four years. It sounds impossible and it almost was. This is the story, told in frank, lively and non-technical terms, of how and why the Uruguay Round came about, what the participant countries sought, and the twists, turns, setbacks and successes of each stage and sector of the negotiations... and how, after seven years, the final achievement in many instances surpassed the original goals. Co-published with Kluwer Law International.

ISBN: 90-411-1126-3

Hardback

Price: CHF 150.00

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**Trade Profiles 2006**

Trade Profiles combine information on trade flows and trade policy measures of Members, Observers and other selected economies. The information is retrieved from various WTO Divisions and external sources and presented in a standardized format for quick reference. The indicators are divided into five categories: Basic Economic indicators; Trade policy indicators; Merchandise trade indicators (customs-based statistics); Commercial services indicators (balance of payments based statistics); and Industrial property indicators.

ISBN 978-92-870-3366-6 – November 2006

Price: CHF 45.00

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**The WTO at Ten: The Contribution of the Dispute Settlement System**

Bringing together articles by some of the leading policy-makers, including previous WTO Director-Generals, practitioners, scholars of international trade law, government officials, international civil servants, members of the WTO Appellate Body, and judges from a number of international tribunals, this volume assesses the first ten years of the World Trade Organization. It examines: the relationship and balance between political governance and dispute settlement; the functioning of the dispute settlement procedures and various reform proposals; the contribution of the Appellate Body to the development of international trade law; and treaty interpretation in a number of international dispute settlement for such as the WTO, the International Court of Justice, the European Court of Justice, and the Tribunal for the Law of the Sea. The book has its origins in a series of events commemorating the tenth anniversary of the creation of the Appellate Body.

ISBN 0-521-86314-7

Price: CHF 140.00

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**Air Transport and the GATS****Documentation for the first air transport review under the General Agreement on Trade in Services (GATS)**

This special compilation describes air transport services from a regulatory and economic point of view, with a special focus on market access questions. Each volume contains original material and up-to-date insights, written on the basis of close cooperation with industry professionals.

The first two publications will be followed at the end of 2007-beginning of 2008 by several volumes containing a Quantitative Air Services Agreements Review (QUASAR), which will provide the first universal and detailed assessment of the degree of openness of the 2000 publicly available bilateral air services agreements and a measure of the traffic they cover. These volumes will be accompanied by a CD-ROM containing a search and visualization software.

1995-2000 In Review – ISBN 978-92-870-3373-4

2000-2005 In Review – ISBN 978-92-870-3384-0

Price: CHF 50.00

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**Managing the Challenges of WTO Participation – 45 Case Studies****Compilation of 45 case studies which documents disparate experiences among economies in addressing the challenges of participating in the WTO**

This compilation of 45 case studies documents disparate experiences among economies in addressing the challenges of participating in the WTO. It demonstrates that success or failure is strongly influenced by how governments and private sector stakeholders organise themselves at home. The contributors, mainly from developing countries, give examples of participation with lessons for others. They show that when the system is accessed and employed effectively, it can serve the interests of poor and rich countries alike. However, a failure to communicate among interested parties at home often contributes to negative outcomes on the international front. Above all, these case studies demonstrate that the WTO creates a framework within which sovereign decision-making can unleash important opportunities or undermine the potential benefits flowing from a rules-based international environment that promotes open trade. Co-published with Cambridge University Press.

ISBN 0-521-67754-8

Price: CHF 80.00

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### **The First Ten Years of the WTO**

This book was commissioned by the World Trade Organization (WTO) as a factual account of the first decade of its existence. It aims to cover the principal activities of the WTO as the successor to GATT and the steps taken to establish a global trading system. Peter Gallagher, the author, is an independent trade analyst and consultant, who records what might be regarded as the WTO's main achievements as well as describing the controversies that have arisen in its first ten years. A useful reference book for policy makers, journalists, members of trade delegations and for everyone who requires a detailed understanding of the workings of the WTO. Co-published with Cambridge University Press.

ISBN 0-521-86215-9

Price: CHF 115.00

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### **Key Issues in WTO Dispute Settlement**

#### **The First Ten Years**

This book examines aspects of the operation of the WTO dispute settlement system during the first ten years of the WTO. It covers a representative cross-section of the issues and situations WTO Members have dealt with under the Dispute Settlement Understanding. The book is unique in that it includes contributions from virtually the entire gamut of actors involved in the day-to-day operation of the WTO dispute settlement system: Member government representatives, private lawyers who litigate on behalf of Member governments in the system, Appellate Body members, Appellate Body Secretariat staff, and WTO Secretariat staff. It also includes contributions from several academics who closely follow and carefully scrutinize all that goes on within the system. It therefore provides fascinating insights into how the system has operated in practice, and how the lessons of the first decade can be applied to make the system even more successful in the years to come. Co-published with Cambridge University Press.

ISBN 0-521-86159-4

Price : CHF 125.00

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## Dispute settlement publications

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### **WTO Appellate Body Repertory of Reports and Awards**

The WTO Appellate Body Repertory of Reports and Awards is the essential research tool for professionals involved in international trade law. Originally developed as an internal research tool to assist the Appellate Body Secretariat in carrying out its duty to provide legal support to Appellate Body Members, the Repertory is now being made available to the public in the hope that it will become a practical tool for officials from WTO Members, academics, students and private practitioners of international trade law and dispute settlement. Co-published with Cambridge University Press.

1995-2005 ISBN 05-218-6602-2

Price: CHF 200.00

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### **A Handbook on the WTO Dispute Settlement System**

This guide has been prepared by the WTO Secretariat to explain the practices that have arisen in the operation of the WTO dispute settlement system since its entry into force on 1 January, 1995. Its detailed content will be useful to expert practitioners as well as to those wanting to gain a basic understanding of the dispute settlement system.

July 2004. Co-published with Cambridge University Press.

ISBN: 05-216-0292-0 Paperback

Price: CHF 75.00

ISBN: 0-521-84192-5 Hardback

Price: CHF 160.00

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### **WTO Dispute Settlement Procedures – 2<sup>nd</sup> Edition**

The 2<sup>nd</sup> edition, co-published with Cambridge, takes into account legal decisions and other legal instruments adopted since 1995. New material has been added, including the 'Working Procedures for Appellate Review', and the 'Rules of Conduct for the DSU'.

In the second edition the provisions on consultation and on dispute settlement in each of the Multilateral Trade Agreements covered by the DSU are now collected together. Older, less relevant material has been removed. The internal text design is somewhat altered too, and cross references between the texts have been extended. Key words within the index have been augmented to reflect the extended coverage. This is the procedural bible for practitioners, academics, students, and all who need to interact with the dispute settlement procedures of the WTO Panels and Appellate Body. Co-published with Cambridge University Press.

ISBN: 05-210-1077-2 Paperback

Price: CHF 50.00

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**Dispute Settlement Reports**

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 Establishing the World Trade Organization Dispute Settlement Reports Complete Set (71 Hardback books). Available through our co-publisher Cambridge University Press.

Volumes 1996-2004  
ISBN 978-05-218-2322-7

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**WTO Dispute Settlement: One-Page Case Summaries (1995 - September 2006)**

This first edition publication offers case-by-case, single page summaries of panel and Appellate Body reports adopted by the WTO Dispute Settlement Body as of 1 September 2006. Intended to facilitate understanding of WTO dispute settlement cases among WTO Members by providing core facts, substantive findings contained in the adopted panel, summaries of key findings on significant procedural matters and, where applicable, Appellate Body reports for each decided case are documented. Other matters of particular significance raised during the proceedings are listed in accompanying footnotes to each case. Cases are indexed by article and by WTO agreement. Prepared by the Legal Affairs Division of the WTO with special assistance from the Rules Division and the Appellate Body Secretariat.

ISBN 978-92-870-3360-4  
Price: CHF 30.00

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**Analysis and special reports**

All publications in this category are available as free downloads on the WTO website.

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**WTO Agreements & Public Health**

This joint study by the World Health Organization and the World Trade Organization Secretariat on 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 Secretariat endeavour to set out the facts.

ISBN 92-870-1223-7  
Price: CHF 30.00

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**Special Study N° 7: Adjusting to Trade Liberalization – The Role of Policy, Institutions and WTO Disciplines**

This study seeks to identify tools at the disposal of governments to smooth adjustment, to minimize an economy's adjustment costs and to alleviate the burden of those who suffer most.

ISBN 92-870-1232-6  
Price: CHF 30.00

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**Special study N° 6: Market Access: Unfinished Business – Post Uruguay Round Inventory**

The study profiles post-Uruguay Round market access conditions in three areas – industrial tariffs, agriculture and services – the latter two of which are already the subject of ongoing negotiations. The detailed study is intended as a comprehensive resource for negotiators and the interested public.

ISBN 92-870-1217-2  
Price: CHF 30.00

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**Special study N° 5: Trade, Income Disparity and Poverty**

A WTO 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.

ISBN 92-870-1215-6  
Price: CHF 30.00

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#### **Special study N° 4: Trade and the Environment**

This study by the WTO addresses several key questions related to the environment. The study shows that trade could play a positive role in the diffusion of environment-friendly technologies around the world and is backed up by the five case studies on chemical-intensive agriculture, deforestation, global warming, acid rain, and overfishing.

ISBN 92-870-1211-3

Price: CHF 30.00

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#### **Special study N° 3: Trade, Finance and Financial Crises**

This study by the WTO explains the basic links between trade and the financial sector, and how financial crises are interrelated with trade. This study also includes case studies on past financial crises.

ISBN 92-870-1210-5

Price: CHF 30.00

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#### **Special Study N° 2: Electronic Commerce and the role of the WTO**

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This paper seeks to clarify how the WTO is part of the national and international effort to address some of the challenges raised by these relationships. It reviews some of the theoretical links and existing literature on the subject, and analyses practical steps and priorities that are directly addressed in the newly established Working Group on Trade, Debt and Finance .

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This paper, written under the exclusive responsibility of a staff member of the WTO Secretariat in a personal capacity, assesses some of the possibilities with respect to the potential impact of trade liberalization in the textiles and clothing sector with the end of import quotas on 1 January 2005.

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ISBN 92 870 1231 8  
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Surveillance of national trade policies is a fundamentally important activity running throughout the work of the WTO. At the centre of this work is the Trade Policy Review Mechanism (TPRM). All WTO members are reviewed, the frequency of each country's review varies according to its share of world trade.

More information on the WTO website at: [http://www.wto.org/english/tratop\\_e/tpr\\_e/tpr\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm)

Trade Policy Reviews are co-published with Bernan Press.

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Congo

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Togo

Chinese Taipei

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United Arab Emirates

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Angola

Israel

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#### **Dispute Settlement**

This training module is aimed at anyone who needs a basic understanding of the dispute settlement system. It was developed by WTO specialists on dispute settlement and includes interactive tests which allow you to measure your progress in learning the content. In addition to the course material itself, you will find links to reference documents, such as legal texts and other official WTO documents. There is also a popup glossary for related terms.

February 2005

Trilingual

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#### **General Agreement on Trade in Services**

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#### **Agreement on Sanitary and Phytosanitary Measures**

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Trilingual

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#### **WTO Agreements on CD-ROM: The Legal Texts and Schedules: Services**

This CD-ROM, co-published with Cambridge University Press, contains the updated schedules of services commitments and/or MFN exemptions for WTO member countries to the year 2000 in English, plus the English, French and Spanish versions of the WTO Legal Texts. Co-published with Cambridge University Press.

ISBN 05-217-9645-8

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#### **CD-ROM: WTO Analytical Index – Guide to WTO Law & Practice**

Researchers can use this CD-ROM as a guide to the to the interpretation and application of findings and decisions of WTO panels, the WTO Appellate Body, and other WTO bodies. This CD-ROM presents the text of the particular articles or agreements; chronologically arranged excerpts of relevant jurisprudence and decisions; discussions of the relationships to other articles and WTO agreements; and cross-references to the GATT Analytical Index when applicable. March 2004. Co-published with Bernan Press.

ISBN 08-905-9863-0

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#### **CD-ROM: GATT Analytical Index – Guide to GATT Law and Practice**

The GATT's own article-by-article handbook on the General Agreement, describing the drafting history, interpretation and application of the rules, based on official documentary records. The 6th edition is the most complete and up-to-date presentation of GATT law: it spans 1945 to the end of 1994, when the World Trade Organization was established. It includes decisions by GATT bodies, the many interpretations of GATT law made by dispute settlement panels, and a new chapter on institutional and procedural matters. Thoroughly researched, each chapter analyses precedents and practice, and presents the relevant material in the original text, with full documentary references.

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ISBN 978-92-870-3410-6

Price : CHF 20.00

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ISBN 92-870-3337-4

Price: CHF 60.00

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## Free publications

All free publications can be downloaded from the WTO website. If you require print versions, please email [free@wto.org](mailto:free@wto.org).

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### **The Future of the WTO**

The Future of the WTO" is a Report by the Director-General's Consultative Board on the future of the multilateral trading system, including recommendations on reforms.

Available in English, French and Spanish. January 2005

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### **Trade and Environment at the WTO**

Developed to assist public understanding of the trade and environment debate in the WTO, this document briefly presents its history and focuses on trade and environment related issues within the Doha mandate, the effects of trade liberalization on the environment, the relationship between multilateral environmental agreements and the WTO, and a review of trade disputes involving environmental issues. May 2004

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An introduction to the WTO, what it is, why it was created, how it works, and what it does. You can browse the html version on the WTO website.

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This booklet contains 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.

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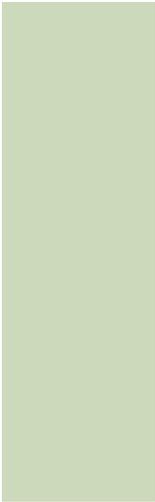
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## **Chapter Three**

### **ORGANIZATION, SECRETARIAT AND BUDGET**

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# Organization, Secretariat and Budget

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## 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 150 Members, accounting for 90% of world trade (see inside cover for a complete list of Members). 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.

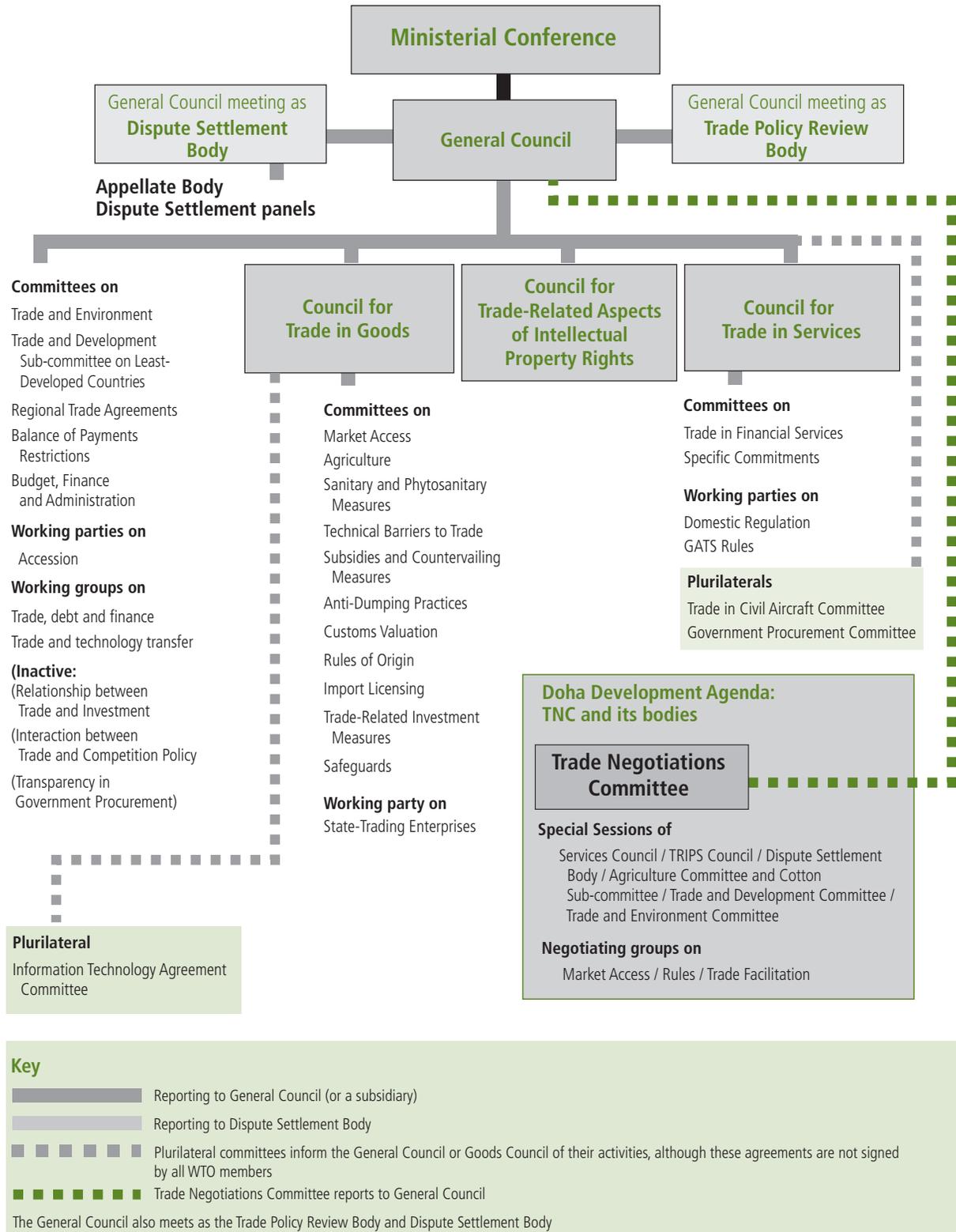
The WTO's top level decision-making body is the Ministerial Conference, which meets at least once every two years. In the intervals between sessions of the Ministerial Conference, the highest-level WTO decision-making body is the General Council where Members are usually represented by ambassadors or 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.

A Trade Negotiations Committee (TNC) was set up by the Doha Declaration at the Fourth WTO Ministerial Conference in 2001. The Declaration provides the mandate for negotiations in the TNC and its subsidiaries.

## WTO Structure

All WTO Members may participate in all councils, committees, etc, except Appellate Body, Dispute Settlement panels, and plurilateral committees.



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## Secretariat

The WTO Secretariat, with offices only in Geneva, has 625 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 includes individuals representing about 70 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.

**WTO Secretariat  
Organization Chart – March 2007**

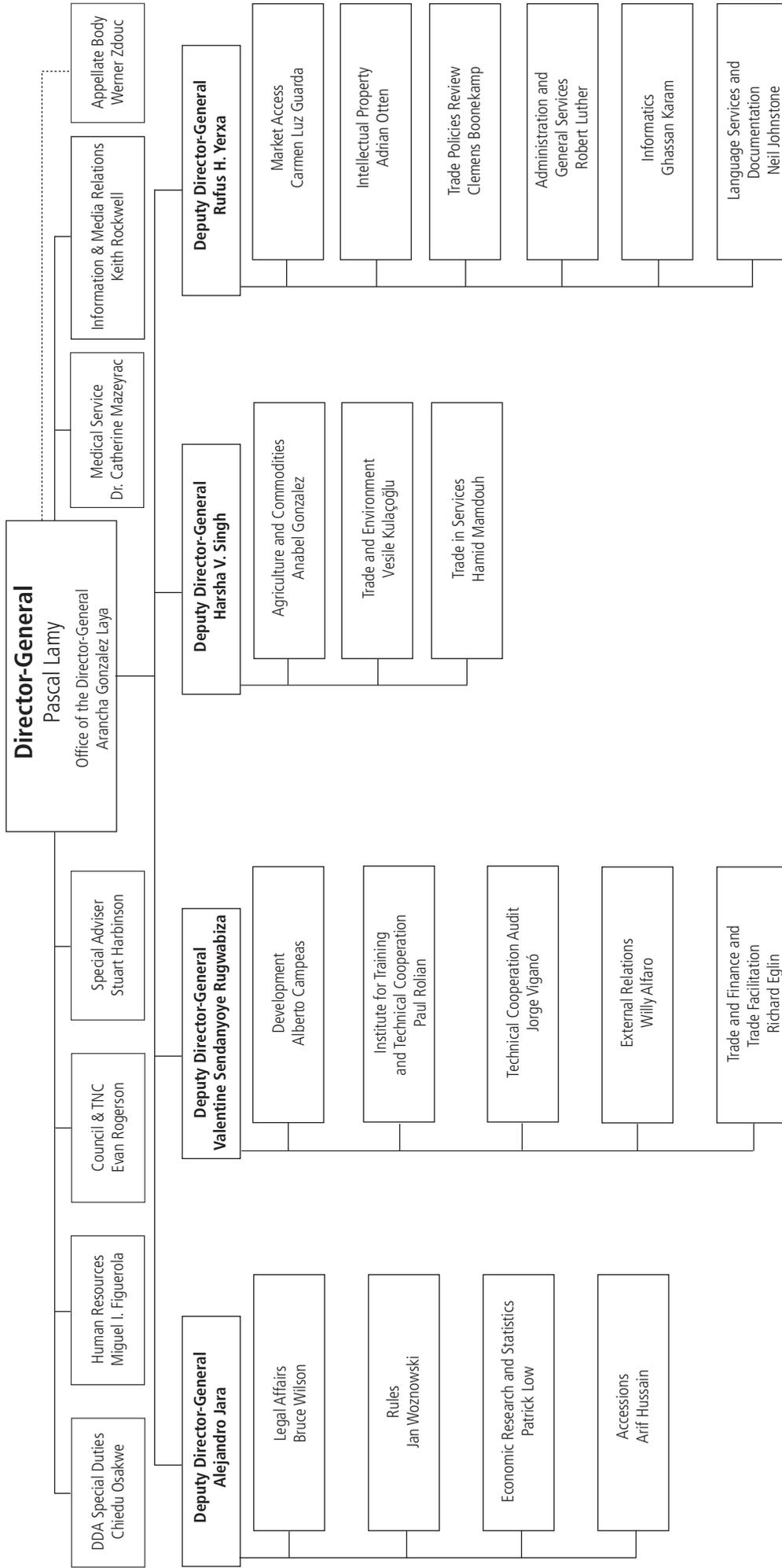


Table III.1

**WTO staff on regular budget by gender and nationality as of March 2007**

<b>Country</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>
Argentina	2	5	7
Australia	4	5	9
Austria	2	2	4
Belgium	4	1	5
Benin		1	1
Bolivia	2	1	3
Brazil	3	5	8
Bulgaria		1	1
Canada	8	17	25
Chile	3	2	5
China	3	2	5
Colombia	2	5	7
Congo, the Democratic Republic of the		1	1
Costa Rica	2	1	3
Côte d'Ivoire		1	1
Cuba	1	1	2
Denmark	1	1	2
Ecuador		1	1
Egypt	2	3	5
Estonia	1		1
Finland	1	3	4
France	101	77	178
Germany	5	12	17
Ghana		1	1
Greece	2	2	4
Honduras	1		1
Hong Kong, China	1		1
Hungary		1	1
India	3	10	13
Ireland	10	2	12
Italy	6	7	13
Japan	1	2	3
Korea, Republic of	1	1	2
Lesotho		1	1
Malawi		1	1
Malaysia	1	2	3
Mauritius		2	2
Mexico	2	4	6
Morocco	1	1	2
Netherlands	2	4	6

Country	Women	Men	Total
New Zealand	1	3	4
Nigeria		1	1
Norway		2	2
Paraguay	1		1
Peru	3	4	7
Philippines	4	5	9
Poland	2	3	5
Portugal		1	1
Romania	2		2
Rwanda	1	1	2
Saint Lucia	1		1
Senegal		2	2
Slovenia	1		1
South Africa		1	1
Spain	30	16	46
Sri Lanka	2	2	4
Sweden	2	2	4
Switzerland	22	13	35
Tanzania	1		1
Thailand	1	1	2
Trinidad and Tobago	1		1
Tunisia	2	3	5
Turkey	2	1	3
Uganda	1		1
United Kingdom	57	20	77
United States of America	21	8	29
Uruguay		6	6
Venezuela	1	3	4
Zimbabwe	1		1
<b>Total</b>	<b>338</b>	<b>287</b>	<b>625</b>

Table III.2

**Distribution of staff positions within the WTO's various divisions**

<b>Division</b>	<b>Regular Staff</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Grand Total</b>
Director-General			1	1
Office of the Director-General	16.5	2		18.5
Offices of the Deputy Directors-General	5	1	4	10
Accessions Division	7.8	1		8.8
Administration and General Services Division	74.5	1		75.5
Agriculture & Commodities Division	16	1		17
Council and TNC Division	12.5	1		13.5
Development Division	11	1		12
Doha Development Agenda (DDA) Special Duties Division	1	1		2
Economic Research and Statistics Division	48	2		50
External Relations Division	8.8	1		9.8
Human Resources Division	17.6	1		18.6
Informatics Division	37	1		38
Information & Media Relations Division	21	1		22
Institute for Training and Technical Cooperation	28	1		29
Intellectual Property Division	12	1		13
Language Services & Documentation Division	161.5	1		162.5
Legal Affairs Division	15.8	1		16.8
Market Access Division	11	1		12
Rules Division	18	1		19
Technical Cooperation Audit	1.5			1.5
Trade & Environment Division	7	1		8
Trade and Finance, Trade Facilitation Division	8.4	1		9.4
Trade in Services Division	16	1		17
Trade Policies Review Division	36.6	1		37.6
Appellate Body	14	1		15
<b>Grand Total</b>	<b>606.5</b>	<b>26</b>	<b>5</b>	<b>637.5*</b>

\* Regular budget posts, including posts not yet filled

Table III.3

## WTO staff on regular budget by grade and gender within each division as of March 2007

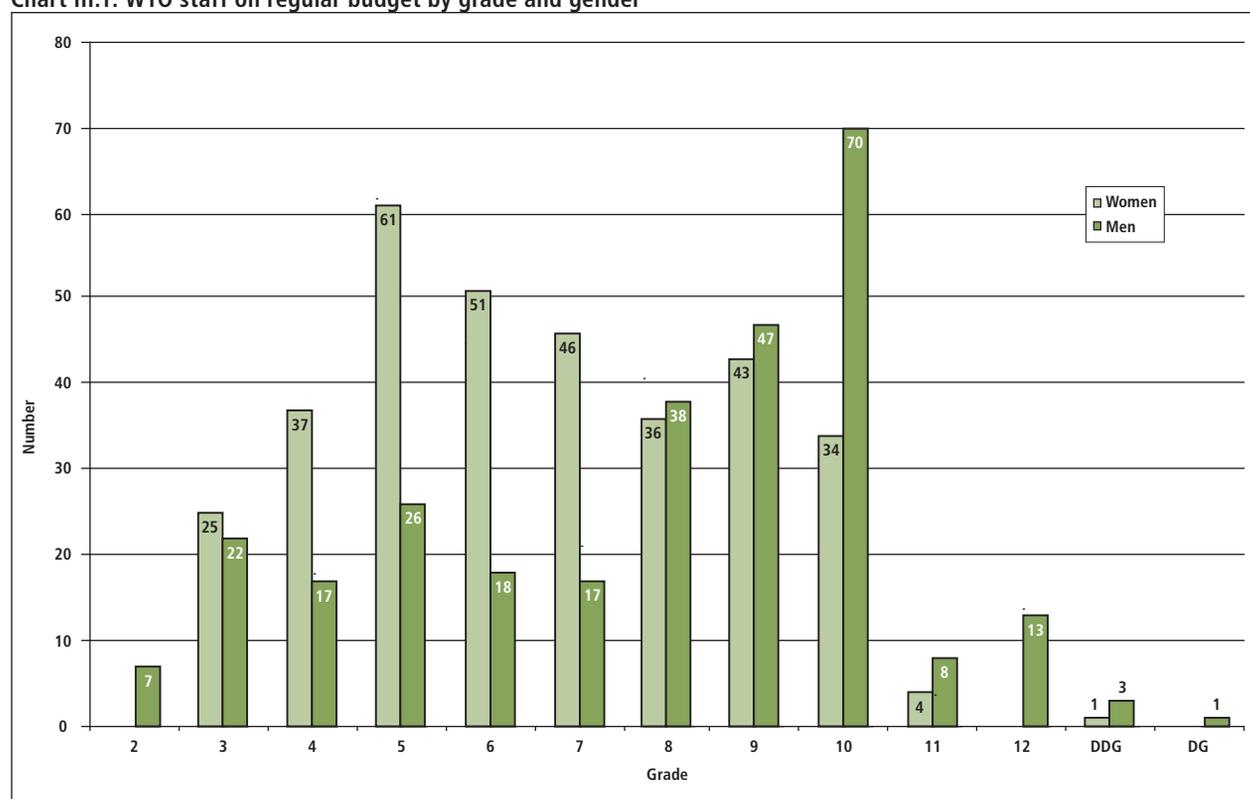
Division	Gender	Grades												DDG	DG	Total	
		2	3	4	5	6	7	8	9	10	11	12					
<b>Director-General</b>																	
Appellate Body	Women			1	1	1	3			1							7
	Men						2		1	3	1						7
Council and TNC Division	Women		1		2		2		2	1							8
	Men									4		1					5
DDA Special Duties Division	Men					1						1					2
Human Resources Division	Women		4		4	1	3	2	1	1							16
	Men							1				1					2
Information and Media Relations Division	Women		2		3	2	2	3									12
	Men		1		2	1		2		4		1					11
Medical Unit	Women			1			1			1							3
Office of the Director-General	Women			1	2	2	1		1	2							9
	Men		1						4							1	6
Special Advisor	Women					1											1
	Men											1					1
<b>Deputy Director-General 1</b>																	
Office of Deputy Director-General 1	Women			1													1
	Men													1			1
Accessions Division	Women			1		2	1	1									5
	Men							1		2		1					4
Economic Research and Statistics Division	Women		1	2	2	1	2	3	5	2							18
	Men			2	2	3	2	7	5	7	1	1					30
Legal Affairs Division	Women			1		2	3	1		1							8
	Men					1		1	2	3	1						8
Rules Division	Women		1	1			1	2	1	3							9
	Men							1	2	4		1					8
<b>Deputy Director-General 2</b>																	
Office of Deputy Director-General 2	Women					1									1		2
Development Division	Women			1		1	1	1	1	1							6
	Men							2		2		1					5
External Relations Division	Women		1	1	1	1	1	1	1								7
	Men								1	1	1						3
Institute for Training and Technical Cooperation	Women			3	4	2	2	3		1							15
	Men							1	5	8		1					15
Technical Cooperation Audit Division	Men		1							1							2
Trade and Finance and Trade Facilitation Division	Women		1		1		1		3	1							7
	Men								1	1		1					3
<b>Deputy Director-General 3</b>																	
Office of Deputy Director-General 3	Women					1											1
	Men													1			1
Agriculture and Commodities Division	Women			2		2	2	3	3		2						14
	Men						1		1	2							4
Trade and Environment Division	Women				1		1	1	1	1	1						6
	Men								1	1							2
Trade in Services Division	Women		1	1	2	1		1		2							8
	Men							1	3	5		1					10
<b>Deputy Director-General 4</b>																	
Office of Deputy Director-General 4	Women					1											1
	Men													1			1
Administration and General Services Division	Women		1	4	11	3	1	2	3	1							26
	Men		7	13	10	9	5	3	1	2	3	1					54
Informatics Division	Women				1	3	1	2	1								8
	Men				5	3	6	7	5	3		1					30

Table III.3

## WTO staff on regular budget by grade and gender within each division as of March 2007

Division	Gender	Grades												DDG	DG	Total
		2	3	4	5	6	7	8	9	10	11	12				
Language Services and Documentation Division	Men							1	3		1					5
	Women		10	10	20	21	11	8	14	10						104
Market Access Division	Men		5	5	7	3	2	8	11	3	1					45
	Women			1	2	1	1			2	1					8
Trade Policies Review Division	Men							1	1	2						4
	Women		1	5	2	1	3	2	5	1						20
	Men		1		1	1	1	3	2	8		1			18	
<b>Total</b>		<b>7</b>	<b>47</b>	<b>54</b>	<b>87</b>	<b>69</b>	<b>63</b>	<b>74</b>	<b>90</b>	<b>104</b>	<b>12</b>	<b>13</b>	<b>4</b>	<b>1</b>	<b>625</b>	

Chart III.1: WTO staff on regular budget by grade and gender



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

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#### 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 nearly 30 accession working parties in operation.

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#### Agriculture and Commodities Division

The division handles all matters related to the ongoing negotiations on agriculture and provides support to Members' implementation of the Agreement on Agriculture as well as the Agreement on the Application of Sanitary and Phytosanitary Measures. For example, in the course of 2006, the division undertook several trade-related technical assistance and capacity building activities designed to assist Members in implementing existing commitments under the Uruguay Round Agreements and in fully participating in the ongoing negotiations under the Doha Development Agenda. Thus, the division organized and provided regional and national activities on technical assistance worldwide, sometimes carried out with the involvement of a number of other international organizations. The division is also in charge of the secretariat of the Standards and Trade Development Facility (STDF), which is a financing and a co-ordinating mechanism to assist developing countries for complying with international SPS standards. The STDF has been jointly established by the WTO, the Food and Agriculture Organization (FAO), the World Organization for Animal Health (OIE), the World Bank and the World Health Organization (WHO). Divisional staff further provides technical and substantive advice for dispute settlement in the areas of agriculture and SPS.

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#### 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 Basic Instruments and Selected Documents (BISD) supplements and for derestriction of documents.

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#### Development Division

The Development Division is the focal point for all developmental policy issues and assists 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 Working Group on Trade and Transfer of Technology. It services the Sub-Committee on LDCs. In 2006, it continued to be 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).

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#### Doha Development Agenda Special Duties Division

The DDA/SDD is responsible for the development assistance aspects of the cotton issue. It is also responsible for other DDA development-related substantive issues as directed by the Director-General. The division undertakes assignments, as determined by the Director-General, on selected issues relating to membership groups such as the G-90 and the African Group. The division works in close cooperation with the relevant Deputy Directors-General and Directors of existing operational divisions on a range of development-oriented issues and specific assignments. The purpose is to achieve an enhanced and sharper focus on the range of specific development issues through a more direct engagement by the Office of the Director-General, to which the division directly reports.

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### **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 among countries.

The division prepares the annual flagship publication, the World Trade Report, and is also responsible for the working papers, discussion papers and special studies series of publications. 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 the online database on the Statistics Gateway of the WTO Internet site. It also publishes trade profiles of individual economies combining information on trade flows with trade policy measures. Starting 2007, a new publication on World Trade Profiles provides analytical indicators related to the tariff structure of WTO Members, as well as non-Members.

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 on statistics of international trade in services. 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.

The WTO Library supports WTO activities and research through its print and electronic collection of documents; provision of an online public access catalogue; bibliographic reference services including Internet research; inter-library loans; depository for national statistics from Member and non-Member countries as well as specific product statistics.

The Library is the depository of GATT/WTO documents and publications and for printed archives of the WTO.

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### **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.

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### **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 Centers with Internet connectivity and with training. The Institute manages trust funds provided by individual donor countries for the purpose of training and technical cooperation.

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### **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).

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### **Market Access Division**

The division works with the following WTO bodies: Council for Trade in Goods: oversees the multilateral trade agreements and ministerial decisions covering the goods sector and takes actions on the issues raised by the various committees which report to it. Servicing the Council includes the organization of formal meetings. The division also arranges informal meetings/consultations prior to formal meetings.

Committee on Market Access: supervises the implementation of concessions relating to tariffs and non-tariff measures; provides a forum for consultation on matters relating to tariffs and non-tariff measures; oversees the application of procedures for modification or withdrawal of tariff concessions; ensures that WTO Schedules are kept up-to-date, and that modifications, including those resulting from changes in tariff nomenclature, are reflected; conducts the updating and analysis of the documentation on quantitative restrictions and other non-tariff measures, in accordance with the timetable and procedures agreed by the GATT CONTRACTING PARTIES in 1984 and 1985 (BISD 31S/227 and 228, and BISD 32S/92 and 93); oversees the content and operation of, and access to, the Integrated Data Base and will do the same for the future Consolidated Tariff Schedules Database.

Committee on Customs Valuation: Monitor and review annually the implementation of the Customs Valuation Agreement; provide service to the Committee on Customs Valuation; organizing, managing the WTO program 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: carrying out the harmonization work programme on non-preferential rules of origin; provide service to the Committee on Rules of Origin; providing information and advice to delegations, private parties and other divisions in the Secretariat on matters relating to rules of origin.

Committee on Import Licensing: Monitoring and reviewing the implementation and operation of the Agreement on Import Licensing Procedures; providing 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): providing 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.

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### **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).

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#### **Technical Cooperation Audit Division**

Its responsibility is to ensure ongoing monitoring and evaluation of all forms of technical assistance provided by the WTO.

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#### **Trade and Environment Division**

The division provides service and support to WTO Committees dealing with trade and environment and technical barriers to trade. This includes the Committee on Trade and Environment in regular session (CTE Regular; dealing with the original work agenda set out in the 1994 Marrakesh Decision on Trade and Environment as well as non-negotiating issues of the DMD (Paragraphs 32, 33 and 51)); the Committee on Trade and Environment in special session (CTESS; dealing with the trade and environment-related negotiations mandated under Paragraph 31 of the DMD), and the Committee on Technical Barriers to Trade (TBT Committee; overseeing implementation and operation of the TBT Agreement and responsible for periodic reviews in this regard).

In addition to servicing the above bodies, the division serves as focal point for trade and environment- and TBT-related issues. This entails the following types of activities: undertaking technical assistance work as decided by Members; providing expert advice to Members in Geneva and capitals; attending and reporting on trade and environment- and TBT-related discussions in other fora; maintaining contacts and dialogue with NGOs and other stakeholders; and contributing to the work of dispute panels addressing matters falling within the division's ambit.

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#### **Trade and Finance and Trade Facilitation Division**

The division services the needs of WTO Members and WTO management in supporting the work of the Committees on Balance-of-Payment Restrictions and on Trade-Related Investment Measures, the Negotiating Group on Trade Facilitation, the Working Groups on Trade, Debt and Finance and on Trade and Investment, the WTO's Work Programme on Aid for Trade, and General Council meetings on Coherence in Global Economic Policy-making. The Division is also responsible for overseeing the cooperation agreements between the WTO and the Bretton Woods Institutions (IMF and the World Bank). The division contributes to the work of dispute panels addressing matters falling under its responsibility and provides technical assistance and expert advice to Members in Geneva and in capitals.

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#### **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.

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#### **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. The division also supports the work of the Committee on Regional Trade Agreements.

## Information and Liaison Divisions

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### **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 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 extensive 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](http://www.wto.org)) is accessible by journalists from around the world, while the main Internet site is accessed by over one million users every month from more than 170 countries. Webcasting on the Internet is used for news events and to increase public access to special events such as ministerial meetings and symposia.

## Support Divisions

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### **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) logistical issues related to the physical facilities, and (c) 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 pension arrangements; providing information to senior management; and assisting the host country in the preparation of WTO Ministerial Conferences.

### **Human Resources Division**

The division is responsible for human resources management of over 700 WTO staff members (regular and temporary) in its Geneva-based Secretariat. The responsibilities span division restructuring, performance management, including development and training, workforce planning, recruitment and selection, as well as career management (internal career mobility, transitions and exit); and management of staff benefits and entitlements. Its objective is to respond to the evolving needs of the WTO, aligning its workforce and providing strategic advisory services to the staff and to WTO Members.

### **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 Strategy. 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, email, Intranet, Internet, mainframe, client/server systems, Web systems, remote access, IT training, etc.). In relation with the creation of WTO Reference Centers in the capitals of LDC and developing countries, the division provides IT expertise and participates in technical cooperation missions.

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### **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. LSDD ensures WTO documents, publications and electronic materials are available to the public and to Members in the three WTO working languages – English, French and Spanish.

### **WTO Appellate Body and its Secretariat**

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#### **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.

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## **WTO Budget 2007**

The WTO derives most of the income for its annual budget from contributions by its 150 Members. These are established according to a formula based on their share of international trade. The list of Members' contributions for 2007 can be found in Table III.6. 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's total budget for the year 2007 is as follows:

- 2007 Budget for the WTO Secretariat: CHF 176,865,250 (Table III.4)
- 2007 Budget for the Appellate Body and its Secretariat: CHF 5,111,200 (Table III.5)
- Total WTO Budget for the year 2007: CHF 181,976,450.

Table III.4

**WTO Secretariat budget for 2007**

<b>Part</b>	<b>Section</b>	<b>Line</b>	<b>Revised Budget 2007 in CHF</b>	
<b>A</b>	Sect 1 Work Years	(a) Salary	82,528,400	
		(b) Pension	16,609,900	
		(c) Common Staff Costs	15,755,200	
		(d) Restructuring Plan	1,000,000	
		Sect 2 Temporary Assistance		13,749,800
<b>B</b>	Sect 3 Communications	(a) Telecommunications	728,000	
		(b) Postal Charges	1,305,000	
	Sect 4 Building Facilities	(a) Rental	345,000	
		(b) Utilities	1,662,000	
		(c) Maintenance and Insurance	1,656,000	
		Sect 5 Permanent Equipment		2,320,100
		Sect 6 Expendable		1,165,500
	Sect 7 Contractual Services	(a) Reproduction	1,400,000	
		(b) Office Automation	2,577,200	
		(c) Other	257,000	
		(d) Security Outsourcing	2,880,000	
	<b>C</b>	Sect 8 Staff Overheads	(a) Training	1,025,000
			(b) Insurance	2,292,500
(c) Joint Services			212,000	
(d) Miscellaneous			30,000	
Sect 9 Missions		(a) Missions Official	1,296,000	
		(b) Missions Technical	1,503,000	
		Sect 10 Trade Policy Courses		3,541,000
Sect 11 Various		(a) Representation and Hospitality	283,000	
		(b) Dispute Settlement Panels	1,317,000	
		(c) Experts	50,000	
		(e) Library	613,700	
		(f) Publications	470,000	
		(g) Public Information Activities	320,000	
	(h) External Auditors	40,000		
	(i) Ministerial Operating Fund	600,000		
	(j) ISO	57,000		
	(k) Other	80,000		
	(m) Security Enhancement Programme	330,000		
	Sect 12 Unforeseen		100,000	
<b>D</b>	Sect 13 ITC		16,765,950	
<b>Grand Total</b>			<b>176,865,250</b>	

Table III.5

**2007 budget for the Appellate Body and its Secretariat (in Swiss francs)**

Part	Section	Line	Revised Budget 2007 in CHF	
A	Sect 1 Work Years	(a) Salary	2,013,000	
		(b) Pension	406,500	
		(c) Common Staff Costs	379,500	
		Sect 2 Temporary Assistance		65,600
B	Sect 3 Communications	(a) Telecommunications	6,500	
	Sect 4 Building Facilities	(b) Utilities	13,000	
		(c) Maintenance and Insurance	5,000	
	Sect 5 Permanent Equipment		39,000	
	Sect 6 Expendable		20,000	
	Sect 7 Contractual Services	(a) Reproduction	15,000	
C	Sect 8 Staff Overheads	(a) Training	25,000	
		(b) Insurance	12,000	
		(d) Miscellaneous	2,000	
	Sect 9 Missions	(a) Missions Official	10,000	
	Sect 11 Various	(a) Representation and Hospitality	1,000	
		(d) Appellate Body Members	688,100	
		(e) Library	10,000	
		(l) Appellate Body Operating Fund	1,400,000	
	<b>Grand Total</b>			<b>5,111,200</b>

Table III.6

**Members' contributions to the WTO budget and the budget of the Appellate Body, 2007** (Minimum contribution of 0.015 per cent)

Members	%	CHF
Albania	0.0190%	34,295
Angola	0.1010%	182,305
Antigua and Barbuda	0.0150%	27,075
Argentina	0.3370%	608,285
Armenia	0.0150%	27,075
Australia	1.1190%	2,019,795
Austria	1.4020%	2,530,610
Bahrain	0.0790%	142,595
Bangladesh	0.1040%	187,720
Barbados	0.0170%	30,685
Belgium	2.6360%	4,757,980
Belize	0.0150%	27,075
Benin	0.0150%	27,075
Bolivia	0.0230%	41,515

<b>Members</b>	<b>%</b>	<b>CHF</b>
Botswana	0.0320%	57,760
Brazil	0.8720%	1,573,960
Brunei Darussalam	0.0410%	74,005
Bulgaria	0.1200%	216,600
Burkina Faso	0.0150%	27,075
Burundi	0.0150%	27,075
Cambodia	0.0350%	63,175
Cameroon	0.0290%	52,345
Canada	3.6780%	6,638,790
Central African Republic	0.0150%	27,075
Chad	0.0150%	27,075
Chile	0.2960%	534,280
China, People's Republic of	4.7250%	8,528,625
Colombia	0.1920%	346,560
Congo	0.0210%	37,905
Costa Rica	0.0920%	166,060
Côte d'Ivoire	0.0600%	108,300
Croatia	0.1560%	281,580
Cuba	0.0570%	102,885
Cyprus	0.0680%	122,740
Czech Republic	0.6120%	1,104,660
Democratic Republic of the Congo	0.0150%	27,075
Denmark	0.9750%	1,759,875
Djibouti	0.0150%	27,075
Dominica	0.0150%	27,075
Dominican Republic	0.1090%	196,745
Ecuador	0.0820%	148,010
Egypt	0.2400%	433,200
El Salvador	0.0590%	106,495
Estonia	0.0750%	135,375
European Communities	0.0000%	–
Fiji	0.0150%	27,075
Finland	0.6070%	1,095,635
Former Yugoslav Republic of Macedonia	0.0240%	43,320
France	4.9550%	8,943,775
Gabon	0.0280%	50,540
Gambia	0.0150%	27,075
Georgia	0.0160%	28,880
Germany	8.7930%	15,871,365
Ghana	0.0390%	70,395
Greece	0.4830%	871,815
Grenada	0.0150%	27,075
Guatemala	0.0640%	115,520

<b>Members</b>	<b>%</b>	<b>CHF</b>
Guinea	0.0150%	27,075
Guinea-Bissau	0.0150%	27,075
Guyana	0.0150%	27,075
Haiti	0.0150%	27,075
Honduras	0.0370%	66,785
Hong Kong, China	3.0270%	5,463,735
Hungary	0.5660%	1,021,630
Iceland	0.0430%	77,615
India	0.8300%	1,498,150
Indonesia	0.7730%	1,395,265
Ireland	1.2780%	2,306,790
Israel	0.5300%	956,650
Italy	3.9900%	7,201,950
Jamaica	0.0490%	88,445
Japan	5.7780%	10,429,290
Jordan	0.0660%	119,130
Kenya	0.0420%	75,810
Korea, Republic of	2.5300%	4,566,650
Kuwait	0.2120%	382,660
Kyrgyz Republic	0.0150%	27,075
Latvia	0.0570%	102,885
Lesotho	0.0150%	27,075
Liechtenstein	0.0240%	43,320
Lithuania	0.1000%	180,500
Luxembourg	0.3680%	664,240
Macao, China	0.0720%	129,960
Madagascar	0.0150%	27,075
Malawi	0.0150%	27,075
Malaysia	1.2630%	2,279,715
Maldives	0.0150%	27,075
Mali	0.0150%	27,075
Malta	0.0440%	79,420
Mauritania	0.0150%	27,075
Mauritius	0.0350%	63,175
Mexico	2.2160%	3,999,880
Moldova	0.0150%	27,075
Mongolia	0.0150%	27,075
Morocco	0.1600%	288,800
Mozambique	0.0180%	32,490
Myanmar, Union of	0.0310%	55,955
Namibia	0.0210%	37,905
Nepal	0.0170%	30,685
Netherlands	3.3570%	6,059,385

<b>Members</b>	<b>%</b>	<b>CHF</b>
New Zealand	0.2510%	453,055
Nicaragua	0.0210%	37,905
Niger	0.0150%	27,075
Nigeria	0.2220%	400,710
Norway	0.8430%	1,521,615
Oman	0.1200%	216,600
Pakistan	0.1580%	285,190
Panama	0.0940%	169,670
Papua New Guinea	0.0230%	41,515
Paraguay	0.0340%	61,370
Peru	0.1220%	220,210
Philippines	0.4800%	866,400
Poland	0.8030%	1,449,415
Portugal	0.5410%	976,505
Qatar	0.1190%	214,795
Romania	0.2340%	422,370
Rwanda	0.0150%	27,075
Saint Lucia	0.0150%	27,075
Saudi Arabia, Kingdom of	0.7930%	1,431,365
Senegal	0.0200%	36,100
Sierra Leone	0.0150%	27,075
Singapore	2.1000%	3,790,500
Slovak Republic	0.2010%	362,805
Slovenia	0.1670%	301,435
Solomon Islands	0.0150%	27,075
South Africa	0.4860%	877,230
Spain	2.5650%	4,629,825
Sri Lanka	0.0840%	151,620
St. Kitts and Nevis	0.0150%	27,075
St. Vincent and the Grenadines	0.0150%	27,075
Suriname	0.0150%	27,075
Swaziland	0.0190%	34,295
Sweden	1.3370%	2,413,285
Switzerland	1.4060%	2,537,830
Chinese Taipei	1.9330%	3,489,065
Tanzania	0.0240%	43,320
Thailand	1.0110%	1,824,855
Togo	0.0150%	27,075
Trinidad and Tobago	0.0500%	90,250
Tunisia	0.1270%	229,235
Turkey	0.7590%	1,369,995
Uganda	0.0150%	27,075
United Arab Emirates	0.5750%	1,037,875

<b>Members</b>	<b>%</b>	<b>CHF</b>
United Kingdom	5.4830%	9,896,815
United States	14.8520%	26,807,860
Uruguay	0.0390%	70,395
Venezuela	0.3020%	545,110
Zambia	0.0150%	27,075
Zimbabwe	0.0260%	46,930
<b>TOTAL</b>	<b>100.00%</b>	<b>180,500,000</b>

Contributions are determined according to each Member's share of international trade (%), based on trade in goods, services and intellectual property rights for the last five years for which data is available. There is a minimum contribution of 0.015% for Members whose share in the total trade of all Members is less than or equal to 0.015%.

Table III.7

#### **Estimated miscellaneous income for 2007**

<b>Miscellaneous Income</b>	<b>2007 Estimates CHF</b>
Sale of publications	300,000
Profit or (loss) on exchange	
Savings on previous year's outstanding obligations	120,000
Rental of meeting rooms, office space and parking at Centre William Rappard to others	150,000
Contributions of Observer Countries	700,000
Other:	
– Interest on Current Account	40,000
– Various	166,450
<b>TOTAL</b>	<b>1,476,450</b>

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## Notes

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